NOTICE OF 2020 ANNUAL MEETING
OF SHAREHOLDERS AND MANAGEMENT
PROXY CIRCULAR
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LETTER FROM THE CHAIRMAN AND
THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

May 4, 2020

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Thursday, June 25, 2020 at 10:30 a.m. (Eastern time). This year, to proactively deal with the unprecedented public health impact of COVID-19 and in consideration of the risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will hold our annual meeting in a virtual only format, which will be conducted via a live webcast online at https://aircanada.com/AGM. At this website, shareholders will be able to hear the meeting live, submit questions and vote their shares on all items of business while the meeting is being held.

We hope that hosting a virtual meeting helps enable greater participation by our shareholders by allowing shareholders that might not otherwise be able to travel to a physical meeting to attend online while minimizing the health risk that is associated with large physical gatherings. The vast majority of our shareholders vote in advance of the meeting by proxy using the various available voting channels and these voting channels will continue to be available. We encourage shareholders to continue to vote in advance by proxy.

Detailed instructions about how to participate at our virtual meeting and a description of the items of business to be considered at the meeting can be found in the notice of annual meeting of shareholders and the accompanying management proxy circular. Registered shareholders will be able to sign in to the meeting using the control number provided with meeting materials. Beneficial shareholders can appoint themselves or a proxyholder to participate in the online meeting. Please carefully read the steps required to first appoint yourself or a proxyholder and then contact our transfer agent in order to receive your online meeting credentials as fully described in the circular.

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

At the meeting, we will present management’s report for 2019 and discuss our corporate priorities for 2020. These are unprecedented tumultuous times for our industry given the early and abrupt 2020 onset of the global COVID-19 pandemic and resultant cessation of virtually all commercial aviation activity globally.

We recognize the impact that these unprecedented times have had on our customers, employees, shareholders, communities, and suppliers, among others. Throughout our history, we have always endeavored to serve our stakeholders, in good, and in more challenging times. Now is no different. As a global citizen, we are committed to doing our part to help the world recover from this global crisis. Our actions during this pandemic reflect the strength of our culture and our deeply embedded core values.

Although too early to predict the pandemic’s full impact upon the airline industry, it has already severely damaged the industry and many other businesses of the broader economy. Air Canada though is better prepared to withstand this crisis than most carriers in the world given that we started
2020 with a strong liquidity position of $7.4 billion which, however, declined about $900 million in the first quarter of 2020 given COVID-19. In addition, we have a sizeable pool of assets, including aircraft, that can be used as collateral to allow us to raise additional liquidity. Furthermore, during our ten-year transformation, we have become a much more efficient and entrepreneurial company led by a very experienced senior management team and that agility was on full display as we quickly moved with the onset of the pandemic to reduce our costs, including schedule and workplace reductions, and a $1.05 billion cost reduction and capital reduction and deferment program. All of these and other measures will position Air Canada relatively well for the inevitable recovery of the industry.

As mentioned, prior to the COVID-19 outbreak, Air Canada and many major carriers around the world were already grappling with the tremendous challenge presented by the grounding of the Boeing 737 MAX aircraft, which resulted in the loss to Air Canada of approximately 25 per cent of our narrow-body fleet for most of 2019. Nonetheless, we still reported strong financial results, with records for key metrics such as revenue, liquidity and passengers carried, testifying to our resilience and strength. Passenger revenues grew $1.071 billion to $17.232 billion. We also completed a two-year, $250 million Cost Transformation Program.

While we are living in a new era with the impact of COVID-19, we do need to celebrate the successes of 2019. Air Canada’s overall risk profile was further lowered in 2019, including through the diversification of our network, lower financial leverage and a strong pension plan surplus, all of which were acknowledged by rating agency upgrades. During 2019, we also completed several critical initiatives. The most important was Air Canada’s purchase of Aimia Canada and its Aeroplan program, one of Canada’s most popular loyalty programs. The other initiatives included the conclusion of an amended and extended capacity purchase agreement with Jazz and the implementation of a new Passenger Service System to replace our 25-year-old, legacy reservation system, with this work substantially completed in the first quarter of 2020.

We also made significant progress in the ongoing evolution of both our customer service and corporate culture, which were recognized by numerous industry awards in 2019. This included being named Best Airline in North America by Skytrax for the third consecutive year and the 2019 Airline of The Year by Global Traveler. 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 seventh consecutive year) and One of Canada’s Best Diversity Employers and One of the 50 Most Engaged Workplaces in North America by Achievers (fourth consecutive year for both of these awards) are the result of our focus on employee engagement, improving the customer experience and fostering a positive corporate culture.

Finally, while 2020 promises to be one of the most challenging years in our history, these achievements position us well to manage through this unprecedented public health crisis and ultimately emerge a stronger company.

We look forward to your participation at our annual shareholder meeting. If you are unable to attend the meeting online, 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 2020 ANNUAL MEETING OF SHAREHOLDERS

NOTICE OF MEETING

WHEN
Thursday, June 25, 2020, 10:30 a.m. (Eastern time)

WHERE
Virtual meeting via live webcast available at https://aircanada.com/AGM

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

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<th></th>
<th>Description</th>
<th>For more details, please see</th>
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<td>Placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2019, including the auditors’ report;</td>
<td>page 13 of the circular and our 2019 annual report</td>
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<td>Election of directors who will serve until the end of the next annual shareholder meeting;</td>
<td>page 13, and pages 19 to 31 of the circular</td>
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<td>Appointment of auditors;</td>
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<td>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</td>
<td>page 15 of the circular</td>
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<td>5</td>
<td>Adoption of an ordinary resolution, a copy of which is reproduced at Schedule “B” of the accompanying management proxy circular, ratifying the shareholder rights plan adopted by the Board of Directors on May 4, 2020</td>
<td>pages 15 to 18 of the circular</td>
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THE FOLLOWING ITEMS ARE PLANNED TO BE BROUGHT BEFORE THE MEETING:

1. in order to renew the existing shareholder rights plan originally adopted by the Board of Directors on March 30, 2011, as amended on June 4, 2012, March 27, 2014 and March 24, 2017; and

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

You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on April 27, 2020.

Your vote is important.

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

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

This year, out of an abundance of caution related to the unprecedented public health impact of the global COVID-19 pandemic and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, we will hold our meeting in a virtual only format, which will be conducted via live webcast. Shareholders will have an equal opportunity to participate at the meeting online regardless of their geographic location. Shareholders will not be able to physically attend the meeting. As with prior years, shareholders are able to vote ahead of the meeting by proxy using the various available channels and we encourage you to continue to vote in this manner. Our holding of a virtual meeting does not require that you do anything additional this year, as it simply replaces our physical meeting.

Registered shareholders and duly appointed proxyholders will be able to attend, submit questions and vote at the meeting online at https://aircanada.com/AGM. Non-registered (beneficial) shareholders who have not duly appointed themselves as proxyholder will be able to attend the meeting as guests, but guests will not be able to vote or ask questions at the meeting.

Shareholders who wish to appoint a proxyholder other than the persons designated by Air Canada on the form of proxy or voting instruction form (including a non-registered shareholder who wishes to appoint themselves as proxyholder) must carefully follow the instructions in the management proxy
circular and on their form of proxy or voting instruction form. These instructions include the additional step of registering such proxyholder with our transfer agent, AST Trust Company (Canada), after submitting their form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. Non-registered shareholders located in the United States must also provide AST Trust Company (Canada) with a duly completed legal proxy if they wish to vote at the meeting or appoint a third party as their proxyholder.

By Order of the Board of Directors

Carolyn M. Hadrovic
Vice President and Corporate Secretary
Montréal, Québec
May 4, 2020
MANAGEMENT PROXY CIRCULAR

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

This circular is for our annual shareholder meeting to be held on June 25, 2020 (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 renewal of the Corporation’s shareholder rights plan 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 shareholder rights plan adopted by the Board of Directors on May 4, 2020 and other matters. The information in this document is current as at May 4, 2020, 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, 2019.

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

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

Air Canada has retained Kingsdale Advisors, as its shareholder advisor and proxy solicitation agent, to solicit proxies from shareholders and has agreed to pay a fee of $56,000 for proxy solicitation services plus additional fees for other services provided. If you have any questions regarding the voting procedures or completing your proxy form or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272, or by email at contactus@kingsdaleadvisors.com.
APPROVAL OF THIS CIRCULAR

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

Carolyn M. Hadrovic
Vice President and Corporate Secretary
Montréal, Québec
May 4, 2020
VOTING YOUR SHARES

YOUR VOTE IS IMPORTANT

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

ATTENDING THE VIRTUAL ONLY MEETING

Air Canada is committed to the health and safety of all its stakeholder community. This year, given the unprecedented public health impact of the global COVID-19 pandemic, and with the health and safety of our communities, shareholders, employees and other stakeholders in mind, we will hold our meeting in a virtual only format, which will be conducted via live webcast. Shareholders will not be able to physically attend the meeting.

Registered shareholders and duly appointed proxyholders will be able to attend, participate and vote at the meeting online at https://aircanada.com/AGM. Such persons may enter the meeting by clicking “I have a control number” and entering a valid control number and the password “AC2020” (case sensitive) before the start of the meeting. Guests, including non-registered (beneficial) shareholders who have not duly appointed themselves as a proxyholder, can login to the meeting by clicking “I am a guest” and completing the online form. Guests will be able to listen to the meeting, but will not be able to ask questions or vote at the meeting. See “Voting” for additional information on voting at the meeting and on appointing yourself as a proxyholder and registering with AST Trust Company (Canada).

If you attend the meeting online, it is important that you are connected to the internet at all times during the meeting in order to vote when balloting commences. You should ensure you have a strong, preferably high-speed, internet connection wherever you intend to participate in the meeting. The meeting will begin promptly at 10:30 a.m. (Eastern time) on June 25, 2020, unless otherwise adjourned or postponed. Online check-in will begin one hour prior to the meeting, at 9:30 a.m. (Eastern time). You should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the meeting, please call 514-422-6644.

VOTING

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

The persons who are named on the form of proxy or voting instruction form are directors or officers of the Corporation and will vote your shares for you. You have the right to appoint someone else to be your proxyholder to represent you at the meeting (a “third-party proxyholder”). If you appoint someone else, he or she must attend the meeting online to vote your shares.

Shareholders who wish to appoint themselves or a third-party proxyholder to represent them at the meeting MUST submit their form of proxy or voting instruction form (as applicable), appointing
themselves or that third-party proxyholder AND register themselves or that third-party proxyholder, as described below. Registering yourself or your third-party proxyholder is an additional step to be completed AFTER you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest.

**Step 1**: Submit your form of proxy or voting instruction form: To appoint yourself or a third-party proxyholder, insert your or such person’s name in the blank space provided in the form of proxy or voting instruction form and follow the instructions for submitting such proxy or voting instruction form. This must be completed prior to registering such proxyholder, which is an additional step to be completed once you have submitted your form of proxy or voting instruction form.

**Step 2**: Register your proxyholder: To register yourself or a third-party proxyholder, shareholders must call 1-866-751-6315 (toll free in Canada and the United States) or 212-235-5754 (other countries) not later than 10:30 a.m. (Eastern time) on June 23, 2020, or, if the meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed meeting, and provide AST Trust Company (Canada) with the required proxyholder contact information so that AST Trust Company (Canada) may provide the proxyholder with a control number via email. Without a control number, proxyholders will not be able to vote or ask questions at the meeting but will be able to participate as a guest.

If you are a non-registered shareholder and wish to vote at the meeting, you have to insert your own name in the space provided on the voting instruction form sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary AND register yourself as your proxyholder, as described above. By doing so, you are instructing your intermediary to appoint you as proxyholder. It is important that you comply with the signature and return instructions provided by your intermediary.

If you are a non-registered shareholder located in the United States and wish to vote at the meeting or, if permitted, appoint a third-party as your proxyholder, you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you, or contact your intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to AST Trust Company (Canada). Requests for registration from non-registered shareholders located in the United States that wish to vote at the meeting or, if permitted, appoint a third-party as their proxyholder must be sent by courier to: AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1 and must be labeled “Legal Proxy” and received not later than the voting deadline of 10:30 a.m. (Eastern time) on June 23, 2020 or, if the meeting is adjourned or postponed, by not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed meeting.

**How to vote – registered shareholders**

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

If you are uncertain whether you are a registered shareholder, please contact 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 not later than 10:30 a.m. (Eastern time) on June 23, 2020. A list of addresses for the principal offices of AST is set forth on page 103 of this circular.

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

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

Online at the meeting

You do not need to complete or return your form of proxy. Simply login to the meeting and complete a ballot online during the meeting. The control number located on the proxy form or in the email notification you received is your control number for purposes of logging in to the meeting. See “Attending the Virtual Only Meeting” for additional information on how to login to the meeting.

How to vote – non-registered shareholders

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

If you are uncertain whether you are a non-registered shareholder, please contact 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 online meeting.

Shareholders who wish to appoint a proxyholder other than the individuals designated by Air Canada on the form of proxy or voting instruction form to represent them at the meeting MUST submit their form of proxy or voting instruction form, appointing that proxyholder AND register that proxyholder with AST Trust Company (Canada) by calling 1-866-751-6315 (toll free in Canada
and the United States) or 212-235-5754 (other countries) not later than 10:30 a.m. (Eastern time) on June 23, 2020. Registering your proxyholder is an additional step to be completed AFTER you have submitted your form of proxy or voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. See “Voting” for additional information on registering proxyholders.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on June 22, 2020.

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 June 22, 2020.

Online at the meeting

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

If you do not duly appoint yourself as proxyholder, then you will not be able to ask questions or vote at the meeting, but will be able to attend the meeting online as a guest. This is because we and our transfer agent, AST Trust Company (Canada), do not have a record of the non-registered shareholders, and, as a result, will have no knowledge of your shareholdings or entitlement to vote unless you appoint yourself as proxyholder. Guests will be able to listen to the meeting, but will not be able to vote or ask questions at the meeting. AST Trust Company (Canada) will provide you with a control number by email after the proxy voting deadline has passed and you have been duly appointed and registered with AST Trust Company (Canada). This control number is your username for purposes of logging in to the meeting. See “Attending the Virtual Only Meeting” for additional information on how to login to the meeting and “Voting” for additional information on appointing yourself as proxyholder and registering with AST Trust Company (Canada).

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

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

If you are uncertain whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (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 online meeting.

Shareholders who wish to appoint a proxyholder other than Computershare on the voting instruction form to represent them at the meeting MUST submit their voting instruction form, appointing that proxyholder AND register that proxyholder with AST Trust Company (Canada) by calling 1-866-751-6315 (toll free in Canada and United States) or 212-235-5754 (other countries) not later than 10:30 a.m. (Eastern time) on June 23, 2020. Registering your proxyholder is an additional step to be completed AFTER you have submitted your voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, will only be able to attend the meeting online as a guest. See “Voting” for additional information on registering proxyholders.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on June 22, 2020.

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 June 22, 2020.

Online at the meeting

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

Shareholders who wish to appoint a proxyholder other than Computershare on the voting instruction form to represent them at the meeting MUST submit their voting instruction form, appointing that proxyholder AND register that proxyholder with AST Trust Company (Canada). Registering your proxyholder is an additional step to be completed AFTER you have submitted your voting instruction form. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, only being able to attend the meeting online as a guest. See “Voting” for additional information on registering proxyholders.

COMPLETING THE FORM OF PROXY

You can choose to vote “For” or “Withhold” with respect to the election of the directors and the appointment of the auditors, and “For” or “Against” with respect to the approval of an advisory, non-binding resolution in respect of Air Canada’s approach to executive compensation and the ratification of the renewal of the Corporation’s shareholder rights plan. 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 ratifying the shareholder rights plan adopted by the Board of Directors on May 4, 2020 in order to renew the shareholder rights plan originally adopted by the Board on March 30, 2011, as amended on June 4, 2012, March 27, 2014 and March 24, 2017.

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

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

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

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

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

If you need assistance completing your form of proxy or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272.

CHANGING YOUR VOTE

In addition to revocation in any other manner permitted by law, a shareholder giving a proxy and submitting it by mail may revoke it by an instrument in writing executed by the shareholder or the shareholder’s attorney authorized in writing and deposited either at the Montréal office of Air Canada’s transfer agent, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec, or at Air Canada’s registered office, 7373 Côte-Vertu Boulevard West, Saint-Laurent, Quebec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment...
thereof, at which the proxy is to be used. If the voting instructions were conveyed over the Internet, conveying new voting instructions by Internet or by mail within the applicable cut-off times will revoke the prior instructions. If you login to the meeting using your control number and you accept the terms and conditions, you will be revoking any and all previously submitted proxies and will be provided the opportunity to vote online by ballot.

**VOTING REQUIREMENTS**

The election of directors, the appointment of auditors, the approval of an advisory non-binding resolution on executive compensation and the ratification of the Corporation’s shareholder rights plan will each be determined by a majority of votes cast at the meeting by proxy or online. If there is a tie, the chairman of the meeting is not entitled to a second or casting vote. For details concerning the Corporation’s majority voting policy with respect to the election of its directors, please refer to the information under the heading “Election of Directors” at page 13 of this circular.

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

**VOTING SHARES AND QUORUM**

As of April 27, 2020, the record date for the meeting, there were 150,838,898 Class B voting shares and 110,349,549 Class A variable voting shares outstanding. Shareholders of record on April 27, 2020 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 or represented by proxy at the meeting, 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 at the meeting or by proxy, vote, they shall vote as one on the shares jointly held by them.

**RESTRICTIONS ON VOTING SECURITIES**

**Foreign ownership limits under Air Canada’s articles**

The *Canada Transportation Act* requires that national holders of domestic, scheduled international and non-scheduled international licenses, such as Air Canada, be “Canadian”. In 2018, the Government of Canada passed the *Transportation Modernization Act* that amended, among other things, the definition of “Canadian” under section 55(1) of the *Canada Transportation Act* to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian air carrier.
At the 2019 annual and special shareholder meeting, Air Canada received shareholder approval for a plan of arrangement under section 192 of the Canada Business Corporations Act to effect amendments to the Corporation’s restated articles of incorporation to align the restrictions on the level of foreign ownership with those prescribed by the amended definition of “Canadian” under the Canada Transportation Act. The Quebec Superior Court subsequently issued a final order approving the plan of arrangement and Air Canada’s amended articles became effective on May 8, 2019.

More specifically, the definition of “Canadian” under section 55(1) of the Canada Transportation Act, as amended by the Transportation Modernization Act, is as follows:

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

Restrictions on Class A variable voting shares

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

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

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

(i) the number of Class A variable voting shares held by any single non-Canadian, either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of any single non-Canadian holder of Class A variable voting shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada);
(ii) the number of Class A variable voting shares held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction ("Non-Canadian Air Carrier"), either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of one or more Non-Canadian Air Carrier holders of Class A variable voting shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada); or

(iii) the number of Class A variable voting shares, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of holders of Class A variable voting shares at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each of their Class A variable voting shares will decrease proportionately and automatically without further act or formality such that the Class A variable voting shares held, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, do not carry more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast, as applicable, by or on behalf of any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, at any meeting do not exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Class A variable voting share will decrease proportionately and automatically without further act or formality such that the Class A variable voting shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting.

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

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

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

PRINCIPAL SHAREHOLDERS

On May 4, 2012, pursuant to an application by Air Canada, the Autorité des marchés financiers, as principal regulator, the Ontario Securities Commission and the securities regulatory authorities in the other provinces of Canada granted exemptive relief (the “Decision”) from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer that acquires or holds beneficial ownership of, or control or direction over, 10% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis (or 5% in the case of acquisitions during a take-over bid). The Decision was subject to shareholder approval of related amendments to Air Canada’s shareholder rights plan which were approved at Air Canada’s annual and special meeting of shareholders held on June 4, 2012. The Corporation’s shareholders ratified the renewal of the shareholder rights plan, for a period of three years at the annual shareholder meeting held on May 5, 2017, and at this meeting, shareholders will be asked to approve the renewal of the shareholder rights plan for an additional period of three years (see “Business of the Meeting”).

As of May 4, 2020, to the knowledge of the officers or directors of the Corporation, no entity beneficially owns or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.
BUSINESS OF THE MEETING

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

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2019, including the auditors’ report thereon;

2. election of directors who will serve until the end of the next annual shareholder meeting;

3. appointment of auditors;

4. consideration and the approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule “A” of this circular, in respect of Air Canada’s approach to executive compensation;

5. adoption of an ordinary resolution, a copy of which is reproduced at Schedule “B” of this circular, ratifying the shareholder rights plan adopted by the Board of Directors on May 4, 2020 in order to renew the existing shareholder rights plan originally adopted by the Board of Directors on March 30, 2011, as amended on June 4, 2012, March 27, 2014 and March 24, 2017; and

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

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

1. Placement of Air Canada’s financial statements

The consolidated financial statements for the year ended December 31, 2019, including the auditors’ report thereon, are available on SEDAR at www.sedar.com or on the Corporation’s website at www.aircanada.com.

2. Election of directors

Twelve directors are to be elected to the Board. Please see the section under the heading “The Nominated Directors” for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting.

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

The Board has adopted a majority voting policy to the effect that if a director nominee in an uncontested election receives a greater number of votes “withheld” than votes “for”, he or she must immediately tender his or her resignation to the Board. The Governance and 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 and special meeting of shareholders held on May 6, 2019, Air Canada shares representing 94.57% 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 5.43% 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, 2019 and December 31, 2018 to PricewaterhouseCoopers LLP and its affiliates are $4,433,694 and $3,423,761 respectively, as detailed in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2019 ($)</th>
<th>Year ended December 31, 2018 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>3,060,000</td>
<td>2,110,000</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>707,065</td>
<td>699,588</td>
</tr>
<tr>
<td>Tax fees</td>
<td>97,367</td>
<td>190,115</td>
</tr>
<tr>
<td>All other fees</td>
<td>569,262</td>
<td>424,058</td>
</tr>
<tr>
<td>Total fees</td>
<td>4,433,694</td>
<td>3,423,761</td>
</tr>
</tbody>
</table>

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada. The increase in 2019 reflects the increased scope resulting from the acquisition of Aeroplan and the impact of the reservation system cutover in 2019.

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 30, 2020 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 2019 annual and special shareholder meeting, shareholders expressed a high level of support (90.60%) for Air Canada’s approach to executive compensation.

The Human Resources and Compensation Committee reviewed the results of the 2019 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 heading “Compensation Discussion and Analysis”.

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

“BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation’s management proxy circular provided in advance of the 2020 annual meeting of shareholders of Air Canada.”

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

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

5. Approval of the ordinary resolution in respect of the renewal of the shareholder rights plan

At the meeting, shareholders will be asked to approve an ordinary resolution, a copy of which is reproduced at Schedule “B” to this circular, ratifying the shareholder rights plan adopted by the Board of Directors on May 4, 2020, (the “Rights Plan”) in order to renew the shareholder rights plan originally adopted by the Board of Directors on March 30, 2011, as amended on June 4, 2012, March 27, 2014 and March 24, 2017 (the “Existing Plan”). The Existing Plan was ratified by the
shareholders of the Corporation at its annual and special shareholders meeting held on May 5, 2011, and was further amended and renewed following the receipt of requisite shareholder approval at its annual and special shareholder meetings held on June 4, 2012 and May 15, 2014 and at its annual shareholder meeting held on May 5, 2017.

The Existing Plan is set to expire at the close of business on the date immediately following the meeting. On May 4, 2020, the Board of Directors approved the Rights Plan, renewing the Existing Plan for a three-year period. The Rights Plan will come into force at the close of business on the date immediately following the meeting, provided that the Rights Plan ratification resolution is approved by a majority of the votes cast by the holders (other than holders who do not qualify as Independent Shareholders) of Class A variable voting shares and Class B voting shares of Air Canada, voting together as a single class, online or by proxy, at the meeting. “Independent Shareholders” is generally defined to mean all holders of the Corporation’s Class A variable voting shares and Class B voting shares other than any Acquiring Person (as defined below) or Offeror (as defined in the Rights Plan), their respective affiliates, associates, and persons acting jointly or in concert with any Acquiring Person or Offeror, as well as certain employee benefit plans, stock purchase plans, deferred profit sharing plans and similar plans or trusts for the benefit of employees. To the knowledge of management, as of the date hereof, all of the Corporation’s shareholders qualify as Independent Shareholders. If the resolution is not approved by shareholders at the meeting, the Rights Plan and the rights thereunder will terminate on the date immediately following the meeting.

If approved by shareholders at the meeting, the Rights Plan will be in effect until the close of business on the date immediately following the date on which the annual meeting of the shareholders of the Corporation is held in 2023, and would be renewed in accordance with its terms for an additional period of three years (from 2023 to 2026) provided that the shareholders ratify such renewal at or prior to the annual meeting of shareholders to be held in 2023.

Objectives and Background of the Rights Plan

In adopting the Rights Plan, the Board of Directors considered the existing legislative framework governing takeover bids in Canada. In May 2016 the Canadian Securities Administrators (the “CSA”) adopted amendments to the take-over bid regime. The amendments, among other things, lengthen the minimum bid period to 105 days (from the previous 35 days), require that all non-exempt take-over bids meet a minimum tender requirement of more than 50% of the outstanding securities held by Independent Shareholders, and require a ten-day extension after the minimum tender requirement is met. Regarding the minimum bid period, a target issuer has the ability to voluntarily reduce the period to not less than 35 days. Additionally, the minimum bid period may be reduced due to the existence of certain competing take-over bids or alternative change in control transactions.

As the existing legislative framework governing takeover bids in Canada does not apply to exempt take-over bids, there continues to be a role for rights plans in protecting issuers and preventing the unequal treatment of shareholders. Some remaining areas of concern include:

• protecting against “creeping bids” (the accumulation of more than 20% of the Class A variable voting shares and Class B voting shares on a combined basis) through purchases exempt from Canadian takeover bid rules, such as (i) purchases from a small group of shareholders under private agreements at a premium to the market price not available to all shareholders, (ii) acquiring control through the slow accumulation of shares not available to all shareholders, (iii) acquiring control through the slow accumulation of shares over a stock exchange without paying a control premium, or (iv) through other transactions outside of Canada that may not be formally subject to Canadian take-over bid rules), and requiring the bid to be made to all shareholders; and
• preventing a potential acquirer from entering into lock-up agreements with existing shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the Rights Plan.

By applying to all acquisitions of 20% or more of Class A variable voting shares and Class B voting shares on a combined basis, except in limited circumstances including Permitted Bids (as defined in the Rights Plan), the Rights Plan is designed to ensure that all shareholders receive equal treatment. In addition, there may be circumstances where bidders request lock-up agreements that are not in the best interest of the Corporation or its shareholders. Shareholders may also feel compelled to tender their shares to a take-over bid, even if they consider such bid to be inadequate, out of a concern that failing to do so may result in a shareholder being left with illiquid or minority discounted shares in the Corporation. This is particularly so in the case of a partial bid for less than all the Class A variable voting shares and Class B voting shares.

As a result of the foregoing, the Board of Directors has determined that it is advisable and in the best interests of the Corporation and its shareholders that the Corporation has in place a shareholder rights plan in the form of the Rights Plan.

In recommending the ratification of the Rights Plan, it is not the intention of the Board of Directors to preclude a bid for control of the Corporation. The Rights Plan provides various mechanisms whereby shareholders may tender their shares to a take-over bid as long as the bid meets the “Permitted Bid” criteria under the Rights Plan. Furthermore, even in the context of a take-over bid that would not meet the Permitted Bid criteria, the Board of Directors would still have a duty to consider any take-over bid for the Corporation and consider whether or not it should waive the application of the Rights Plan in respect of such bid. In discharging such duty, the Board of Directors must act honestly and in good faith with a view to the best interests of the Corporation and its shareholders.

The Rights Plan is therefore designed to encourage a potential acquirer who makes a take-over bid to proceed either by way of a Permitted Bid (as defined in Schedule “C” to this circular), which requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board of Directors. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of rights issued under the Rights Plan, other than the acquirer and certain persons related to the acquirer, will be able to purchase additional shares at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

The Rights Plan is not being adopted in response to any proposal to acquire control of the Corporation, nor is the Board of Directors currently aware of any pending or threatened take-over bid for the Corporation.

The Rights Plan does not preclude any shareholder from using the proxy mechanism of the Canada Business Corporations Act, the Corporation’s governing corporate statute, to promote a change in the Corporation’s management or in the Board of Directors, and it will have no effect on the rights of shareholders to requisition a meeting of shareholders in accordance with the provisions of applicable legislation.

The Rights Plan is not expected to interfere with the Corporation’s day-to-day operations. The issuance of rights under the Rights Plan will not in any way alter the financial condition of the Corporation, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a Flip-in Event (as defined in Schedule “C” to this circular) occurs and the rights separate from the shares as described in Schedule “C” to this circular, financial metrics reported on a per share basis may be affected. In addition, holders of rights not exercising their rights after a Flip-in Event may suffer substantial dilution.
Summary of the Rights Plan
A summary of the principal terms of the Rights Plan is included as Schedule “C” to this circular. This summary is qualified in its entirety by reference to the terms of the Rights Plan.

The Rights Plan is available on SEDAR at www.sedar.com under the name of Air Canada as a filing made on May 4, 2020.

The only substantive differences between the proposed Rights Plan and the Existing Rights Plan which will expire on the date immediately following the meeting, are to:

(i) include a renewal feature pursuant to which the Rights Plan would be renewed in accordance with its terms for an additional period of three years (from 2023 to 2026) provided that the shareholders of Air Canada ratify such renewal at or prior to the annual meeting of shareholders to be held in 2023; and

(ii) update the Declaration as to Canadian Status attached as Schedule 2.2(1) to the Rights Plan in order to reflect the amendments to the definition of “Canadian” under the Canada Transportation Act which become effective in June 2018.

The Board recommends that the shareholders vote in favour of the resolution set out in Schedule “B” of this circular.

Canadian Federal Income Tax Consequences
The Corporation will not be required to include any amount in computing the Corporation’s income for the purposes of the Income Tax Act (Canada) (the “ITA”) as a result of the issuance of the rights. Generally, under the ITA, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income and is not subject to non-resident withholding tax if an identical right is conferred on all shareholders. While such rights are conferred on all shareholders, they may become void in the hands of certain shareholders upon the occurrence of certain triggering events. Whether the issuance of the rights is a taxable event is not therefore free of doubt. In any event, no amount in respect of the value of the rights is required to be included in computing income, or subject to withholding tax, if the rights do not have any value at the date of issue. The Corporation considers that the rights have negligible value when issued, there being only a remote possibility that the rights will ever be exercised. If the rights have no value, the issue of the rights will not give rise to a taxable benefit and will not be subject to non-resident withholding tax.

The foregoing does not address the Canadian income tax consequences of other events such as the separation of the rights from the shares, the occurrence of a Flip-in Event or the redemption of rights. The holder of rights may have income or be subject to withholding tax under the ITA if the rights become exercisable or are exercised or are otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their rights, taking into account their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

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 ratification of the Rights Plan.

6. Consideration of other business
We will also report on other items that are significant to our business and invite questions from shareholders.
THE NOMINATED DIRECTORS

Air Canada’s articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board has resolved to have 12 directors effective upon the election of the directors at the meeting. Directors are elected each year at the annual meeting of shareholders, except that the Board can appoint directors in certain circumstances between annual meetings. Directors elected at the meeting will hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder.

This section sets out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors, their principal occupation, other principal directorships, committee memberships, 2019 attendance record, independence, their areas of expertise and voting results at the 2019 annual and special meeting of shareholders held on May 6, 2019. The information on each director nominee is current as of May 4, 2020.

This section also includes each nominee’s equity ownership in the Corporation as of May 4, 2020 and March 25, 2019, 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 May 4, 2020, which was $17.63 per share, and on March 25, 2019, which was $30.96 per share.
Amee Chande is a corporate director and strategy consultant. Ms. Chande is a director of Signature Aviation plc, as well as a senior advisor to leading companies in the mobility sector such as ChargePoint. In 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google’s self-driving car project, where she was responsible for defining the overall strategy and laying the foundation for a strong commercial business. From 2015 to 2018, she was a Managing Director at Alibaba Group where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco, Staples and Wal-Mart in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company.

Ms. Chande serves on the Advisory Board of Livingbridge Private Equity and is an active volunteer with the World Association of Girl Guides and Girl Scouts where she recently completed her term as a member of the World Board.

Ms. Chande holds a Bachelor of Business Administration degree from Simon Fraser University, a Master of Science degree from the London School of Economics and a Master of Business Administration from Harvard Business School.

Areas of Expertise:
- Global Business
- Operational Experience
- Finance & Accounting
- Digital Transformation
- Related Industry Experience

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

<table>
<thead>
<tr>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: N/A

Public Board Memberships (past five years):
- Signature Aviation plc 2018 – present

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>1,600</td>
<td>Nil</td>
<td>$28,208</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Ms. Chande has until June 25, 2025 to meet Air Canada’s share ownership requirements.
Christie J.B. Clark

Toronto, Ontario, Canada
Age: 66
Director since June 27, 2013

Independent

Areas of Expertise:
Accounting
Finance
Risk Management
Human Resources

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

<table>
<thead>
<tr>
<th>Committee</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee (Chair)</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Governance and Nominating Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: 96.77%

Public Board Memberships (past five years)(1):

- Loblaw Companies Limited
- Choice Properties Real Estate Investment Trust
- Hydro One Limited

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares(2)</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>73,010</td>
<td>22,616.27</td>
<td>$1,685,891</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>74,010</td>
<td>18,318.57</td>
<td>$2,858,493</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Mr. Clark will be standing for election as a director of SNC-Lavalin Group Inc. at its annual shareholder meeting on May 7, 2020.
(2) Mr. Clark holds 69,310 Class B voting shares indirectly through his spouse as permitted under Air Canada’s share ownership requirements.
(3) Mr. Clark meets Air Canada’s share ownership requirements.

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.

Mr. Clark is also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and 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.
Gary A. Doer is a corporate director. Mr. Doer is a director of Great-West Lifeco Inc., IGM Financial Inc. and Power Corporation of Canada. He is also Senior Business Advisor to the law firm Dentons Canada LLP. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees’ Association. He was elected a member of the Legislative Assembly of Manitoba in 1986 and served as the 20th Premier of Manitoba from 1999 to 2009. In 2005, Premier Doer was named by Business Week magazine as one of the top 20 international leaders on climate change. From 2009 to 2016, he served as the Canadian Ambassador to the United States and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement.

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

Areas of Expertise:
- Global Business
- Risk Management
- Labour
- Government Affairs & Public Policy

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

<table>
<thead>
<tr>
<th>Committee Membership</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
- Voting Results in Favour: 95.06%

Public Board Memberships (past five years):
- Great-West Lifeco Inc. 2016 – present
- IGM Financial Inc. 2016 – present
- Power Corporation of Canada 2016 – 2018
- Barrick Gold Corporation 2016 – 2018
- Power Financial Corporation 2016 – 2020

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>Nil</td>
<td>9,016.86</td>
<td>$158,967</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>Nil</td>
<td>4,494.94</td>
<td>$139,163</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Mr. Doer has until April 30, 2023 to meet Air Canada’s share ownership requirements.
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):

<table>
<thead>
<tr>
<th>Role</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Safety, Health, Environment and Security Committee (Chair)</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting: Voting Results in Favour: 99.93%

Public Board Memberships (past five years):
- Michael Hill International Limited 2016 – present

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class A Variable Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>Nil</td>
<td>15,855.16</td>
<td>$279,526</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>Nil</td>
<td>8,106.88</td>
<td>$250,989</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Mr. Fyfe has until September 30, 2022 to meet Air Canada’s share ownership requirements.
Michael M. Green

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

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

Areas of Expertise:
- Global Business
- Operational Experience
- Finance
- Risk Management
- Transportation

Board/Current Committee Memberships Attendance (87% overall):

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>12 of 13</td>
</tr>
<tr>
<td>Safety, Health, Environment and Security Committee</td>
<td>4 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:

Voting Results in Favour: 97.10%

Public Board Memberships (past five years):

None

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>88,771</td>
<td>32,979.48</td>
<td>$2,146,461</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>101,964</td>
<td>28,924.79</td>
<td>$4,052,317</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

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

Areas of Expertise:
Finance  
Risk Management  
Legal & Regulatory  
Government Affairs & Public Policy

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

<table>
<thead>
<tr>
<th>Committee</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Safety, Health, Environment and Security Committee</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: 97.50%

Public Board Memberships (past five years):
None

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>31,098</td>
<td>215,971.73</td>
<td>$4,355,839</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>31,098</td>
<td>211,954.29</td>
<td>$7,524,899</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Mr. Huot meets Air Canada’s share ownership requirements.
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. In 2017, Ms. Paquin was appointed a Member of the Order of Canada for her role in leading innovation in supply chain practices and environmental protection.
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 by the Financial Post Magazine. In 2018, he was appointed a Member of the Order of Canada. In 2019, Mr. Rovinescu was recognized as Strategist of the Year and as Canada’s Outstanding CEO of the Year for the second time by the Globe and Mail’s Report on Business magazine. He is being inducted into the Canadian Business Hall of Fame in 2020.

Areas of Expertise:
- Global Business
- Finance
- Risk Management
- Legal & Regulatory
- Airline Industry

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

<table>
<thead>
<tr>
<th></th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>12 of 12</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: 97.55%

Public Board Memberships (past five years):
- BCE Inc. 2016 – present
- Acasta Enterprises Inc. 2015 – 2016

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares(1)</th>
<th>Deferred Share Units(2) and Restricted Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>436,854</td>
<td>270,660 DSUs 50,600 RSUs</td>
<td>$13,365,550</td>
<td>5 times base salary ($7,000,000)</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>402,944</td>
<td>103,534 DSUs 120,243 RSUs</td>
<td>$19,403,282</td>
<td>5 times base salary ($7,000,000)</td>
</tr>
</tbody>
</table>

(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

London, United Kingdom
Age: 60
Director since November 15, 2006 and Chairman since May 5, 2017
Independent

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

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

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

Areas of Expertise:
- Global Business
- Finance
- Digital Transformation
- Airline Industry
- Transportation

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

<table>
<thead>
<tr>
<th>Board/Committee</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors (Chairman)</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Governance and Nominating Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
- Voting Results in Favour: 90.12%

Public Board Memberships (past five years):
- FLSmidth & Co. A/S: 2009 – present
- Royal Caribbean Cruises Ltd.: 2011 – present
- Scandic Hotels Group AB: 2015 – 2018
- SSP Group plc: 2014 – 2020
- TDC A/S: 2006 – 2017

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class A Variable Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>19,300</td>
<td>146,273.28</td>
<td>$2,919,057</td>
<td>$975,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>19,300</td>
<td>138,275.95</td>
<td>$4,878,551</td>
<td>$975,000</td>
</tr>
</tbody>
</table>

(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.

Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada, Vice-Chair of the Adecco Group and a director of the Canada Pension Plan Investment Board. She serves as Chair of Altas Partners, a Toronto-based private equity investment firm. Ms. Taylor is also 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 Chair of their Human Capital Policy Council. She serves on the Dean’s Advisory Council of the Schulich School of Business and on the Principal’s International Advisory Board of McGill University. Ms. Taylor is a Member of the Order of Canada and has received an Honorary Doctorate of Laws from the University of Toronto, McGill University, York University and Trent University, and an Honorary Doctorate of Humane Letters from Mount Saint Vincent University.

Ms. Taylor holds a Masters of Business Administration degree 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):

<table>
<thead>
<tr>
<th>Committee Memberships</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Governance and Nominating Committee</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: 98.30%

Public Board Memberships (past five years):

<table>
<thead>
<tr>
<th>Public Board Memberships</th>
<th>2001 – present</th>
<th>2015 – present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Bank of Canada</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adecco Group</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>10,000</td>
<td>33,351.51</td>
<td>$764,287</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>10,000</td>
<td>26,904.92</td>
<td>$1,142,576</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Ms. Taylor meets Air Canada’s share ownership requirements.
Annette Verschuren, O.C.

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 is Chair of both MaRS Discovery District and Sustainable Development Technology Canada (SDTC). She serves as Chancellor of Cape Breton University and supports numerous non-profit organizations, including the CAMH Foundation as a board member. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility, and in 2019, she became a companion in the Canadian Business Hall of Fame. At the request of the Federal Government, Ms. Verschuren sits on the NAFTA Advisory Council.

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

Areas of Expertise:
- Global Business
- Operational Experience
- Risk Management
- Government Affairs & Public Policy
- Digital Transformation

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

<table>
<thead>
<tr>
<th>Committee/Chair</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Governance and Nominating Committee (Chair)</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
- Voting Results in Favour: 99.82%

Public Board Memberships (past five years):
- Saputo Inc. 2013 – present
- Canadian Natural Resources Limited 2014 – present

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>62,168</td>
<td>50,645.69</td>
<td>$1,988,905</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>61,168</td>
<td>46,347.99</td>
<td>$3,328,695</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

(1) Ms. Verschuren meets Air Canada’s share ownership requirements.
Michael M. Wilson is a corporate director. Mr. Wilson is Chair of Celestica Inc. and Suncor Energy Inc. Mr. Wilson is the former President and Chief Executive Officer of Agrium Inc., a position he held from 2003 until his retirement in 2013. He previously served as Executive Vice President and Chief Operating Officer. Mr. Wilson has significant experience in the petrochemical industry, serving as President of Methanex Corporation and holding various positions with increasing responsibility in North America and Asia with Dow Chemical Company.

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

Bragg Creek, Alberta, Canada
Age: 68
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 (100% overall):

<table>
<thead>
<tr>
<th>Membership</th>
<th>2019 Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee (Chair)</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee</td>
<td>4 of 4</td>
</tr>
<tr>
<td>Safety, Health, Environment and Security Committee</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>

2019 Annual Meeting:
Voting Results in Favour: 98.21%

Public Board Memberships (past five years):
- Celestica Inc.
- Suncor Energy Inc.
- Finning International Inc.

2011 – present
2014 – present
2013 – 2017

Securities Held or Controlled:

<table>
<thead>
<tr>
<th>As at</th>
<th>Class B Voting Shares</th>
<th>Deferred Share Units</th>
<th>Total Market Value of Securities</th>
<th>Minimum Shareholding Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4, 2020</td>
<td>7,468</td>
<td>72,322.60</td>
<td>$1,406,708</td>
<td>$585,000</td>
</tr>
<tr>
<td>March 25, 2019</td>
<td>57,468</td>
<td>63,353.42</td>
<td>$3,740,631</td>
<td>$585,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Annual Retainers</th>
<th>($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>195,000</td>
</tr>
<tr>
<td>Chairman (additional retainer)</td>
<td>220,000</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee Chair</td>
<td>25,000</td>
</tr>
<tr>
<td>Other Committees – Chair</td>
<td>20,000</td>
</tr>
<tr>
<td>Audit, Finance and Risk Committee Member</td>
<td>15,000</td>
</tr>
<tr>
<td>Other Committees – Member</td>
<td>10,000</td>
</tr>
</tbody>
</table>

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. Non-executive directors of Air Canada are required to receive a minimum of 50% of their annual Board retainer fee and Committee fees in DSUs and/or in shares of the Corporation.

**A MINIMUM OF 50% OF BOARD RETAINER AND COMMITTEE FEES MUST BE PAID IN DSUs AND/OR SHARES – DSUs MUST BE HELD UNTIL DIRECTORS LEAVE THE BOARD**

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries (see the “Executive Compensation” section starting on page 53 of this circular for additional details on the remuneration of the President and Chief Executive Officer). All of the current directors of the Corporation’s subsidiaries are also executive officers or members of senior management and receive no compensation as directors of any such subsidiary.
The table below shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2019 in respect of their memberships on the Board and its committees:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned</th>
<th>Allocation of Total Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board retainer ($)</td>
<td>Board Chair &amp; Committee Chair retainer ($)</td>
</tr>
<tr>
<td>Christie J.B. Clark</td>
<td>195,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Gary A. Doer</td>
<td>195,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Rob Fyfe</td>
<td>195,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>195,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td>195,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Madeleine Paquin</td>
<td>195,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Calin Rovinescu(1)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Vagn Sorensen</td>
<td>195,000</td>
<td>220,000</td>
</tr>
<tr>
<td>Kathleen Taylor</td>
<td>195,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Annette Verschuren</td>
<td>195,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Michael M. Wilson</td>
<td>195,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

(1) 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.

(2) 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.
The following table shows the number of securities of Air Canada owned by individual directors and the market value of such securities as of the date hereof:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Owned</th>
<th>Number of DSUs or RSUs Owned</th>
<th>Total Market Value of Shares, DSUs and RSUs for Purposes of Guidelines(1)</th>
<th>Value of Shares, DSUs and RSUs Required to Meet Guidelines</th>
<th>Latest Date to Meet Share Ownership Requirements</th>
<th>Value Held as Multiple of Board Retainer or Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christie J.B. Clark</td>
<td>73,010(2)</td>
<td>22,616.27 DSUs</td>
<td>$1,685,891</td>
<td>$585,000</td>
<td>June 27, 2018</td>
<td>8.6 times</td>
</tr>
<tr>
<td>Gary A. Doer</td>
<td>Nil</td>
<td>9,016.86 DSUs</td>
<td>$158,967</td>
<td>$585,000</td>
<td>April 30, 2023</td>
<td>0.8 times</td>
</tr>
<tr>
<td>Rob Fyfe</td>
<td>Nil</td>
<td>15,855.16 DSUs</td>
<td>$279,526</td>
<td>$585,000</td>
<td>September 30, 2022</td>
<td>1.4 times</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>88,771</td>
<td>32,979.48 DSUs</td>
<td>$2,146,461</td>
<td>$585,000</td>
<td>August 6, 2016</td>
<td>11.0 times</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td>31,098</td>
<td>215,971.73 DSUs</td>
<td>$4,355,839</td>
<td>$585,000</td>
<td>August 6, 2016</td>
<td>22.3 times</td>
</tr>
<tr>
<td>Madeleine Paquin</td>
<td>6,500</td>
<td>41,752.13 DSUs</td>
<td>$850,685</td>
<td>$585,000</td>
<td>May 12, 2020</td>
<td>4.4 times</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>436,854(3)</td>
<td>270,660 DSUs; 50,600 RSUs</td>
<td>$13,365,550(4)</td>
<td>$7,000,000</td>
<td>February 17, 2022</td>
<td>9.5 times</td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td>19,300</td>
<td>146,273.28 DSUs</td>
<td>$2,919,057</td>
<td>$975,000(5)</td>
<td>May 5, 2022</td>
<td>15.0 times</td>
</tr>
<tr>
<td>Kathleen Taylor</td>
<td>10,000</td>
<td>33,351.51 DSUs</td>
<td>$764,287</td>
<td>$585,000</td>
<td>May 10, 2021</td>
<td>3.9 times</td>
</tr>
<tr>
<td>Annette Verschuren</td>
<td>62,168</td>
<td>50,645.69 DSUs</td>
<td>$1,988,905</td>
<td>$585,000</td>
<td>November 12, 2017</td>
<td>10.2 times</td>
</tr>
<tr>
<td>Michael M. Wilson</td>
<td>7,468</td>
<td>72,322.60 DSUs</td>
<td>$1,406,708</td>
<td>$585,000</td>
<td>October 1, 2019</td>
<td>7.2 times</td>
</tr>
</tbody>
</table>

(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 May 4, 2020 Toronto Stock Exchange closing price of Air Canada shares ($17.63).
(2) Mr. Clark holds 69,310 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 May 4, 2020.
(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 May 4, 2020.
STATEMENT OF GOVERNANCE PRACTICES

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

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

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

BOARD OF DIRECTORS

Director Independence

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

Eleven of the 12 director nominees standing for election to the Board, namely, Amee Chande, Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Michael M. Green, Jean Marc Huot, Madeleine Paquin, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are “independent” in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Calin Rovinescu is not independent because of his position held as an officer of Air Canada.

Directorships of Other Reporting Issuers

Director nominees Amee Chande, 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. Amee Chande is a director of Signature Aviation plc. 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 Great-West Lifeco Inc., IGM Financial Inc. and Power Corporation of Canada. 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 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 Celestica Inc. and Suncor Energy Inc.

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

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

<table>
<thead>
<tr>
<th>Name</th>
<th>GENDER</th>
<th>AGE</th>
<th>TENURE AT AIR CANADA</th>
<th>REGION</th>
<th>TOP FIVE COMPETENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amee Chande</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Christie J.B. Clark</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Gary A. Doer</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Rob Fyfe</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Jean-Marc Huot</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Madeleine Paquin</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Kathleen Taylor</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Annette Verschuren</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Michael M. Wilson</td>
<td>Female</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
</tbody>
</table>

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

Chairman of the Board

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

Board Size

Air Canada’s articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board will be comprised of 12 directors in the event all of the director nominees are elected. Please refer to the section under the heading “The Nominated Directors” in this circular for further details. The Board is of the view that this size and its composition are adequate and allow for the efficient functioning of the Board as a decision-making body.

Board Mandate

The Board has adopted a written charter which sets out, among other things, its roles and responsibilities. The Charter of the Board of Directors can be found as Schedule “D” 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, 2019, *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, 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Audit, Finance and Risk Committee</th>
<th>Governance and Nominating Committee</th>
<th>Human Resources and Compensation Committee</th>
<th>Safety, Health, Environment and Security Committee</th>
<th>Overall Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christie J.B. Clark</td>
<td>13/13 (100%)</td>
<td>4/4 (Chair)</td>
<td>4/4</td>
<td>–</td>
<td>–</td>
<td>21/21 (100%)</td>
</tr>
<tr>
<td>Gary A. Doer</td>
<td>13/13 (100%)</td>
<td>4/4</td>
<td>–</td>
<td>5/5</td>
<td>–</td>
<td>22/22 (100%)</td>
</tr>
<tr>
<td>Rob Fyfe</td>
<td>13/13 (100%)</td>
<td>–</td>
<td>–</td>
<td>5/5</td>
<td>5/5 (Chair)</td>
<td>23/23 (100%)</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>12/13 (92%)</td>
<td>–</td>
<td>–</td>
<td>4/5</td>
<td>4/5</td>
<td>20/23 (87%)</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td>13/13 (100%)</td>
<td>–</td>
<td>–</td>
<td>5/5</td>
<td>5/5</td>
<td>23/23 (100%)</td>
</tr>
<tr>
<td>Madeleine Paquin</td>
<td>13/13 (100%)</td>
<td>–</td>
<td>4/4</td>
<td>–</td>
<td>5/5</td>
<td>22/22 (100%)</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>12/12 (100%)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12/12 (100%)</td>
</tr>
<tr>
<td>Vagn Sørensen</td>
<td>13/13 (100%)</td>
<td>2/2</td>
<td>4/4</td>
<td>–</td>
<td>–</td>
<td>19/19 (100%)</td>
</tr>
<tr>
<td>Kathleen Taylor</td>
<td>13/13 (100%)</td>
<td>4/4</td>
<td>4/4</td>
<td>5/5</td>
<td>–</td>
<td>26/26 (100%)</td>
</tr>
<tr>
<td>Annette Verschuren</td>
<td>13/13 (100%)</td>
<td>4/4</td>
<td>4/4 (Chair)</td>
<td>–</td>
<td>–</td>
<td>21/21 (100%)</td>
</tr>
<tr>
<td>Michael M. Wilson</td>
<td>13/13 (100%)</td>
<td>4/4</td>
<td>–</td>
<td>5/5 (Chair)</td>
<td>5/5</td>
<td>27/27 (100%)</td>
</tr>
</tbody>
</table>

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 Rob Fyfe.

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

MECHANISMS OF BOARD RENEWAL
The Board’s goal is to be a balanced board comprised of members with diverse backgrounds, experience and tenure. In furtherance of that goal, the Board has implemented three primary mechanisms of Board renewal, namely, director term limits, a retirement policy and an annual evaluation process, each of which are described below.
Over the past five years, four 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 6.7 years. The following chart shows the number of completed years of Board service of the director nominees:

<table>
<thead>
<tr>
<th>Completed Years of Board Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5</td>
<td>50%</td>
</tr>
<tr>
<td>6 - 10</td>
<td>17%</td>
</tr>
<tr>
<td>&gt; 10</td>
<td>33%</td>
</tr>
</tbody>
</table>

**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.

**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 Vice President and Corporate Secretary and responses are reviewed by the Chair of the Governance and Nominating Committee and the Corporate Secretary. The results of the survey are evaluated with the objective of identifying areas in which the Board and its committees may improve.
After the completion of the annual evaluation process, a summary report is prepared and is presented to the Board. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. In addition, the Chair of the Governance and Nominating Committee meets with each Committee Chair to discuss the results of the survey on his or her effectiveness, and together with the President and CEO 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 EVALUATIONS INCLUDING PEER REVIEWS

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

Competencies and Skills
The Governance and Nominating Committee determines the expected competencies and skill-set of new candidates by taking into account the existing strengths of the Board and the needs of the Corporation. The Governance and Nominating Committee also considers potential conflicts of interest and interlocking directorships of potential candidates. Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which the Corporation operates 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 “Competency Requirements and Other Information”.

The Governance and Nominating Committee also reviews the qualifications, skill-set and experience of the candidate nominated by the trustee appointed under the Pension MOUs reached between Air Canada and its Canadian-based unions, the whole as was further detailed at page 32 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;
provide independent judgment on a broad range of issues;
understand and challenge the key business plans and the strategic direction of the Corporation;
raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each committee;
make all reasonable efforts to attend all Board and committee meetings; and
review the materials provided by management in advance of the Board and committee meetings.

Board Diversity Policy
The Board is committed to maintaining high standards of corporate governance in all aspects of Air Canada’s business and affairs, and recognizes the benefits of fostering greater diversity, 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 and more recently amended in February 2020.

The diversity policy states that candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board including the representation of members of “designated groups” as defined in the Employment Equity Act (that is, women, members of visible minorities, Indigenous peoples and persons with disabilities). 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.

In furtherance of diversity, the Board has established as its target that women represent at least 30% of the directors of Air Canada by 2020. Moreover, the Corporation 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. The Board has not adopted formal targets for each of the other designated groups, as the Board takes these personal characteristics into account in the process of selecting individual candidates.

Presently, three out of the 11 directors (28%) are women, and following the shareholder meeting and assuming all director nominees are elected, four out of the 12 directors (33%) will be women. The Board is not currently represented by members of visible minorities, Indigenous peoples and persons with disabilities, and following the meeting and assuming all director nominees are elected, one out of the 12 directors (8%) will be a member of a visible minority.

Annually, the Governance and Nominating Committee reviews this policy and assesses its effectiveness in promoting a diverse Board of Air Canada. It also reviews the Board’s composition and any anticipated vacancies in light of the diversity policy and objectives.

ORIENTATION AND CONTINUING EDUCATION
The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of Air Canada’s business. Each new director is also asked to review the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he or she is expected to play as a director and a committee member. Extensive documentation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.
As part of its mandate, the Governance and Nominating Committee is also responsible for providing a continuous education program for directors of the Board. The continuous education program provides directors with opportunities to develop skills that are essential to their directorship at Air Canada and to ensure that they are up to date in their awareness of company and industry issues and their duties and responsibilities as directors. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation’s business remains current. In the past year, the Board of Directors participated in sessions on particular aspects of the aviation business, global developments and operations. The Board also participated in strategy sessions, receiving presentations from external consultants and management. In addition, directors have complete access to management to understand and keep up-to-date with Air Canada’s business and for any other purposes that may help them fulfill their responsibilities.

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 operations centers and airport facility tours are available for directors so they can enhance their understanding of the operational aspects of Air Canada’s business.
The following table provides details on certain director training initiatives undertaken in 2019.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Presentation By</th>
<th>Directors Attending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change and strategic environmental initiatives</td>
<td>Senior Director, Environmental Affairs, Air Canada</td>
<td>All directors</td>
</tr>
<tr>
<td>Prediction machines and the simple economics of artificial intelligence</td>
<td>Renowned author, professor and consultant on artificial intelligence</td>
<td>All directors</td>
</tr>
<tr>
<td>IATA industry initiatives relating to radio-frequency identification technology</td>
<td>Senior Vice President, Airport, Passenger, Cargo and Security, International Air Transport Association (IATA)</td>
<td>All directors</td>
</tr>
<tr>
<td>Global cargo business</td>
<td>Vice President, Cargo, Air Canada</td>
<td>All directors</td>
</tr>
<tr>
<td>Leisure carrier market</td>
<td>President, Rouge Operations, Air Canada</td>
<td>All directors</td>
</tr>
<tr>
<td>Developments in enterprise risk management</td>
<td>Independent expert in enterprise risk management</td>
<td>All members of the Audit, Finance and Risk Committee, and Vagn Sørensen, Rob Fyfe, Jean Marc Huot, Madeleine Paquin, Calin Rovinescu</td>
</tr>
<tr>
<td>New accounting policies</td>
<td>Vice President and Controller, Air Canada</td>
<td>All members of the Audit, Finance and Risk Committee, and Vagn Sørensen, Rob Fyfe, Jean Marc Huot, Madeleine Paquin, Calin Rovinescu</td>
</tr>
<tr>
<td>Recent trends in executive compensation</td>
<td>Independent consultant</td>
<td>All members of the Human Resources and Compensation Committee, and Vagn Sørensen, Madeleine Paquin, Calin Rovinescu</td>
</tr>
<tr>
<td>Developments in ethics hotline and harassment reporting</td>
<td>Chair, Ethics Committee, and Vice President and Corporate Secretary, Air Canada Executive Vice President, Chief Human Resources and Communications Officer, Air Canada</td>
<td>All members of the Governance and Nominating Committee, and Rob Fyfe, Jean Marc Huot, Calin Rovinescu</td>
</tr>
</tbody>
</table>
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 October 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 actual or potential misconduct or violations of the Code.

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 on a confidential basis including through 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.

SHAREHOLDER ENGAGEMENT

Air Canada recognizes the importance of strong and consistent engagement with our shareholders and other stakeholders. The Board of Directors is mandated to ensure systems are in place for communication with the Corporation’s shareholders and other stakeholders. Air Canada maintains a phone number as well as email and regular mail addresses for stakeholder feedback and questions. Please refer to the section entitled “How to Request More Information” at page 104 of this circular.

In addition, the Corporation encourages shareholders to attend its annual meeting in person or via webcast. This year only the webcast will be available. The annual meeting provides a valuable opportunity to hear directly from management about the results of Air Canada’s business and operations, as well as our strategic plans. Members of the Board are in attendance at annual meetings, and the Chairman and the Chair of each committee are available to answer questions as appropriate. Senior management also hold quarterly conference calls and webcasts with the investment community to review Air Canada’s most recently released financial and operating results, and an Investor Day was held in February 2019 as well.
The Board recognizes that it is also important for the Board to communicate with shareholders on matters that are important to them. Shareholders may contact the Board through the Chairman via email at corporate.secretary@aircanada.ca or the following postal address: Air Canada, Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

In 2016, the Corporation began inviting major institutional investors to meet with the Chairman and other members of the Board on an annual basis. During 2019, shareholders who at that time collectively owned approximately 40% of Air Canada’s outstanding shares were invited to meet individually with the Chairman and the Chair of the Governance and Nominating Committee. These meetings involved dialogue on a broad range of topics, including transformation, corporate governance, risk management and executive compensation. The Deputy Chief Executive Officer and Chief Financial Officer and members of the senior management team regularly communicated with various stakeholders to listen to their opinions on matters important to them.
BOARD COMMITTEES

The Board has four standing committees:

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

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

AUDIT, FINANCE AND RISK COMMITTEE

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

The members of the Audit, Finance and Risk Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit, Finance and Risk Committee and in particular each member 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; and
• To assist the Board in the discharge of its oversight responsibility in relation to the Corporation’s enterprise risk management process, except in regard to risks for which the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee have been delegated responsibility by the Board.
The responsibilities of the Audit, Finance and Risk Committee include the following:

- Monitor and review the quality and integrity of the Corporation’s accounting and financial reporting process through discussions with management, the external auditor and the head of corporate audit and advisory;
- Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related Management’s Discussion and Analysis, and the financial disclosure in any 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; and
- Monitor the Corporation’s performance compared to budget for both its annual operating and capital plans.

The Audit, Finance and Risk Committee met four times during the period from January 1, 2019 to December 31, 2019.

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

Christie J.B. Clark (Chair)
Gary A. Doer
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; and

• 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; and

• 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, 2019 to December 31, 2019.
The Governance and Nominating Committee is currently composed of:

- 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, succession plans for executive officers and key senior leadership roles, and (iii) 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; and

- To assist the Board in the discharge of its oversight responsibilities for risks related to human resources including talent management, employee conduct, succession planning, compensation and pension matters.

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

- Develop compensation philosophy and guiding principles;

- Review the compensation policies and major compensation programs of the Corporation and its subsidiaries against business objectives, operations and the risks to which the Corporation and such subsidiaries are exposed;

- Review the major compensation programs of the Corporation and its subsidiaries to ensure program design and payout align with sound risk management principles and practices;

- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, taking into account market practices and comparator group benchmarks. The Chairman of the Board and the Chair of the Committee shall evaluate the CEO’s performance in light of those goals, objectives and business performance measures, and based on this evaluation, the Committee shall make recommendations to the Board with respect to the CEO’s compensation;

- Review the performance of other executive officers, as summarized by the CEO and recommend to the Board the compensation of the executive officers;

- Review 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; and
• Approve any contributions to a supplemental executive retirement plan within the guidelines of the funding policy, subject to review by the Board.

The Human Resources and Compensation Committee met five times during the period from January 1, 2019 to December 31, 2019.

The Human Resources and Compensation Committee is currently composed of:

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; and
• Monitor plans and progress for improvement initiatives and ongoing development of organizational capability.

The Safety, Health, Environment and Security Committee met five times during the period from January 1, 2019 to December 31, 2019.

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

Rob Fyfe (Chair)
Michael M. Green
Jean Marc Huot
Madeleine Paquin
Michael M. Wilson
EXECUTIVE COMPENSATION

This section describes our executive compensation philosophy and programs, and provides the details on the compensation of our named executive officers.

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  – Compensation Factors and Governance 61
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MESSAGE FROM THE HUMAN RESOURCES AND COMPENSATION COMMITTEE (HRCC)

Dear fellow shareholders,

Throughout 2019, Air Canada’s executive team focused on consistently achieving customer service excellence, pursuing revenue-enhancing and cost savings initiatives and international growth, and fostering positive culture change through employee engagement programs — all with the objective of being a sustainably profitable global leader, creating substantial stakeholder value.

While the details of our executive compensation program can be found on the following pages, the arc of the story year over year is quite simple — executive compensation should reward performance and help drive sustained growth, and by extension, lead to increased shareholder value. In addition to supporting our pay-for-performance philosophy, factors that guided our decisions this year included:

• Air Canada’s continued success in out-performing targets for key financial metrics, even when faced with the unprecedented challenges resulting from the grounding of the Boeing 737 MAX aircraft globally;
• The importance of retaining key executives to continue the Corporation’s momentum; and
• Market pay practices of our aviation and transportation peer group and broader competitors for executive talent.

2019 CORPORATE PERFORMANCE THAT INFLUENCED NAMED EXECUTIVE OFFICER PAY

2019 was a year of significant accomplishments and recognition for Air Canada and its executive team, including:

Financials

• Delivered record operating revenues of $19,131 million, EBITDA (earnings before interest, taxes, depreciation and amortization) of $3,636 million and record adjusted pre-tax income of $1,273 million representing significant increases compared to 2018. EBITDA and adjusted pre-tax income are not recognized measures under generally accepted accounting principles in Canada (“GAAP”), do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s Management’s Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2019 (“2019 MD&A”) for a discussion of non-GAAP financial measures and a reconciliation of non-GAAP measures to GAAP results. Specifically, EBITDA of $3,636 million is reconciled to GAAP operating income of $1,650 million, and adjusted pre-tax income of $1,273 million is reconciled to GAAP income before income taxes of $1,775 million.
• Mitigated the challenges operationally and financially arising from the grounding of the Boeing 737 MAX aircraft, including the grounding of 24 aircraft in the Air Canada fleet and the suspension of 12 Boeing 737 MAX aircraft deliveries scheduled for 2019, representing, at summer peak, approximately 25% of Air Canada’s narrow body fleet.
• Recorded 51.5 million passengers carried.

Share Price

• Share price increased 87% during 2019, amongst the top performers on the TSX for the year and well ahead of the North American airline index, which was up approximately 21% in 2019.
• Listed 7th on the inaugural list of the Toronto Stock Exchange 30, which ranked corporations based on their share price growth over the last three years.
• Recognized as the top performing stock on the TSX over the last decade according to the Globe and Mail / Bloomberg, with a 3,575% increase between January 1, 2010 and December 31, 2019.

Acquisitions
• Completed the purchase of Aimia Canada, Inc. and the integration of its employees, as the Corporation continued to build a new customer loyalty program.
• Entered into an agreement for the acquisition of Transat A.T. Inc., a Montreal-based tour operator and airline, which was approved by a majority of Transat’s shareholders and by the Superior Court of Québec; completion is subject to regulatory approval and satisfaction of certain conditions.

Technology
• Began the transition to a new passenger service system (Altéa) — two years in the making, this implementation was a highly complex undertaking requiring 700,000 hours of development and 300,000 hours of training.

External Recognition
• Received recognition that reaffirms Air Canada’s position as a leader in the industry, including:
  ○ Received the inaugural award for Diversity in Leadership at the 2019 Airline Strategy Awards;
  ○ Mr. Rovinescu named CEO of the Year and Strategist of the Year by the Globe and Mail’s Report on Business, and the honour of Mr. Rovinescu being inducted as a Companion into the 2020 Canadian Business Hall of Fame;
  ○ Recognized as the 2019 Airline of the Year by Global Traveler, the leading magazine for luxury business and leisure travellers;
  ○ Named Best Airline in North America for the third consecutive year at the Skytrax World Airlines Awards ceremony in Paris — it marked the eighth time in the past 10 years that Air Canada earned that distinction, and being named the Best North American Airline for International Travel for the twelfth consecutive year by Business Traveler USA;
  ○ Listed as one of Canada’s Top 100 Employers for the seventh consecutive year by Mediacorp Canada Inc., as well as one of Canada’s Best Diversity Employers for the fourth year in a row; and
  ○ Selected as one of the 50 Most Engaged Workplaces by Achievers for the fourth consecutive year.

COMPENSATION PROGRAM UPDATES
In response to shareholder feedback and our ongoing commitment to strengthen the pay-for-performance aspects of our executive compensation programs, the HRCC approved the following changes to the Corporation’s long-term incentive programs:

Beginning in 2019:
• EBITDA (earnings before interest, taxes, depreciation and amortization) replaced EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) as the performance measure for vesting of performance share units (PSUs), which is a better reflection of the Corporation’s financial performance for compensation programs.
• Long-term incentive grants for the President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer positions will no longer fully vest immediately upon retirement, but rather, more consistent with market practice, will vest as follows:
  ○ Outstanding unvested performance-based stock options will continue to vest upon retirement as scheduled;
All vested options will expire at the earlier of their scheduled expiration or 5 years from retirement; and
Outstanding share units will vest according to the regular vesting schedule and the achievement of performance targets.

- Target compensation for the President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer will be set at the 50th percentile of Air Canada’s comparator group subject to exceptions as set out below under “Total Compensation”.
- A new share ownership requirement was implemented that requires the President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer to own a minimum amount of securities consistent with their applicable share ownership guidelines for one year following their retirement.

Beginning in 2020:
- One quarter of PSU grants will vest based on two new relative performance measures, as follows:
  - Based on 3-year cumulative total shareholder return (TSR) against six international airlines;
  - Based on 3-year cumulative TSR against the Toronto Stock Exchange (TSX) Composite Index.
- Long-Term Incentive Plan target grants will be aligned to the 50th percentile of our comparative group.

KEY 2019 COMPENSATION DECISIONS
A key task of the HRCC is to compare Air Canada’s performance as a Corporation to a cross-section of industry and non-industry peer companies and to compare Air Canada Named Executive Officers’ (“NEOs”) compensation to their peers at other comparator companies. The compensation decisions made demonstrate our sustained commitment to provide competitive executive compensation that supports our pay-for-performance philosophy.

At our 2019 and 2020 Board of Directors meetings, we approved the following decisions regarding the total compensation of our NEOs:

Total Compensation
Total compensation opportunity for all NEOs, including our President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer, will be targeted at the 50th percentile of Air Canada’s comparator group for positions with similar responsibilities and scope. However, in specific circumstances and based on performance, total compensation may be set below or above this percentile (but no higher than the 75th percentile for performance far exceeding goals and targets for the executive and Air Canada) depending on each executive’s profile, experience and performance in their role.

Base Pay
Base pay increases were awarded to continue to bring NEO’s total compensation to the 50th percentile of the market, as well as to reflect Messrs. Rousseau and Landry’s new positions of Deputy Chief Executive Officer and Chief Financial Officer, and Executive Vice President, Operations respectively.

Short-Term Incentives
For purposes of the Annual Incentive Plan (AIP), the Corporation surpassed by more than 15% the target used for 2019 for Adjusted Pre-tax Income, delivering a performance weighting of two times for the Adjusted Pre-tax Income portion of the award.
**Long-Term Incentives**

NEOs received target grants of stock options and share units in 2019, at the grant value for their position. Each NEO’s award includes a portion (51%) in performance-based equity (performance stock options and PSUs). The other portion (49%) is in the form of time-vested stock options and restricted share units (RSUs).

**PRIOR GRANT VESTING**

Air Canada exceeded its multi-year target for stock options granted in 2016 and PSUs granted in 2017. Therefore, at the beginning of 2020 (after the completion of the performance cycle) based on vesting rules, each NEO received 100% of these grants.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Performance Cycle</th>
<th>Target</th>
<th>Actual</th>
<th>Vesting Payout Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Stock Option Grant</td>
<td>4-year average annual operating margin</td>
<td>2016 –2019</td>
<td>8.2%</td>
<td>9.1%</td>
</tr>
<tr>
<td>2017 PSU Grant</td>
<td>3-year cumulative annual EBITDAR</td>
<td>2017 –2019</td>
<td>$9,620M</td>
<td>$10,212M</td>
</tr>
</tbody>
</table>

**IN CONCLUSION**

Executive compensation is an important component of the Board of Directors’ responsibility, and we readily acknowledge the critical role a well-designed executive compensation program plays not just in the continued growth of Air Canada but also in the trust placed in the Corporation. We remain committed to ensuring accuracy, transparency and oversight on behalf of Air Canada shareholders.

Thank you for your investment in Air Canada.

**Michael M. Wilson**

Chair of the Human Resources & Compensation Committee of the Board of Directors
COMPENSATION DISCUSSION AND ANALYSIS

Air Canada’s principal objective is to be a sustainably profitable global champion. In pursuing this goal, we believe in rewarding our employees for helping to deliver excellent performance. Consistent with this objective, we must also have an executive team that is focused on the continuous improvement of customer experience, employee engagement and the creation of value for shareholders.

NAMED EXECUTIVE OFFICERS

This Compensation Discussion and Analysis section describes the philosophy, policies and components of our executive compensation program, as well as the compensation decisions of the HRCC and the Board of Directors for the following Named Executive Officers (NEOs) in 2019:

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>Deputy Chief Executive Officer and Chief Financial Officer</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>Executive Vice President and Chief Commercial Officer</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>Executive Vice President, Operations</td>
</tr>
<tr>
<td>David Shapiro(1)</td>
<td>Executive Vice President, International and Regulatory Affairs and Chief Legal Officer</td>
</tr>
</tbody>
</table>

(1) Mr. Shapiro, formerly the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, was promoted to the role of Executive Vice President, International and Regulatory Affairs and Chief Legal Officer on January 1, 2020.

EXECUTIVE COMPENSATION PHILOSOPHY

Our executive compensation program plays a significant role in successfully attracting, motivating and retaining an exceptional management team. Our executive compensation philosophy has four fundamental tenets:

- Align the interests of executives with those of Air Canada shareholders;
- Reward executives for results based on Corporation performance in the short term and the long term;
- Design and maintain an executive compensation program that achieves the right mix of pay components, including performance-based “at-risk” pay (see Elements of the Executive Compensation Program on page 68);
- Provide compensation at the 50th percentile of our comparator group for the talent we want to attract and retain at Air Canada, with the opportunity for executives to reach up to the 75th percentile in specific circumstances and based on consistent performance that far exceeds goals and targets.
COMPOSITION AND RESPONSIBILITIES OF THE HRCC

The Human Resources and Compensation Committee (HRCC) administers the compensation program for all NEOs, as well as other executives within the Corporation. While Air Canada management provides input, it is the responsibility of the HRCC to evaluate, approve and oversee our executive compensation philosophy, plans, policies and programs.

The table below sets out the members of the HRCC in 2019 and the basis of their experience.

<table>
<thead>
<tr>
<th>Committee Member</th>
<th>Member Since</th>
<th>Direct Experience</th>
<th>Basis of Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael M. Wilson, Chair</td>
<td>October 17, 2014</td>
<td>Yes</td>
<td>Former President and CEO, Agrium Inc.; Former President, Methanex Corporation; Chair, Celestica Inc. and Suncor Energy Inc.</td>
</tr>
<tr>
<td>Gary A. Doer</td>
<td>April 30, 2018</td>
<td>Yes</td>
<td>Director, IGM Financial Inc., Great-West Lifeco Inc. and Power Corporation of Canada; Senior Business Advisor to the law firm Dentons Canada LLP; Canadian member of the Trilateral Commission and Co-Chair of the Wilson Centre’s Canada Institute.</td>
</tr>
<tr>
<td>Rob Fyfe</td>
<td>October 24, 2017</td>
<td>Yes</td>
<td>Former Chair and former CEO, Icebreaker; Director, Michael Hill International; Honorary Advisor, Asia New Zealand Foundation; Former CEO, Air New Zealand.</td>
</tr>
<tr>
<td>Michael M. Green</td>
<td>May 8, 2009</td>
<td>Yes</td>
<td>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.</td>
</tr>
<tr>
<td>Jean Marc Huot</td>
<td>April 30, 2018</td>
<td>Yes</td>
<td>Partner with the law firm Stikeman Elliott LLP.</td>
</tr>
<tr>
<td>Kathleen Taylor</td>
<td>May 5, 2017</td>
<td>Yes</td>
<td>Chair, Royal Bank of Canada; Chair, Altas Partners, Vice-Chair, Adecco Group; Director, Canada Pension Plan Investment Board; Chair, Board of the SickKids Foundation; Member, Board of the Trustees, Hospital for Sick Children; Co-Chair, SickKids Capital Campaign; Former President and CEO, Four Seasons Hotels and Resorts.</td>
</tr>
</tbody>
</table>
The following table outlines the steps the HRCC follows to ensure the total compensation for our NEOs is in line with the Corporation’s compensation philosophy.

<table>
<thead>
<tr>
<th>STEP 1</th>
<th>STEP 2</th>
<th>STEP 3</th>
</tr>
</thead>
</table>
| At the beginning of each calendar year, management, including the President and Chief Executive Officer, provides recommendations to the HRCC on the compensation of the other NEOs. These recommendations take into consideration the competitive market pay data provided by the HRCC’s independent compensation consultant, as well as an evaluation of the NEO’s role, specific skills, abilities and experience, contributions and performance and impact in achieving Corporation performance. (See more below on the HRCC’s independent compensation consultant.) | The HRCC considers these recommendations together with the input of its independent compensation consultant and subsequently makes recommendation to the Board the NEOs’ compensation, ensuring that the compensation is completely aligned with our compensation philosophy. All aspects of the President and Chief Executive Officer’s compensation and resulting compensation decisions are approved by the Board following the recommendations of the HRCC, in consultation with the independent compensation consultant. | The HRCC:  
• Reviews and approves performance metrics for the short- and long-term incentive plans  
• Establishes thresholds, targets and maximums  
• Determines weightings for each of the performance goals of the Corporation and those of the individual for the short- and long-term incentive plans based on recommendations provided by management. These recommendations are based on the business plan for performance goals and specific financial targets. The HRCC strives to ensure that the incentive metrics are consistent with the financial, operational and strategic goals set by the Board of Directors, that the goals are sufficiently ambitious to provide meaningful incentives and that amounts paid, assuming target levels of performance are attained, will be consistent with the Corporation’s overall executive compensation philosophy. |

ROLE OF THE COMPENSATION CONSULTANT

In 2019, the HRCC retained Willis Towers Watson as its independent compensation consultant to review executive compensation practices relative to its advisory shareholder assessment. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to Air Canada. The executive compensation consulting services provided by Willis Towers Watson include:

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

The HRCC’s decisions with regard to compensation or the compensation programs for the President and Chief Executive Officer and other NEOs are its sole responsibility and may reflect factors and information other than information and recommendations provided by Willis Towers Watson. Willis Towers Watson was first engaged by Air Canada in 1980.

The following table details the aggregate fees incurred on behalf of the HRCC in consideration of the services provided by Willis Towers Watson:

<table>
<thead>
<tr>
<th>Willis Towers Watson Services</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive compensation-related fees</td>
<td>$73,573</td>
<td>$93,251</td>
</tr>
<tr>
<td>All other fees</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>$73,573</strong></td>
<td><strong>$93,251</strong></td>
</tr>
</tbody>
</table>

**COMPENSATION FACTORS AND GOVERNANCE**

The Board of Directors evaluates many factors when designing and establishing executive compensation plans and targets. The following table outlines its key practices:

<table>
<thead>
<tr>
<th>WHAT WE DO</th>
<th>WHAT WE DON’T DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Set aggressive short- and long-term performance metrics</td>
<td>✗ Apply across-the-board base salary increases</td>
</tr>
<tr>
<td>✓ Use long-term incentives to encourage management continuity</td>
<td>✗ Have tax gross-ups upon change in control</td>
</tr>
<tr>
<td>✓ Tie a significant portion of executives’ pay to performance metrics critical to the business</td>
<td>✗ Allow hedging, short sales, option trading or pledging of shares</td>
</tr>
<tr>
<td>✓ Mitigate undue risk by using a cap on maximum payouts for short- and long-term plans and performing an annual internal risk assessment of compensation programs</td>
<td>✗ Reprice underwater stock options</td>
</tr>
<tr>
<td>✓ Have stock ownership guidelines that reinforce alignment between shareholders and our NEOs</td>
<td>✓ Grant excessive perquisites</td>
</tr>
<tr>
<td>✓ Impose a post-retirement holding period for the stock ownership requirements of our President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td>✓ Maintain a clawback policy</td>
<td></td>
</tr>
<tr>
<td>✓ Have an independent compensation consultant reporting directly to the HRCC</td>
<td></td>
</tr>
</tbody>
</table>

| 2020 MANAGEMENT PROXY CIRCULAR | 61 |
EVALUATION OF COMPENSATION RISK

The HRCC used quantitative analysis and best practices in analysing executive pay together with discretion and judgment to identify risks arising from the Corporation’s compensation policies and practices. The HRCC has not identified any risks arising from the Corporation’s compensation policies and practices that are reasonably likely to have a material adverse impact on the Corporation.

The HRCC performs the following to evaluate risk:

- Considers numerous factors when assessing executive pay, including:
  - Air Canada’s strategy and priorities;
  - Compensation philosophy and objectives;
  - Competitive market;
  - Achievement of Air Canada’s financial and operational objectives;
  - Shareholder value creation;
  - Individual performance;
  - Advice from the independent advisor to the HRCC; and
  - Sound risk management practices;
- Follows a rigorous process when establishing and setting objectives for different pay-at-risk programs, including short-term and long-term incentives;
- Reviews annual operational and strategic business plans to set objectives for executives and establish pay-at-risk programs;
- Oversees executive compensation clawback policy (see page 62); and
- Maintains policies and guidelines on business conduct which prohibits directors and executives of Air Canada from purchasing financial instruments (including, without limitation, options, puts, calls, forward contracts, futures, swaps, collars or units of exchange traded funds) that are designed to hedge or offset a decrease in the market value of securities of Air Canada, that are beneficially owned, directly or indirectly, by such directors and executives, or in the value of any Air Canada equity-based compensation award.

Compensation policies and practices are designed to promote financial performance year-over-year and a stable growth in shareholder return by mitigating the potential for inappropriate behaviours and excessive risk-taking only aimed at a short-term increase of the share price.

CLAWBACK POLICY

In 2011, the Board of Directors approved the adoption of a clawback policy concerning awards under Air Canada’s annual and long-term incentive plans, which was amended on May 4, 2020. Under this policy, which applies to all executives, the Board may, to the full extent permitted by applicable laws and to the extent it determines that it is in the best interests of Air Canada to do so, require reimbursement of all or a portion of annual or long-term incentive compensation received by an executive. The Board may seek reimbursement of full or partial compensation from an executive or former executive for situations involving:

- Serious misconduct including non-compliance with laws and regulations, accounting fraud or failure to follow internal policies and procedures; or
- A material error or misstatement of financial results and the executive or former executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the
restatement, and the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive or former executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

EXECUTIVE SUCCESSION PLANNING

The Board formally reviews 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.

SHAREHOLDER INPUT AND ENGAGEMENT

The Board of Directors believes shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions. We are committed to providing shareholders with clear, comprehensive and transparent disclosure about executive compensation and to receive feedback from shareholders on Air Canada’s executive compensation programs.

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

At the 2019 annual shareholder meeting, shareholders expressed a high level of support (approximately 91%) for Air Canada’s approach to executive compensation.
COMPARATOR COMPANIES

Compensation and performance under Air Canada’s executive compensation program are benchmarked against a comparator group of companies. The 25 companies are selected and validated annually by the HRCC based on the following criteria:

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

Air Canada’s goal is to establish a compensation program for the NEOs that provides target total compensation opportunities at the 50th percentile of Air Canada’s comparator group. However, in specific circumstances and based on performance, total compensation may be set below or above this percentile (but no higher than the 75th percentile for performance far exceeding goals and targets for the executive and Air Canada) depending on each executive’s profile, experience and performance in their role. Air Canada’s independent compensation consultant, Willis Towers Watson, completes an annual analysis of our NEO pay opportunities relative to prevailing market practices, based on our comparator group and information from published surveys of executive pay practices.

The comparative market data provided by Willis Towers Watson represents one factor considered by the HRCC when making executive pay decisions. However, the HRCC also considers other factors when setting executive pay, including individual skills, experience, tenure, performance and internal equity.
AIR CANADA COMPENSATION COMPARATOR GROUP

The comparator group for 2019 was comprised of the following companies and remained unchanged from 2018:

<table>
<thead>
<tr>
<th>Company</th>
<th>Relevant Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Large Airline</td>
</tr>
<tr>
<td></td>
<td>Transportation Sector or Aviation Related</td>
</tr>
<tr>
<td></td>
<td>Revenues Exceeding $5 Billion</td>
</tr>
<tr>
<td></td>
<td>Extensive Customer Service</td>
</tr>
<tr>
<td></td>
<td>Highly Technological Environment</td>
</tr>
<tr>
<td></td>
<td>Large Asset Base</td>
</tr>
<tr>
<td>American Airlines Group Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>Bank of Montreal (1)</td>
<td>✓</td>
</tr>
<tr>
<td>BCE Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>Bombardier Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>CAE Inc.</td>
<td></td>
</tr>
<tr>
<td>Canadian National Railway Corporation</td>
<td>✓</td>
</tr>
<tr>
<td>Canadian Pacific Railway Limited</td>
<td>✓</td>
</tr>
<tr>
<td>Canadian Tire Corporation, Limited</td>
<td>✓</td>
</tr>
<tr>
<td>Celestica Inc.</td>
<td></td>
</tr>
<tr>
<td>Delta Air Lines, Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>Domtar Corp.</td>
<td></td>
</tr>
<tr>
<td>Enbridge Inc.</td>
<td></td>
</tr>
<tr>
<td>EnCana Corp.</td>
<td></td>
</tr>
<tr>
<td>Nutrien Ltd.</td>
<td></td>
</tr>
<tr>
<td>Rogers Communications Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>Royal Bank of Canada (1)</td>
<td>✓</td>
</tr>
<tr>
<td>SNC-Lavalin Group Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>Southwest Airlines Co.</td>
<td>✓</td>
</tr>
<tr>
<td>SunLife Financial Inc. (1)</td>
<td>✓</td>
</tr>
<tr>
<td>Telus Corporation</td>
<td>✓</td>
</tr>
<tr>
<td>Toronto-Dominion Bank (1)</td>
<td>✓</td>
</tr>
<tr>
<td>Transat AT Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>TC Energy</td>
<td>✓</td>
</tr>
<tr>
<td>United Continental Holdings, Inc.</td>
<td>✓</td>
</tr>
<tr>
<td>WestJet Airlines Ltd.</td>
<td>✓</td>
</tr>
</tbody>
</table>

(1) Comparator company is not used to establish executive compensation for the President and Chief Executive Officer of Air Canada.

Further to its annual validation, in the view of the HRCC and the Board, the components of Air Canada’s executive compensation program comprised of executive base salaries, target bonuses, target grant of stock options and/or share units and group health, other benefits and executive pension plan are each in-line with remuneration practices of the above listed comparator group.
The table below shows how Air Canada compares to the comparator group in terms of revenue in 2019 and number of employees as of December 31, 2019.

<table>
<thead>
<tr>
<th>Analysis of Comparator group companies compared to Air Canada (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ($B)</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>25th Percentile</td>
</tr>
<tr>
<td>Median</td>
</tr>
<tr>
<td>75th Percentile</td>
</tr>
<tr>
<td>Air Canada</td>
</tr>
</tbody>
</table>

(1) Source: S&P Global Market Intelligence

SUPPORTING OUR PAY-FOR-PERFORMANCE PHILOSOPHY

The aviation industry is highly competitive, subject to extensive and evolving regulation and may be impacted by multiple risks. In light of this, the importance of executive leadership cannot be overstated. Our executives must be motivated to achieve their near-term goals every year, as well as the longer-term goals set out by the Corporation, which the HRCC believes will lead to positive long-term results and value creation for our shareholders.

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

For Mr. Rovinescu, 86% of his total direct compensation (base salary, target short-term incentive and target long-term incentive grants) is at risk, as shown in the chart below.
COMPONENTS OF OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER’S COMPENSATION

Base Salary: $1,400,000

Annual Incentive Plan (AIP) Target Opportunity: $1,890,000

Long-Term Incentive Opportunity: $7,100,000

PAY-AT-RISK

2019 PRESIDENT AND CHIEF EXECUTIVE OFFICER PAY-AT-RISK

<table>
<thead>
<tr>
<th>Annual Incentive Plan (AIP)</th>
<th>$0</th>
<th>$1M</th>
<th>$2M</th>
<th>$3M</th>
<th>$4M</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,890,000</td>
<td>60%</td>
<td>40%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance based on Adjusted Pre-tax Income, Leverage Ratio, Adjusted Cost per Available Seat Mile (CASM)</td>
<td>Performance based on non-financial components (see page 69)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time-based Equity</th>
<th>$3,465,475</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Options</td>
<td>Performance Options</td>
</tr>
<tr>
<td>4-year rateable vesting; 10-year term</td>
<td>4-year cliff vesting based on 4-year average Annual Operating Margin performance; 10-year term</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance-based Equity</th>
<th>$3,634,526</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Share Units (RSUs)</td>
<td>Performance Share Units (PSUs)</td>
</tr>
<tr>
<td>3-year cliff vesting</td>
<td>3-year cliff vesting based on 3-year cumulative annual EBITDA performance</td>
</tr>
</tbody>
</table>

similar to the pay for the President and Chief Executive Officer, the pay of the other named executive officers is largely "at risk" and tied to the performance of Air Canada. Rewarding the achievement of results linked to short- and long-term performance (pay for performance) remains at the core of our executive compensation philosophy. See page 68 for a more detailed description of the pay for our named executive officers.
ELEMENTS OF THE EXECUTIVE COMPENSATION PROGRAM

The following chart highlights key elements of Air Canada’s executive compensation program and how each is linked to the objectives of the executive compensation philosophy.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Type of Compensation</th>
<th>Time Horizon</th>
<th>Key Features</th>
</tr>
</thead>
</table>
| Base Salary | Attract and retain executives in a competitive marketplace | Cash | 1 year | • Reflects individual skills, competencies and experience  
• Influences short-term incentives, long-term incentives, pension and benefits |
| Short-Term Incentives – Annual Incentive Plan | Reward performance that contributes to the Corporation’s annual profitability and growth | Cash | 1 year | • Ties performance-based rewards to corporate, department and individual performance  
• Reflects annual achievement of the Corporation’s financial performance against pre-established targets |
| Long-Term Incentives | Promote a focus on long-term business results  
Align the interests of executives with the interests of shareholders | Equity | Stock Options: 4-year rateable and cliff vesting  
Share Units: 3-year cliff vesting | • Provides a mix of performance-based and time-based stock options and share units  
• Gives executives the opportunity to participate in future growth  
• Rewards long-term financial results that drive shareholder value creation  
• Generates compensation linked to business results and long-term value creation  
• Increases ownership in Air Canada  
• Supports retention of executives |
| Deferred Share Unit Plan | Provide a vehicle for deferred compensation | Equity | Retirement, termination or death | • Allows eligible participants to voluntarily receive all or part of their annual incentive award or annual PSU and/or RSU grant in DSUs  
• Retains same vesting schedule as PSUs and RSUs  
• DSUs are redeemed in cash following retirement, termination or death |
| Pension Plan | Retain executives by offering a valuable source of retirement income | Benefit | Retirement | • Provides a lifetime retirement pension based on service and annualized base salary |
| Other Benefits | Offer a variety of benefits that support personal needs | Benefit | 1 year | • Offers a comprehensive benefits program that includes both care-based and financial protection benefits  
• Flexible Perquisites Program that includes travel privileges, Maple Leaf Club Card, car lease support and health counselling |

ANALYSIS OF 2019 COMPENSATION

Compensation packages for NEOs consist of base salary, short-term and long-term incentives. The Corporation maintains a flexible approach to compensation determinations based on specific strategic and financial goals deemed important to long-term success. The relationship of base salary and performance-based compensation aims to be properly balanced and provides an effective means to attract, motivate and retain named executive officers and to align their long-term interests with those of shareholders.
BASE SALARY

Base salaries of named executive officers provide a competitive foundation of earning potential and serve to recognize their skills, competencies and experience. Base salaries are determined and adjusted by the HRCC, based on comparable positions with similar responsibilities within the Corporation’s comparator group.

2019 BASE SALARY DECISIONS

The Corporation does not raise salaries for executives uniformly every year. In 2019, Ms. Guillemette and Messrs. Landry and Shapiro received base salary increases to continue to bring their total compensation towards the 50th percentile of the comparator group. Messrs. Rousseau and Landry’s salaries also increased in connection with their appointment to their new positions of Deputy Chief Executive Officer and Chief Financial Officer, and Executive Vice President, Operations respectively, which became effective January 1, 2019.

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>2018 Salary</th>
<th>2019 Salary</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>$1,400,000</td>
<td>$1,400,000</td>
<td>0%</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>$ 650,000</td>
<td>$ 700,000</td>
<td>7.7%</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>$ 475,000</td>
<td>$ 525,000</td>
<td>10.5%</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>$ 375,000</td>
<td>$ 475,000</td>
<td>26.7%</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>$ 455,000</td>
<td>$ 468,700</td>
<td>3%</td>
</tr>
</tbody>
</table>

SHORT-TERM INCENTIVES — ANNUAL INCENTIVE PLAN

Air Canada’s Annual Incentive Plan (AIP) is designed to reward named executive officers, as well as all eligible employees throughout the Corporation, for creating corporate profitability and growth. The target AIP award for each named executive officer is set at a market-competitive level with the actual payout based on annual achievements as reflected through Corporation performance, department performance and individual performance against objectives aligned with the Corporation’s four key 2019 corporate priorities: international growth, cost control and revenue generation, customer engagement and culture change.

With the intention of encouraging the development of a corporate culture focused on Air Canada’s key priorities, AIP awards are based on the achievement of a number of corporate objectives, of which:

- 60% relates to the Corporation’s annual financial performance as measured by Adjusted Pre-tax Income(1), Leverage Ratio(1) and Adjusted CASM(1); and
- 40% relates to non-financial goals, as follows: (i) for the President and Chief Executive Officer, advancement of special projects (25%), employee engagement and talent (5%) and customer service, operational and safety (10%); and (ii) for all other named executive officers, department-specific objectives (20%) and individual objectives (20%).

After the completion of the year, the Board of Directors evaluates each NEO’s performance against their annual objectives set at the beginning of the year and assigns a performance rating (ranging from 0% – 200% of their AIP target award) based on the Corporation’s and the individual’s performance.
The performance rating determines the actual payout as shown in the following AIP calculation:

\[
\text{Base Salary} \times \text{AIP Target Award} \times \text{Annual Objective Weightings (see two tables below)} \times \text{Performance Rating for Each Objective (see table below)} = \text{Annual Payout Award}
\]

Annual objectives, which consist of both financial and non-financial components, for each NEO are weighted as follows:

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Financial Component (1)</th>
<th>Non-Financial Components</th>
<th>Department-Specific Objectives</th>
<th>Individual Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>60%</td>
<td>40%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>60%</td>
<td></td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>60%</td>
<td></td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>David Shapiro (2)</td>
<td>50%</td>
<td></td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

(1) Financial component includes Adjusted Pre-tax Income, Leverage Ratio, and Adjusted Cost per Available Seat Mile (CASM). Leverage ratio is calculated as net debt to trailing 12-month EBITDA. Leverage ratio, net debt, EBITDA, Adjusted Pre-tax Income and Adjusted CASM are non-GAAP financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s 2019 MD&A for a further discussion of such non-GAAP financial measures and a reconciliation of such measures to GAAP.

(2) Effective January 1, 2020, the financial component for Mr. Shapiro is 60% and 20% for both the department and individual objectives to align with the other named executive officers other than the President and Chief Executive Officer.
### 2019 ANNUAL INCENTIVE PLAN OBJECTIVES AND OUTCOMES

The following table shows Mr. Rovinescu’s 2019 AIP objectives, weighting and final rating for each objective as approved by the HRCC.

<table>
<thead>
<tr>
<th>Portion of Award</th>
<th>AIP Objective</th>
<th>2019 Performance Target</th>
<th>2019 Performance Results</th>
<th>Weighting</th>
<th>Actual vs Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% Financial Component</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Pre-tax Income(^{(1)})</td>
<td>$1,398M</td>
<td>$1,814M</td>
<td>50%</td>
<td>2x(^{(2)})</td>
<td></td>
</tr>
<tr>
<td>Leverage Ratio(^{(3)})</td>
<td>1.1x</td>
<td>0.8x</td>
<td>5%</td>
<td>2x</td>
<td></td>
</tr>
<tr>
<td>Adjusted Cost per Available Seat Mile (CASM)(^{(4)})</td>
<td>2.5% increase (excluding Aeroplan)</td>
<td>2.2% increase (excluding Aeroplan)(^{(5)})</td>
<td>5%</td>
<td>1.5x</td>
<td></td>
</tr>
<tr>
<td>40% Non-Financial Component</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Projects(^{(6)})</td>
<td>25%</td>
<td>1.9x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Engagement and Talent</td>
<td>5%</td>
<td>2x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service, Operational and Safety Goals</td>
<td>10%</td>
<td>1x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Combined Rate</strong></td>
<td><strong>100%</strong></td>
<td><strong>1.85x</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) For purposes of the AIP, Adjusted Pre-tax Income is calculated before deducting expenses relating to the AIP and Long-Term incentive Plan and using other adjustments, as discussed on page 73. Adjusted Pre-tax income is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under GAAP, does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s 2019 MD&A for a further discussion of such non-GAAP financial measure and a reconciliation of such measure to GAAP.

\(^{(2)}\) See page 73 for detailed calculations.

\(^{(3)}\) Leverage ratio is calculated as net debt to trailing 12-month EBITDA. Leverage ratio and EBITDA are non-GAAP financial measures and net debt is an additional GAAP measure. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s 2019 MD&A for a further discussion of such non-GAAP financial measures and a reconciliation of leverage ratio and EBITDA to GAAP.

\(^{(4)}\) Adjusted CASM is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under GAAP, does not have a standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s 2019 MD&A for a further discussion of non-GAAP financial measures and a reconciliation of such measures to GAAP.

\(^{(5)}\) Reflects the impact of the Boeing 737 Max grounding and other items.

\(^{(6)}\) Special projects in 2019 included the integration of Aimia Canada, the execution of the Arrangement Agreement with Transat A.T. Inc. and the implementation of the Corporation’s new reservations system as well as advancement and/or progress on other Board-approved initiatives.
In addition to the achievement of the AIP financial and non-financial objectives, the President and Chief Executive Officer’s performance in delivering another year of exceptional results for Air Canada, despite the unprecedented grounding of the Boeing 737 MAX and its significant impact to Air Canada, is demonstrated by the following financial metrics:

<table>
<thead>
<tr>
<th>Financial Metric</th>
<th>2018 Actuals (1)</th>
<th>2019 Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$18.0 billion</td>
<td>$19.1 billion</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1,496 million</td>
<td>$1,650 million</td>
</tr>
<tr>
<td>EBITDA (2)</td>
<td>$3,213 million</td>
<td>$3,636 million</td>
</tr>
<tr>
<td>CASM (cents)</td>
<td>14.9</td>
<td>15.5</td>
</tr>
<tr>
<td>RASM (cents)</td>
<td>16.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Liquidity</td>
<td>$5.73 billion</td>
<td>$7.38 billion</td>
</tr>
<tr>
<td>Free Cash Flow (2)</td>
<td>$1,327 million</td>
<td>$2,075 million</td>
</tr>
</tbody>
</table>

(1) Restated to reflect the adoption of IFRS 15 “Revenue from contracts with customers” standard, as explained in Note 2BB of the audited consolidated financial statements of Air Canada for the years ended December 31, 2019 and 2018.

(2) EBITDA and Free Cash Flow are non-GAAP financial measures. Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Readers are advised to review the section entitled Non-GAAP Financial Measures in Air Canada’s 2019 MD&A for a further discussion of such non-GAAP financial measures and a reconciliation of such measures to GAAP.

For all other NEOs, the 60% financial component consists of the same objectives as for the President and Chief Executive Officer, and the remaining 40% is allocated as follows: 20% based on department-specific objectives and measured based on the performance of the department and/or branches the named executive officer oversees, and 20% based on individual performance.
2019 Annual Incentive Plan range of opportunity

The trigger to grant the financial component of the AIP linked to Adjusted Pre-tax Income and its actual performance weighting is determined on a straight-line basis between the reference points listed below:

<table>
<thead>
<tr>
<th>If Air Canada achieves in 2019</th>
<th>Corporate Financial Performance Rating</th>
<th>2019 Adjusted Pre-tax Income (Target And Achieved) For Purposes of the AIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 15% above target Adjusted Pre-tax Income</td>
<td>200%</td>
<td>$1,814M</td>
</tr>
<tr>
<td><strong>2019 Adjusted Pre-tax Income for AIP</strong></td>
<td>200%</td>
<td><strong>$1,814M</strong></td>
</tr>
<tr>
<td>At least 7.5% above target Adjusted Pre-tax Income</td>
<td>150%</td>
<td>$1,398M</td>
</tr>
<tr>
<td>Target Adjusted Pre-tax Income</td>
<td>100%</td>
<td>$1,398M</td>
</tr>
<tr>
<td>No more than 7.5% below target Adjusted Pre-tax Income</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>More than 15% below target Adjusted Pre-tax Income</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

The Board of Directors approved a 200% payout for the financial component of the AIP linked to Adjusted Pre-tax Income given that the 2019 target was surpassed by more than 15%.

Air Canada’s leverage ratio was 0.8 at December 31, 2019, half of what it was at December 31, 2018.
In 2019, when compared to 2018, CASM increased 4.1% and adjusted CASM increased 2.2%. These increases reflected, in large part, the impact of the Boeing 737 MAX aircraft grounding, which resulted in a system ASM increase of 1.8% in 2019 rather than the planned system ASM growth of approximately 4.8%, in addition to significant higher costs associated with replacement aircraft and higher on-going operating expenses, including as a result of depreciation, aircraft maintenance and pilot wages that continued to be incurred in relation to the Boeing 737 MAX aircraft despite their grounding.

Given that the Aeroplan loyalty business was not consolidated in Air Canada’s financial results in 2018, for a more meaningful comparison of the cost performance of the on-going airline business, Air Canada’s adjusted CASM for 2019 excludes the operating expenses of Aeroplan.

2019 Annual Incentive Plan
The HRCC awarded named executive officers the following AIP payouts based on the Corporation’s financial performance for the 2019 fiscal year, as measured by Adjusted Pre-tax Income, Leverage Ratio and Adjusted CASM, as well as on the achievement of specific non-financial goals, including operational, department and individual goals set for each named executive officer, the whole as set out above.

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>2019 Target As a % of Base Salary</th>
<th>Target Award Opportunity</th>
<th>Actual Performance Multiplier</th>
<th>Total Payout Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>135%</td>
<td>$1,890,000</td>
<td>185%</td>
<td>$3,496,500(1)</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>100%</td>
<td>$700,000</td>
<td>171.4%</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>80%</td>
<td>$420,000</td>
<td>172.6%</td>
<td>$725,000</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>70%</td>
<td>$332,500</td>
<td>159.4%</td>
<td>$530,000</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>55%</td>
<td>$257,785</td>
<td>162.9%</td>
<td>$420,000</td>
</tr>
</tbody>
</table>

(1) Mr. Rovinescu elected to receive 100% of the award through deferred share units under the Corporation’s DSU Plan rather than cash. See “Management Deferred Share Unit Plan” on p. 81.
LONG-TERM INCENTIVE PLAN

Air Canada’s Long-Term Incentive Plan (LTIP) is designed to attract, retain and motivate key talent, including our named executive officers, to align their interests with those of our shareholders and to reward performance and value creation over the longer term. LTIP awards are granted to named executive officers annually in the form of stock options and share units.

The table below shows each element of an annual grant, along with its link to performance requirements and vesting opportunity. The majority of each long-term incentive award is in performance-based equity where value creation depends on meeting metrics set for the performance period and increasing share price, which benefits all shareholders.
Named executive officers are granted a mix of stock options and share units, based on their target grant opportunity.

Stock Options
Unless a particular employment agreement provides otherwise, the vesting of the options to purchase Air Canada shares granted under the LTIP is as follows:

- **50% of the stock options granted under the LTIP are time-based stock options** that vest in four equal installments (12.5% for each installment) on each anniversary of the grant, and

- **50% of the stock options granted under the LTIP are performance-based stock options** that vest at the end of 4 years and are exercisable if the 4-Year Average Annual Operating Margin goal set at grant is attained. See the Performance Stock Options Goal table at the right for more details on the vesting of performance-based stock options.

When vested, stock options give the named executive officer the right to purchase Air Canada shares at an exercise price based on the market price of Air Canada’s shares at the time of the option grant. The exercise price equals the “volume-weighted average trading price” of the shares on the Toronto Stock Exchange (TSX) for the 5 trading days immediately preceding the grant date (calculated by dividing the total value by the total volume of shares traded during such period).

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

<table>
<thead>
<tr>
<th>PERFORMANCE STOCK OPTIONS GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-YEAR AVERAGE ANNUAL OPERATING MARGIN GOAL</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>100%</td>
</tr>
<tr>
<td>95%</td>
</tr>
<tr>
<td>90%</td>
</tr>
<tr>
<td>85% or less</td>
</tr>
</tbody>
</table>

Performance stock options vest on a straight-line basis between the reference points above. For example, if the Corporation’s operating margin over the 4-year period equals 92.5% of the target operating margin, 50% of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null.
LONG-TERM INCENTIVE PLAN DETAILS

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

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

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

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

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

The Long-Term Incentive Plan also provides that the Board may advance the date on which any option may be exercised or any share unit may be payable or, subject to applicable regulatory 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 3 years in the case of share units from the date such option or share unit is granted.

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

Share units granted under the Long-Term Incentive Plan are notional share units which are redeemable, on a one-to-one basis, for Air Canada shares or the cash equivalent, as determined by the Board of Directors. As such, the value of the share units tracks the value of Air Canada shares. Outstanding share units granted (prior to 2020) under the LTIP are comprised of a mix of:

- **Performance share units (PSUs)** that vest on the third anniversary of the grant if the 3-year Cumulative Annual EBITDA goal set at grant is attained. See the Performance Share Units Goal table at the right for the vesting opportunity.

- **Restricted share units (RSUs)** that vest on the third anniversary of the grant.

If PSUs vest based on achieving the performance targets set at grant, NEOs receive on the redemption date an amount equal to the “volume-weighted average trading price” of the Air Canada shares on that date, with payment being made with Air Canada shares or cash, at the discretion of the Board of Directors. See the Performance Share Units (PSUs) Goal table at the right for the vesting opportunity.

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.

<table>
<thead>
<tr>
<th>3-YEAR CUMULATIVE ANNUAL EBITDA TARGET GOAL</th>
<th>PSUs VESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>85% or less</td>
<td>0%</td>
</tr>
</tbody>
</table>

PSUs vest on a straight-line basis between the reference points above.
New PSU vesting requirements beginning in 2020

To better align our named executive officer’s interests with those of our shareholders, we are adding two new relative performance measures for the vesting of PSU grants, consistent with the majority of our comparator group companies.

12.5% 3-year Cumulative TSR against the Six International Airlines
12.5% 3-year Cumulative TSR against TSX Composite Index
75% 3-year Cumulative Annual EBITDA Target Goal

(1) Six international airlines include: Delta Air Lines, American Airlines, United Airlines, British Airways (IAG-International Airlines Group), Lufthansa and Air France.

Beginning with the 2020 grant, 25% of PSUs granted will vest on the third anniversary based on two new performance measures:

• 12.5% will vest based on 3-year cumulative TSR against the six international airlines, and
• 12.5% will vest based on 3-year cumulative TSR against the TSX Composite Index.

Vesting will be based on Air Canada’s ranking on these new performance measures, with 100% of awarded PSUs vesting if Air Canada’s TSR is at median. If Air Canada’s 3-year cumulative TSR is negative, the number of PSUs that can vest will be below 100% of the PSUs granted, unless Air Canada’s 3-year cumulative TSR ranks above the 50th percentile of the Toronto Stock Exchange Composite Index, in which case 100% of awarded PSUs will vest.

The remaining PSU grant (75%) will continue to vest based on the performance of the 3-year Cumulative Annual EBITDA compared to the goal set at grant.

See the Performance Share Units (PSUs) Goal tables at the right for the vesting opportunity for each element of the PSU grant.

BEGINNING 2020 — PERFORMANCE SHARE UNITS (PSUS) GOALS

<table>
<thead>
<tr>
<th>3-YEAR CUMULATIVE TSR AGAINST THE SIX INTERNATIONAL AIRLINES</th>
<th>12.5% OF PSUs VESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank 1</td>
<td>200%</td>
</tr>
<tr>
<td>Rank 2</td>
<td>167%</td>
</tr>
<tr>
<td>Rank 3</td>
<td>133%</td>
</tr>
<tr>
<td>Rank 4</td>
<td>100%</td>
</tr>
<tr>
<td>Rank 5</td>
<td>67%</td>
</tr>
<tr>
<td>Rank 6</td>
<td>33%</td>
</tr>
<tr>
<td>Rank 7</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3-YEAR CUMULATIVE TSR AGAINST TORONTO STOCK EXCHANGE COMPOSITE INDEX</th>
<th>12.5% OF PSUs VESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>75th percentile and above</td>
<td>200%</td>
</tr>
<tr>
<td>50th percentile</td>
<td>100%</td>
</tr>
<tr>
<td>25th percentile</td>
<td>66%</td>
</tr>
<tr>
<td>Less than 25th percentile</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3-YEAR CUMULATIVE ANNUAL EBITDA TARGET GOAL</th>
<th>75% OF PSUs VESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>95%</td>
<td>66%</td>
</tr>
<tr>
<td>90%</td>
<td>33%</td>
</tr>
<tr>
<td>85% or less</td>
<td>0%</td>
</tr>
</tbody>
</table>

PSUs will vest on a straight-line basis between the reference points above.
Named executive officers received grants of stock options and share units in 2019 as shown in the table below.

**2019 Long-Term Incentive Award Grant**

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Target Grant Opportunity</th>
<th>Fair Value At Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Stock Options</td>
</tr>
<tr>
<td>Calin Rovinescu</td>
<td>500%</td>
<td>$3,550,000</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>280%</td>
<td>$980,000</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>220%</td>
<td>$577,500</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>170%</td>
<td>$400,000</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>100%</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

**Securities Authorized for Issuance Under Equity Compensation Plan**

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon the exercise of outstanding options and redemption of share units (1) (3)</th>
<th>Weighted-average exercise price of outstanding options (1)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plan approved</td>
<td>4,890,095</td>
<td>$18.80</td>
<td>8,101,989</td>
</tr>
<tr>
<td>by security-holders (1) (2)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) As at December 31, 2019.

(2) The key features of the Air Canada Long-Term Incentive Plan (which provides for stock options and share units) are set out above under “Long-Term Incentive Plan.”

(3) Does not include shares underlying an aggregate of 1,833,483 share units granted over various dates between 2017 and 2019 as these share units are currently redeemable for Air Canada shares purchased on the secondary market and/or equivalent cash rather than Air Canada shares issuable from treasury, subject to the discretion of the Corporation.

The following table sets out the number of Air Canada shares issued and issuable under Air Canada’s Long-Term Incentive Plan and the number of Air Canada shares underlying outstanding options and share units and the percentage represented by each calculated over the number of Air Canada shares outstanding as at December 31, 2019. 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 7.35% of the issued and outstanding shares of Air Canada on December 31, 2019) were authorized for issuance under the Long-Term Incentive Plan. As of December 31, 2019, 12,992,084 Air Canada shares (which represented approximately 4.92% of the issued and outstanding shares of Air Canada on December 31, 2019) 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, subject to the discretion of the Corporation.
The table below summarizes the dilution, overhang and burn rates in connection with Air Canada’s Long-Term Incentive Plan as of December 31 for each of the last 3 years. 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 3 years indicated in the table below.

<table>
<thead>
<tr>
<th>Dilution(1)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overhang(2)</td>
<td>4.9%</td>
<td>5.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Burn Rate(3)</td>
<td>0.40%</td>
<td>0.47%</td>
<td>0.45%</td>
</tr>
</tbody>
</table>

(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).

MANAGEMENT DEFERRED SHARE UNIT PLAN

Named executive officers may voluntarily elect to receive in full or part Deferred Share Units (DSUs), from what otherwise would have been granted as PSUs or RSUs under the Corporation’s Long-Term Incentive Plan, or from what otherwise would have been payable as an AIP cash award. In addition, subject to the terms of the DSU Plan, the Corporation may make additional DSU grants for retention or hiring purposes.

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

PENSION PLAN

The Corporation offers a pension plan to retain executives and provide them with a valuable source of retirement income based on service and annualized basic salary.
Named executive officers hired prior to October 1, 2012, are eligible for a non-contributory, final average earnings defined benefit registered pension plan and a Supplementary Retirement Plan (SERP) that provides retirement income beyond the limitations of the Pension Plan. Together, these plans:

- Provide for replacement income upon retirement, based on years of service with the Corporation;
- Offer benefits calculated by multiplying 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 the executive’s years of service (maximum 35 years);
- Effective January 1, 2014, offer executives the ability to retire with an unreduced pension at the earliest of 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 at age 65.

Named executive officers hired on or after October 1, 2012, are eligible to participate in a non-contributory defined contribution pension plan and a SERP for contributions in excess of the maximum permitted by the Income Tax Act (Canada). Together, these plans:

- Provide for income upon retirement;
- Offer benefits 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.

All current named executive officers were hired prior to October 1, 2012, and are therefore eligible for the non-contributory, final average earnings defined benefit registered pension plan and SERP.

See the Retirement Plan Benefits section on page 98 for more details.
SHARE OWNERSHIP REQUIREMENTS FOR EXECUTIVES

Air Canada maintains share ownership guidelines that require executives to own a minimum of securities of Air Canada representing an amount equivalent to a multiple of their annual base salary (ranging from 1 to 5 times) through shares and/or restricted share units and/or vested deferred share units. Options and performance share units are not included in the calculation of the share ownership requirements applicable to executives. Ownership requirements must be achieved by February 17, 2022, or within 5 years of the date of appointment of an executive, whichever occurs later.

The table below sets out the expanded share ownership guidelines for each named executive officer. 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 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.

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Total Number of Securities Owned</th>
<th>Total Value of Securities for the Purpose of Minimum Share Ownership Requirements(1)</th>
<th>Value of Securities Required to Meet Guidelines</th>
<th>Latest Date to Meet Share Ownership Requirements</th>
<th>Satisfies Ownership Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>436,854 Class B voting shares, 50,600 restricted share units, 270,660 deferred share units</td>
<td>$13,365,550</td>
<td>5 times annual salary</td>
<td>February 17, 2022</td>
<td>Yes</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>108,171 Class B voting shares, 41,474 restricted share units</td>
<td>$2,638,241</td>
<td>3 times annual salary</td>
<td>February 17, 2022</td>
<td>Yes</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>32,352 Class B voting shares, 16,103 restricted share units, 8,306 deferred share units</td>
<td>$1,000,696</td>
<td>3 times annual salary</td>
<td>February 17, 2022</td>
<td>Yes(4)</td>
</tr>
<tr>
<td>Craig Landry(2)</td>
<td>15,324 Class B voting shares, 23,365 restricted share units, 16,021 deferred share units</td>
<td>$964,537</td>
<td>3 times annual salary</td>
<td>January 1, 2024</td>
<td>Yes(4)</td>
</tr>
<tr>
<td>David Shapiro(3)</td>
<td>13,818 Class B voting shares, 13,101 restricted share units</td>
<td>$474,582</td>
<td>2 times annual salary</td>
<td>February 17, 2022</td>
<td>Yes(4)</td>
</tr>
</tbody>
</table>

(1) This amount represents the sum of the market value of the shares, based on the closing price of the Air Canada shares on the TSX on May 4, 2020 ($17.63), and the market value of the shares underlying the restricted share units and vested deferred share units as at May 4, 2020 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 are as of May 4, 2020, with the exception of shares purchased under the Employee Share Ownership Plan, which are held as of December 31, 2019.

(2) On January 1, 2019, Mr. Landry was appointed to Executive Vice President, Operations, with a share ownership requirement of three times his salary.

(3) Mr. Shapiro has met his two times requirement as the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer. On January 1, 2020, Mr. Shapiro was appointed to Executive Vice President, International and Regulatory Affairs and Chief Legal Officer, with a share ownership requirement of three times his salary to be met by January 1, 2025.

(4) As a result of the reduction in Air Canada’s share price due to the COVID-19 pandemic, the total values of the securities held by Lucie Guillemette, Craig Landry and David Shapiro have fallen below the share ownership requirements as at May 4, 2020. However, pursuant to Air Canada’s share ownership guidelines, their share ownership requirements are still considered satisfied with selling restrictions in place.

Air Canada’s share ownership guidelines require that both the President and Chief Executive Officer and Deputy Chief Executive Officer and Chief Financial Officer positions maintain their ownership requirements for one year following their retirement.
COST OF MANAGEMENT RATIO

The following table shows the total aggregate compensation awarded to the named executive officers for the last 3 years, expressed as a percentage of Adjusted Pre-tax Income and of EBITDA. The total aggregate named executive officer compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2017, 2018 and 2019 years.

<table>
<thead>
<tr>
<th></th>
<th>2017(1)</th>
<th>2018(2)</th>
<th>2019(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total aggregate named executive officer compensation ($ millions)(4)</td>
<td>17.1</td>
<td>18.6</td>
<td>21.5</td>
</tr>
<tr>
<td>Adjusted Pre-tax Income ($ millions)(5)</td>
<td>1,165</td>
<td>952</td>
<td>1,273</td>
</tr>
<tr>
<td>As a percentage of Adjusted Pre-tax Income</td>
<td>1.5%</td>
<td>2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>EBITDA ($ millions)</td>
<td>2,928</td>
<td>2,851</td>
<td>3,636</td>
</tr>
<tr>
<td>As a percentage of EBITDA</td>
<td>0.58%</td>
<td>0.65%</td>
<td>0.59%</td>
</tr>
</tbody>
</table>

(1) Named executive officers for the 2017 year consist of: Calin Rovinescu, Michael Rousseau, Benjamin Smith, Lucie Guillemette and David Shapiro.

(2) 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.

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

(4) Total aggregate named executive officer 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.

APPROACH TO DIVERSITY

Air Canada’s most valuable resource is its people.

Our people, and all the forms of diversity they represent, are what will allow us to “Win as One Air Canada” as our Corporation’s Flight Path calls for us to do. Succeeding in a hyper-competitive, global industry requires that our workforce mirrors our customer demographics and that we draw on a wide pool of diverse talent to achieve our business objectives.

Over 20 years ago, Air Canada created a Diversity Policy for employees. The policy is updated as required, with the goal of achieving and maintaining a workforce at all levels of the Corporation that represents the external qualified workforce of Canada. Four groups receive particular attention within our organization: women, persons with disabilities, Indigenous people and members of visible minorities.

We have not achieved all that we want in our diversity representation, but as the table shows, Air Canada is making strides, particularly among the ranks of management and non-management employees, both of which exceeded 50% in diversity representation in 2019. Our employees work in more than 80 languages, and in 2019, we were named as one of Canada’s Best Diversity Employers for the fourth year in a row by Mediacorp Canada Inc.

Currently, four out of 21 members (19%) of Air Canada’s Executives are women and minorities represent one out of 21 (5%). There are no members of Air Canada’s Executive that have identified as being Indigenous or as having a disability. Out of two hundred and sixty-nine Senior Leaders, ninety (34%) are women, one (under 1%) is disabled, two (1%) are indigenous and thirty-two (12%) are minorities. Data on the representation is obtained through voluntary self-identification.
Management Strategy

A key component of the Corporation’s Diversity Policy is a management strategy to ensure an inclusive, diverse and respectful workplace where all employees can fully utilize their talents. Air Canada’s strategy is a pivotal step toward cultural transformation and our ambition to be a sustainably profitable global leader. The 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
- Embedded diversity considerations in the hiring process, employee development, promotion process and succession planning
- Campaigns to target the hiring of underrepresented groups, such as the promotional material and appearances at Indigenous career fairs, in magazines aimed at Indigenous people and other recruiting initiatives

Of critical importance to Air Canada is that our internal talent pool and development and promotion processes are equitable, balanced and diverse. This is true at all levels of the Corporation, including in leadership. Because many future executives will come from the Senior Leaders ranks, our talent and engagement team focuses a significant amount of attention on ensuring that diversity is reflected among multiple layers of Senior Leaders and that emerging leader programs include a diverse group of talent. Ambitious goals have also been established, such as the target of having at least 30% women working as Senior Leaders by 2020 and that target has already been met. Targets are not established for Indigenous peoples, persons with disabilities and members of visible minorities. We do focus on cultural transformation and inclusion for all groups as part of our Flight Path.

In 2019, we received the inaugural award for Diversity in Leadership at the Airline Strategy Awards, recognizing our work in attracting, retaining and promoting diverse professionals into leadership roles within the airline industry.

Women In Aviation

As part of our focus on building and developing a diverse talent pipeline, Air Canada has established its own Women in Aviation forum, a well-attended female leadership development series featuring successful women who share their career and personal experiences in breaking through “glass ceilings” in the aviation industry.
Air Canada also works to draw more women into our industry through outreach, job fairs and targeted job postings. For example, the “Women of Air Canada Maintenance” hosted a day in 2019 for women ages 10 to 17 to experience a day in aviation. The event showed participants that there are many opportunities in non-traditional professions. Air Canada also launched last year the Captain Judy Cameron Scholarship, which recognizes and celebrates the achievements of accomplished women studying in aviation and aerospace by awarding $20,000 per year for three years to women pursuing non-traditional aviation careers as commercial pilots or aircraft maintenance engineers and requiring financial assistance. Additionally, for the fifth consecutive year this year, Air Canada featured a flight operated with all female pilots and cabin crews, and supported by female maintenance, dispatch, ramp, baggage, customer service and operations teams. Flight AC167 from Toronto to Edmonton on March 5, 2020 also made history by being the first transcontinental flight to be guided by all-female Nav Canada Air Traffic Controllers from departure in Toronto to landing in Edmonton.
SHARE PERFORMANCE GRAPHS

Five-Year Total Shareholder Return Comparison

The following performance graph compares the total cumulative return of a $100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2015 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2015 and ended December 31, 2019.

The price of Air Canada’s Class A variable voting shares and Class B voting shares rose approximately 309% from December 31, 2014 to December 31, 2019.
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 December 31, 2019.

The price of Air Canada’s Class A variable voting shares and Class B voting shares rose approximately 6,241% since Mr. Rovinescu’s appointment as President and Chief Executive Officer of Air Canada. According to the Globe and Mail / Bloomberg, Air Canada was the top performing stock of the TSX for the decade January 1, 2010 to December 31, 2019.

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 EBITDA. The cash compensation of Air Canada’s named executive officers has remained largely unchanged over the past 5 years, taking into account salary progression resulting from internal promotions from our management team to a named executive
officer position. In addition, a large portion of the named executive officers' compensation is in the form of long-term incentives subject to performance vesting conditions linked to the performance of Air Canada, as described on page 68 of this circular under the heading "Elements of the Executive Compensation Program." 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.
### COMPENSATION TABLES

#### SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2019, 2018 and 2017 by each named executive officer.

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Share-based awards ($) (2)</th>
<th>Option-based awards ($) (3)</th>
<th>Non-equity incentive plan compensation ($) (4)</th>
<th>Annual incentive plans ($) (4)</th>
<th>Pension value ($)</th>
<th>All other compensation ($) (5)</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu, President and Chief Executive Officer</td>
<td>2019</td>
<td>1,400,000</td>
<td>3,550,000</td>
<td>3,550,000</td>
<td>3,496,500</td>
<td>12,871,900</td>
<td>875,400</td>
<td>Nil</td>
<td>12,871,900</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>1,400,000</td>
<td>2,800,000</td>
<td>2,800,000</td>
<td>3,524,850</td>
<td>1,027,000</td>
<td>942,000</td>
<td>Nil</td>
<td>11,551,850</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>1,400,000</td>
<td>1,537,170</td>
<td>565,961</td>
<td>1,356,300</td>
<td>Nil</td>
<td>905,849</td>
<td>Nil</td>
<td>9,005,849</td>
</tr>
<tr>
<td>Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer</td>
<td>2019</td>
<td>700,000</td>
<td>980,000</td>
<td>980,000</td>
<td>3,120,000</td>
<td>1,200,000</td>
<td>990,000</td>
<td>Nil</td>
<td>4,396,500</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>650,000</td>
<td>780,000</td>
<td>905,000</td>
<td>1,200,000</td>
<td>1,200,000</td>
<td>990,000</td>
<td>Nil</td>
<td>4,137,300</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>580,000</td>
<td>439,541</td>
<td>565,961</td>
<td>990,000</td>
<td>990,000</td>
<td>990,000</td>
<td>Nil</td>
<td>2,842,402</td>
</tr>
<tr>
<td>Lucie Guillemette, Executive Vice President and Chief Commercial Officer</td>
<td>2019</td>
<td>525,000</td>
<td>577,500</td>
<td>577,500</td>
<td>725,000</td>
<td>485,300</td>
<td>Nil</td>
<td>2,890,300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>475,000</td>
<td>356,250</td>
<td>356,250</td>
<td>625,000</td>
<td>447,600</td>
<td>Nil</td>
<td>2,620,100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>425,000</td>
<td>257,669</td>
<td>138,744</td>
<td>580,000</td>
<td>706,300</td>
<td>Nil</td>
<td>2,107,713</td>
<td></td>
</tr>
<tr>
<td>Craig Landry, Executive Vice President, Operations</td>
<td>2019</td>
<td>475,000</td>
<td>400,000</td>
<td>400,000</td>
<td>530,000</td>
<td>774,300</td>
<td>Nil</td>
<td>2,579,300</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>375,000</td>
<td>487,544</td>
<td>187,500</td>
<td>380,000</td>
<td>337,200</td>
<td>Nil</td>
<td>1,767,244</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>325,000</td>
<td>136,420</td>
<td>75,318</td>
<td>360,000</td>
<td>175,300</td>
<td>Nil</td>
<td>896,738</td>
<td></td>
</tr>
<tr>
<td>David Shapiro, Executive Vice President, International and Regulatory Affairs and Chief Legal Officer</td>
<td>2019</td>
<td>468,700</td>
<td>250,000</td>
<td>250,000</td>
<td>420,000</td>
<td>157,100</td>
<td>Nil</td>
<td>1,545,800</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>455,000</td>
<td>227,500</td>
<td>227,500</td>
<td>420,000</td>
<td>254,200</td>
<td>Nil</td>
<td>1,458,200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>425,000</td>
<td>187,347</td>
<td>77,300</td>
<td>420,000</td>
<td>144,200</td>
<td>Nil</td>
<td>1,253,847</td>
<td></td>
</tr>
</tbody>
</table>

Calin Rovinescu

1. With respect to Mr. Rovinescu’s compensation:
   
   (a) Mr. Rovinescu’s base salary for 2019 has remained unchanged since 2010 and 86% of his total direct compensation is “at risk” to support Air Canada’s pay-for-performance philosophy. Mr. Rovinescu does not receive any compensation for serving as a director of Air Canada or any of its subsidiaries;
   
   (b) As of April 1, 2020, Mr. Rovinescu has agreed to waive 100% of his base salary until June 30, 2020 as a result of the impact of COVID-19 on Air Canada;
   
   (c) In 2019, at his election, 100% of amounts earned under the Annual Incentive Plan and 50% of his share-based awards were allocated in the form of equity through Deferred Share Units (DSUs) pursuant to the DSU Plan. As of the 2019 grants, upon retirement, stock options continue to vest and must be exercised on the earlier of (i) the fifth anniversary date of the retirement and (ii) the scheduled expiry date of the options. Share units will vest at 100% at the end of their term, subject to performance vesting conditions in the case of PSUs;
   
   (d) Value of CEO’s compensation as at May 4, 2020: After giving effect to the reduction in Air Canada’s share price as a result of the COVID-19 pandemic, based on the closing price of the Air Canada shares on the TSX on May 4, 2020 ($17.63), the value of Mr. Rovinescu’s total compensation for 2019 would have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary ($1,400,000)</th>
<th>Share-based awards ($)</th>
<th>Option-based awards ($)</th>
<th>Annual Incentive Plans ($)</th>
<th>Pension value ($)</th>
<th>Value of total compensation as at May 4, 2020 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,400,000</td>
<td>$1,890,260</td>
<td>Nil</td>
<td>$1,626,901</td>
<td>$875,400</td>
<td>$5,792,561</td>
</tr>
</tbody>
</table>

(e) The value attributed to the share-based awards granted in 2019 is based on the closing price of the Air Canada shares on the TSX on May 4, 2020 ($17.63) and using the methodology described in note (2) below;
In 2019, at the election of Ms. Guillemette, 100% of her share-based awards were allocated in the form of DSUs. As of the 2019 grants, upon retirement, stock options will continue to vest and must be exercised by the earlier of: (i) the fifth anniversary date of the retirement and (ii) the scheduled expiry date of the options. Share units will vest at 100% at the end of their term, subject to performance vesting conditions in the case of PSUs.

As of April 1, 2020, Ms Guillemette has agreed to waive 50% of her base salary until June 30, 2020 as a result of the impact of COVID-19 on Air Canada.

Lucie Guillemette

As of April 1, 2020, Ms Guillemette has agreed to waive 50% of her base salary until June 30, 2020 as a result of the impact of COVID-19 on Air Canada.

In 2019, at the election of Ms. Guillemette, 100% of her share-based awards were allocated in the form of DSUs. As of the 2019 grants, upon retirement, stock options will continue to vest and must be exercised by the earlier of: (i) the fifth anniversary date of the retirement and (ii) the scheduled expiry date of the options. Share units will vest at 100% at the end of their term, subject to performance vesting conditions in the case of PSUs.
Craig Landry

(11) 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.

(12) As of April 1, 2020, Mr. Landry has agreed to waive 50% of his base salary until June 30, 2020 as a result of the impact of COVID-19 on Air Canada.

(13) In 2019, at the election of Mr. Landry, 100% of his share-based awards were allocated in the form of DSUs. As of the 2019 grants, upon retirement, stock options will continue to vest and must be exercised by the earlier of: (i) the fifth anniversary date of the retirement and (ii) the scheduled expiry date of the options. Share units will vest at 100% at the end of their term, subject to performance vesting conditions in the case of PSUs.

David Shapiro

(14) On January 1, 2020, Mr. Shapiro, formerly the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, was appointed Executive Vice President, International and Regulatory Affairs and Chief Legal Officer.

(15) As of April 1, 2020, Mr. Shapiro has agreed to waive 50% of his base salary until June 30, 2020 as a result of the impact of COVID-19 on Air Canada.

(16) As of the 2019 grants, upon retirement, stock options will continue to vest and must be exercised by the earlier of: (i) the fifth anniversary date of the retirement and (ii) the scheduled expiry date of the options. Share units will vest at 100% at the end of their term, subject to performance vesting conditions in the case of PSUs.
LONG-TERM INCENTIVE PLAN AWARDS & INCENTIVE PLAN AWARDS TABLES

The following table details all unexercised options held by named executive officers as at December 31, 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($) (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>252,294</td>
<td>5.39</td>
<td>April 1, 2021</td>
<td>10,878,917</td>
</tr>
<tr>
<td></td>
<td>158,436</td>
<td>12.64</td>
<td>April 1, 2022</td>
<td>5,683,099</td>
</tr>
<tr>
<td></td>
<td>443,902</td>
<td>9.23</td>
<td>January 13, 2023</td>
<td>17,436,471</td>
</tr>
<tr>
<td></td>
<td>68,498</td>
<td>9.41</td>
<td>June 22, 2026</td>
<td>2,678,272</td>
</tr>
<tr>
<td></td>
<td>325,000</td>
<td>13.69</td>
<td>April 3, 2027</td>
<td>11,316,500</td>
</tr>
<tr>
<td></td>
<td>49,098</td>
<td>17.69</td>
<td>June 1, 2027</td>
<td>1,513,200</td>
</tr>
<tr>
<td></td>
<td>338,366</td>
<td>26.59</td>
<td>April 2, 2028</td>
<td>7,416,983</td>
</tr>
<tr>
<td></td>
<td>344,521</td>
<td>33.11</td>
<td>March 11, 2029</td>
<td>5,305,623</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>55,000</td>
<td>12.64</td>
<td>April 1, 2022</td>
<td>1,972,850</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>9.23</td>
<td>January 13, 2023</td>
<td>3,928,000</td>
</tr>
<tr>
<td></td>
<td>68,498</td>
<td>9.41</td>
<td>June 22, 2026</td>
<td>2,678,272</td>
</tr>
<tr>
<td></td>
<td>80,000</td>
<td>13.69</td>
<td>April 3, 2027</td>
<td>2,785,600</td>
</tr>
<tr>
<td></td>
<td>49,098</td>
<td>17.69</td>
<td>June 1, 2027</td>
<td>1,513,200</td>
</tr>
<tr>
<td></td>
<td>94,259</td>
<td>26.59</td>
<td>April 2, 2028</td>
<td>2,066,157</td>
</tr>
<tr>
<td></td>
<td>17,331</td>
<td>22.53</td>
<td>July 27, 2028</td>
<td>450,259</td>
</tr>
<tr>
<td></td>
<td>95,107</td>
<td>33.11</td>
<td>March 11, 2029</td>
<td>1,464,648</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>8,500</td>
<td>12.64</td>
<td>April 1, 2022</td>
<td>304,895</td>
</tr>
<tr>
<td></td>
<td>18,384</td>
<td>9.23</td>
<td>January 13, 2023</td>
<td>722,124</td>
</tr>
<tr>
<td></td>
<td>35,000</td>
<td>13.69</td>
<td>April 3, 2027</td>
<td>1,218,700</td>
</tr>
<tr>
<td></td>
<td>43,051</td>
<td>26.59</td>
<td>April 2, 2028</td>
<td>943,678</td>
</tr>
<tr>
<td></td>
<td>56,045</td>
<td>33.11</td>
<td>March 11, 2029</td>
<td>863,093</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>17,000</td>
<td>9.23</td>
<td>January 13, 2023</td>
<td>66,7760</td>
</tr>
<tr>
<td></td>
<td>19,000</td>
<td>13.69</td>
<td>April 3, 2027</td>
<td>661,580</td>
</tr>
<tr>
<td></td>
<td>22,658</td>
<td>26.59</td>
<td>April 2, 2028</td>
<td>496,663</td>
</tr>
<tr>
<td></td>
<td>38,819</td>
<td>33.11</td>
<td>March 11, 2029</td>
<td>597,813</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>33,946</td>
<td>5.39</td>
<td>April 1, 2021</td>
<td>1,463,752</td>
</tr>
<tr>
<td></td>
<td>21,500</td>
<td>12.64</td>
<td>April 1, 2022</td>
<td>771,205</td>
</tr>
<tr>
<td></td>
<td>26,000</td>
<td>9.23</td>
<td>January 13, 2023</td>
<td>1,021,280</td>
</tr>
<tr>
<td></td>
<td>19,500</td>
<td>13.69</td>
<td>April 3, 2027</td>
<td>678,990</td>
</tr>
<tr>
<td></td>
<td>27,492</td>
<td>26.59</td>
<td>April 2, 2028</td>
<td>602,625</td>
</tr>
<tr>
<td></td>
<td>24,262</td>
<td>33.11</td>
<td>March 11, 2029</td>
<td>373,635</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of the Air Canada shares ($48.51) on December 31, 2019.
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, 2019.

**Performance Share Units (PSUs):**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of PSUs that have not vested (#)</th>
<th>Performance Cycle</th>
<th>Market or payout value of PSUs that have not vested ($) (^1)</th>
<th>Market or payout value of vested PSUs not paid out or distributed ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>100,288(2) 102,113(2)</td>
<td>Jan 1, 2018 to Dec 31, 2020 Jan 1, 2019 to Dec 31, 2021</td>
<td>4,864,971 4,953,502</td>
<td>Nil</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>27,937 28,189</td>
<td>Jan 1, 2018 to Dec 31, 2020 Jan 1, 2019 to Dec 31, 2021</td>
<td>1,355,224 1,367,448</td>
<td>Nil</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>12,760 16,611(3)</td>
<td>Jan 1, 2018 to Dec 31, 2020 Jan 1, 2019 to Dec 31, 2021</td>
<td>618,988 805,800</td>
<td>Nil</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>6,716(4) 11,506(4)</td>
<td>Jan 1, 2018 to Dec 31, 2020 Jan 1, 2019 to Dec 31, 2021</td>
<td>325,793 558,156</td>
<td>Nil</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>8,148 7,191</td>
<td>Jan 1, 2018 to Dec 31, 2020 Jan 1, 2019 to Dec 31, 2021</td>
<td>395,259 348,835</td>
<td>Nil</td>
</tr>
</tbody>
</table>

\(^1\) Based on the closing price of the Air Canada shares ($48.51), on December 31, 2019.

\(^2\) 50,144 of 100,288 PSUs were allocated into DSUs; 51,056 of 102,113 PSUs were allocated into DSUs.

\(^3\) All 16,611 PSUs were allocated into DSUs.

\(^4\) 1,679 of 6,716 PSUs were allocated into DSUs; all 11,506 PSUs were allocated into DSUs.
Restricted Share Units (RSUs):

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of RSUs that have not vested (#)</th>
<th>Performance Cycle</th>
<th>Market or payout value of RSUs that have not vested ($) (1)</th>
<th>Market or payout value of vested RSUs not paid out or distributed ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>92,857(2) 50,144(2) 51,056(2)</td>
<td>April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021 March 11, 2019 to March 11, 2022</td>
<td>4,504,493 2,432,485 2,476,726</td>
<td>Nil</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>20,714 13,969 14,094</td>
<td>April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021 March 11, 2019 to March 11, 2022</td>
<td>1,004,836 677,636 683,700</td>
<td>Nil</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>8,829 4,074 3,596</td>
<td>April 3, 2017 to April 3, 2020 April 2, 2018 to April 2, 2021 March 11, 2019 to March 11, 2022</td>
<td>428,295 197,630 174,442</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(1) Based on the closing price of the Air Canada shares ($48.51), on December 31, 2019.

(2) 23,214 of 92,857 RSUs were allocated into DSUs; 25,072 of 50,144 RSUs were allocated into DSUs; 25,528 of 51,056 RSUs were allocated into DSUs.

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

(4) 1,608 of 6,429 RSUs were allocated into DSUs; 840 of 3,359 RSUs were allocated into DSUs; all 5,753 RSUs were allocated into DSUs.
INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

As concerns option-based awards, the table below provides information on the value that would have been realized if the named executive officer exercised the awards that vested during the year ended December 31, 2019 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, 2019. For details with respect to the amounts set out in the “Non-equity incentive plan compensation” column below, please refer to the corresponding column of the “Summary Compensation Table” on page 90 of this circular.

<table>
<thead>
<tr>
<th>Name</th>
<th>Options Vested</th>
<th>Exercise Price ($)</th>
<th>Vesting Date</th>
<th>Market (closing) Price of Shares on the Date of Vesting ($)</th>
<th>Value Vested during the Year ($) (^{(1)})</th>
<th>Value Earned during the Year ($) (^{(2)})</th>
<th>Non-equity incentive plan compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>19,805</td>
<td>12.64</td>
<td>April 1, 2019</td>
<td>33.56</td>
<td>414,321</td>
<td>40,625</td>
<td>3,496,500 (^{(3)})</td>
</tr>
<tr>
<td></td>
<td>221,951</td>
<td>9.23</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>8,718,235</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>55,488</td>
<td>9.23</td>
<td>Jan 13, 2019</td>
<td>27.53</td>
<td>1,015,430</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>34,249</td>
<td>9.41</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>1,339,136</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,562</td>
<td>9.41</td>
<td>June 22, 2019</td>
<td>40.17</td>
<td>263,367</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>40,625</td>
<td>13.69</td>
<td>April 3, 2019</td>
<td>33.49</td>
<td>804,375</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>6,137</td>
<td>17.69</td>
<td>June 1, 2019</td>
<td>39.16</td>
<td>131,761</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>42,296</td>
<td>26.59</td>
<td>April 2, 2019</td>
<td>33.58</td>
<td>295,649</td>
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<tr>
<td>Michael Rousseau</td>
<td>6,875</td>
<td>12.64</td>
<td>April 1, 2019</td>
<td>33.56</td>
<td>143,825</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>50,000</td>
<td>9.23</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>1,964,000</td>
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<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>12,500</td>
<td>9.23</td>
<td>Jan 13, 2019</td>
<td>27.53</td>
<td>228,750</td>
<td>10,000</td>
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</tr>
<tr>
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<td>34,249</td>
<td>9.41</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>1,339,136</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
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<td>8,562</td>
<td>9.41</td>
<td>June 22, 2019</td>
<td>40.17</td>
<td>263,367</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td>13.69</td>
<td>April 3, 2019</td>
<td>33.49</td>
<td>198,000</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>6,137</td>
<td>17.69</td>
<td>June 1, 2019</td>
<td>39.16</td>
<td>131,761</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>11,783</td>
<td>26.59</td>
<td>April 2, 2019</td>
<td>33.58</td>
<td>82,363</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td></td>
<td>2,167</td>
<td>22.53</td>
<td>July 27, 2019</td>
<td>45.09</td>
<td>48,888</td>
<td>10,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>2,125</td>
<td>12.64</td>
<td>April 1, 2019</td>
<td>33.56</td>
<td>44,455</td>
<td>5,382</td>
<td>725,000</td>
</tr>
<tr>
<td></td>
<td>14,707</td>
<td>9.23</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>577,691</td>
<td>5,382</td>
<td>725,000</td>
</tr>
<tr>
<td></td>
<td>3,677</td>
<td>9.23</td>
<td>Jan 13, 2019</td>
<td>27.53</td>
<td>67,289</td>
<td>5,382</td>
<td>725,000</td>
</tr>
<tr>
<td></td>
<td>4,375</td>
<td>13.69</td>
<td>April 3, 2019</td>
<td>33.49</td>
<td>86,625</td>
<td>5,382</td>
<td>725,000</td>
</tr>
<tr>
<td></td>
<td>5,382</td>
<td>26.59</td>
<td>April 2, 2019</td>
<td>33.58</td>
<td>37,620</td>
<td>5,382</td>
<td>725,000</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>8,500</td>
<td>9.23</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>333,880</td>
<td>2,833</td>
<td>530,000</td>
</tr>
<tr>
<td></td>
<td>2,125</td>
<td>9.23</td>
<td>Jan 13, 2019</td>
<td>27.53</td>
<td>38,888</td>
<td>2,833</td>
<td>530,000</td>
</tr>
<tr>
<td></td>
<td>2,375</td>
<td>13.69</td>
<td>April 3, 2019</td>
<td>33.49</td>
<td>47,025</td>
<td>2,833</td>
<td>530,000</td>
</tr>
<tr>
<td></td>
<td>2,833</td>
<td>26.59</td>
<td>April 2, 2019</td>
<td>33.58</td>
<td>19,803</td>
<td>2,833</td>
<td>530,000</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>2,686</td>
<td>12.64</td>
<td>April 1, 2019</td>
<td>33.56</td>
<td>56,191</td>
<td>2,438</td>
<td>420,000</td>
</tr>
<tr>
<td></td>
<td>13,000</td>
<td>9.23</td>
<td>Dec 31, 2019</td>
<td>48.51</td>
<td>510,510</td>
<td>2,438</td>
<td>420,000</td>
</tr>
<tr>
<td></td>
<td>3,250</td>
<td>9.23</td>
<td>Jan 13, 2019</td>
<td>27.53</td>
<td>59,475</td>
<td>2,438</td>
<td>420,000</td>
</tr>
<tr>
<td></td>
<td>2,438</td>
<td>13.69</td>
<td>April 3, 2019</td>
<td>33.49</td>
<td>48,272</td>
<td>2,438</td>
<td>420,000</td>
</tr>
<tr>
<td></td>
<td>3,437</td>
<td>26.59</td>
<td>April 2, 2019</td>
<td>33.58</td>
<td>24,025</td>
<td>2,438</td>
<td>420,000</td>
</tr>
</tbody>
</table>

(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 2019 and corresponds to the amounts disclosed in the Summary Compensation Table on page 90 of this circular under the heading “Non-equity incentive plan compensation – Annual incentive plans”.

(3) Of such amount, 100% was allocated into DSUs.
The performance share units of the named executive officers that vested in 2019, based on the achievement of the Corporation’s 3-year annual EBITDA target, are disclosed in the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Performance Share Units Vested(1)</th>
<th>Vesting Date</th>
<th>Fair Market Value of Shares on the Date of Vesting ($)</th>
<th>Value vested during the Year ($)</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>92,857(2)</td>
<td>December 31, 2019</td>
<td>46.35</td>
<td>4,303,922</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>20,714</td>
<td>December 31, 2019</td>
<td>46.35</td>
<td>960,094</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>12,143</td>
<td>December 31, 2019</td>
<td>46.35</td>
<td>562,828</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Craig Landry</td>
<td>6,429(3)</td>
<td>December 31, 2019</td>
<td>46.35</td>
<td>297,984</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Shapiro</td>
<td>8,829</td>
<td>December 31, 2019</td>
<td>46.35</td>
<td>409,224</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The vesting of the performance share units was in the form of cash and/or vested as DSUs.
(2) 23,214 PSUs were vested as DSUs.
(3) 1,608 PSUs were vested as DSUs.

The restricted share units of the named executive officers that vested in 2019 are disclosed in the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Restricted Share Units Vested</th>
<th>Vesting Date</th>
<th>Fair Market Value of Shares on the Date of Vesting ($)</th>
<th>Value vested during the Year ($)</th>
<th>(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>126,829</td>
<td>January 13, 2019</td>
<td>26.67</td>
<td>3,382,529</td>
<td></td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>27,073</td>
<td>January 13, 2019</td>
<td>26.67</td>
<td>722,036</td>
<td></td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>9,805</td>
<td>January 13, 2019</td>
<td>26.67</td>
<td>261,499</td>
<td></td>
</tr>
<tr>
<td>Craig Landry</td>
<td>8,488</td>
<td>January 13, 2019</td>
<td>26.67</td>
<td>226,374</td>
<td></td>
</tr>
<tr>
<td>David Shapiro</td>
<td>11,707</td>
<td>January 13, 2019</td>
<td>26.67</td>
<td>312,225</td>
<td></td>
</tr>
</tbody>
</table>

(1) The vesting of the restricted share units was in the form of cash.
RETIREMENT PLAN BENEFITS

Air Canada provides 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 consent required by Air Canada, they are 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, 2019.

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Number of years of credited service (#)(1)</th>
<th>Annual benefits payable ($)</th>
<th>Accrued obligation at start of year ($)</th>
<th>Compensatory Change ($)</th>
<th>Non-Compensatory Change ($)</th>
<th>Accrued obligation at year end ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu (8)</td>
<td>27.6400</td>
<td>770,000</td>
<td>790,900</td>
<td>12,473,100</td>
<td>875,400</td>
<td>983,300</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>22.2500</td>
<td>280,600</td>
<td>320,500</td>
<td>3,841,600</td>
<td>536,500</td>
<td>428,200</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>32.4167</td>
<td>298,000</td>
<td>321,800</td>
<td>4,681,900</td>
<td>485,300</td>
<td>715,000</td>
</tr>
<tr>
<td>Craig Landry</td>
<td>18.5000</td>
<td>139,700</td>
<td>264,400</td>
<td>2,142,500</td>
<td>774,300</td>
<td>491,500</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>22.4167</td>
<td>196,300</td>
<td>256,100</td>
<td>3,078,500</td>
<td>497,000</td>
<td>3,408,300</td>
</tr>
</tbody>
</table>

(1) This column reflects the number of years of credited service for each named executive officer as of the year ended December 31, 2019, 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 10.75 years of credited pensionable service as of December 31, 2019.
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 upon attainment of age 60.

B. Mr. Landry will be credited with an additional 3 years of pensionable service on March 1, 2026. For the following four years, he will also be granted with an additional year of service on February 28th of each year, without exceeding 35 years of pensionable service. The pension benefits payable from Air Canada will be offset by a portion of the pension benefits he has earned at Aeroplan (for the employer-provided portion only).

(2) Annual unreduced pension benefits are based on the average annual salary during the named executive officer’s highest paid 36 successive months of company service and the credited service as of December 31, 2019. The payment of such unreduced pension benefit cannot commence earlier than the named executive officer’s unreduced early retirement date.

(3) Projected annual pension benefits that would be payable to the named executive officer as of age 65, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2019 and his credited service being projected to age 65 (subject to a maximum of 35 years).

(4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2018 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 3.81%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2018 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 2018 year-end financial statement reporting purposes, including a discount rate of 3.93%. The amounts disclosed with respect to changes in salary reflect 2019 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, 2019 and is based on 2019 year-end assumptions, assuming a going-concern basis. The 2019 assumptions used for determining the accrued obligation are the same as those used for 2019 year-end financial statement reporting purposes. In particular, a discount rate of 3.13% 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 effective December 31, 2017, after expiry of the retention period. Mr. Rovinescu’s two periods of employment were combined and his current salary is used in the calculation of the final average earnings.
TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL

Termination Without Cause Benefits

Air Canada has entered into employment agreements with each named executive officer. The agreements provide that in the event of termination without cause, they will be entitled to receive a severance payment equal to 2 years of their then current annual base salary and payment of the annual bonus award at target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or their re-employment with any other employer. The payments and conditions are subject to their compliance during the severance period with non-competition provisions (see table below).

The table below shows the estimated amount of cash that would become payable to each named executive officer in the event of the termination of employment by Air Canada without cause, as if it had occurred on the last business day of 2019:

<table>
<thead>
<tr>
<th>Named Executive Officer</th>
<th>Cash Portion ($)(1)</th>
<th>Value of Exercisable/ Vested Options and Share Units ($)</th>
<th>Other Benefits ($) (2)</th>
<th>Total Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calin Rovinescu</td>
<td>6,580,000</td>
<td>49,965,071(3)</td>
<td>139,490</td>
<td>56,684,561</td>
</tr>
<tr>
<td>Michael Rousseau</td>
<td>2,800,000</td>
<td>17,781,655(4)</td>
<td>114,272</td>
<td>20,695,927</td>
</tr>
<tr>
<td>Lucie Guillemette</td>
<td>1,890,000</td>
<td>5,560,932(4)</td>
<td>90,960</td>
<td>7,541,892</td>
</tr>
<tr>
<td>Craig Landry(5)</td>
<td>1,615,000</td>
<td>3,558,746(4)</td>
<td>96,416</td>
<td>5,270,162</td>
</tr>
<tr>
<td>David Shapiro</td>
<td>1,627,500</td>
<td>4,177,845(4)</td>
<td>96,016</td>
<td>5,901,361</td>
</tr>
</tbody>
</table>

(1) Based on salary for the year ended December 31, 2019.
(2) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period.
(3) Based on the December 31, 2019 closing price of Air Canada’s shares ($48.51). 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.
(4) Based on the December 31, 2019 closing price of Air Canada’s shares ($48.51).
(5) Reflects termination arrangement approved in February 2020.

Change of Control Benefits

Air Canada is currently a party to change of control agreements with each named executive officer. Under these agreements, a “Change of Control” is generally defined as follows:

(i) any event or series of related events as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction, directly or indirectly, over thirty-five (35%) percent or more of all issued and outstanding voting securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding;

(ii) any event as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction over voting securities carrying twenty-five (25%) percent or more of the votes attached to all voting securities then outstanding followed
by a change in the composition of the Board such that, at any time within 2 years following thereafter, individuals who were members of the Board immediately prior to such event cease to constitute a majority of the Board;

(iii) a change in the composition of the Board, which occurs at a single meeting of the shareholders or upon the execution of a shareholders’ resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board without the Board, as constituted immediately prior to such meeting or resolution, approving of such change; or

(iv) any event or series of related events as a result of or following which the beneficial ownership or control or direction over the assets of Air Canada has decreased by an amount of not less than forty (40%) percent of the assets of Air Canada (on a consolidated basis), as shown on a consolidated balance sheet for Air Canada at the end of the last completed quarter (prior to the event or the first of the series of related events) of the then current financial year or as at the end of the last completed financial year if the event or the first of the series of related events occurs during the first quarter of a financial year.

Notwithstanding the foregoing, the term “Change of Control” as defined in the agreement expressly excludes any event in which all the holders of the outstanding equity securities and voting securities with identical attributes in the same relative amounts in a company which acquires all of the equity securities and voting securities and the composition of the board of directors of such company is identical to the composition of the board of directors of Air Canada at the time of such event and further provided that the executive holds the same position with the same title and responsibilities at such company.

In order for the benefits under the change of control agreements to become payable to Mr. Rovinescu, Mr. Rousseau, Ms. Guillemette, Mr. Landry 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, Mr. Landry 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 2 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 2 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 in the section above). 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.”
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, 2019 to October 1, 2020 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 May 4, 2020, 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 2021 ANNUAL MEETING
We will include proposals from shareholders that comply with applicable laws in next year’s management proxy circular for our 2021 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 February 4, 2021.
HOW TO REQUEST MORE INFORMATION

Documents you can request
Financial information with respect to the Corporation is provided in its consolidated financial statements and Management’s Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") for the year ended December 31, 2019. Shareholders may request the following documents without charge:

- Annual report for the year ended December 31, 2019, including the annual consolidated financial statements together with the auditors’ report and related MD&A;
- any interim consolidated financial statements and related MD&A; and
- Annual information form for the year ended December 31, 2019.

Please contact Air Canada Shareholder Relations at 514-422-6644, by email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4. These documents are also available on our website at www.aircanada.com and on SEDAR at www.sedar.com.

Receiving documents electronically
Shareholders may elect to receive corporate documents such as this circular and our annual report electronically. You will be notified by e-mail when they are available on our website.

How to sign up – registered shareholders
You are a registered shareholder if your name appears on your share certificate.

If you are uncertain whether you are a registered shareholder, please contact 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 uncertain 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 – employee shareholders
If you are uncertain whether you are holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries). To sign up, go to the website www.computershare.com/employee/ca and follow the instructions.
“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 2020 annual meeting of shareholders of Air Canada.”
"BE IT RESOLVED THAT:

1. The Rights Plan, as set forth in the Shareholder Rights Plan Agreement between the Corporation and AST Trust Company (Canada) adopted on May 4, 2020, be, and it is hereby, ratified; and

2. Any director or officer of the Corporation be, and each is hereby, authorized and directed, for and on behalf of the Corporation, to sign and execute all documents, to conclude any agreements and to do and perform all acts and things deemed necessary or advisable in order to give effect to this resolution, including compliance with all securities laws and regulations."
SCHEDULE “C”
SUMMARY OF PRINCIPAL TERMS OF THE SHAREHOLDER RIGHTS PLAN

This summary is qualified in its entirety by reference to the text of the shareholder rights plan agreement entered into on May 4, 2020, between Air Canada (the “Corporation”) and AST Trust Company (Canada), as amended from time to time in accordance with its terms (the “Rights Plan”), a copy of which is available on SEDAR at www.sedar.com. The Rights Plan will come into force on the date immediately following the meeting or any adjournment or postponement thereof (the “Effective Time”), provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of Air Canada. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

Issue of Rights
The Corporation will issue one right (a “Right”) in respect of each Class B Voting Share (the “Voting Shares”) and Class A variable voting share (the “Variable Voting Shares” and, together with the Voting Shares, the “Shares”) outstanding at the close of business on the Business Day immediately preceding the Effective Time (the “Record Time”). The Corporation will issue Rights on the same basis for each Voting Share and Variable Voting Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

Rights Certificates and Transferability
Before the Separation Time, the Rights will be evidenced by the registered ownership of the Shares (whether or not evidenced by a certificate representing such Shares) and the Rights will not be transferable separate from the Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Shares.

Exercise of Rights
Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Voting Shares or Variable Voting Shares, as the case may be, having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of $100 (subject to certain anti-dilution adjustments). Effectively, this means that a shareholder of the Corporation, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Shares from treasury at half their Market Price after the Separation Time.

Definition of “Acquiring Person”
Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of 20% or more of the outstanding Voting Shares and Variable Voting Shares on a combined basis.
Definition of "Beneficial Ownership"

Under the Rights Plan, a person shall be deemed the "Beneficial Owner" of, and to have "Beneficial Ownership" of, and to "Beneficially Own":

1. any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity;
2. any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has or shares the right or obligation to acquire or become the owner at law or in equity upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding, in each case if such right or obligation is exercisable immediately or within a period of 60 days thereafter; and
3. any securities which are subject to a lock-up or similar agreement to tender or deposit them into any Takeover Bid (as defined in the Rights Plan) made by such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person.

However, a person is not deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own" securities under the Rights Plan where:

1. such securities have been deposited or tendered pursuant to a Take-over Bid, unless those securities have been taken up or paid for;
2. by reason of the holders of such securities having agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-Up Agreement (as defined below);
3. such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or
4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of "Separation Time"

Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board of Directors:

1. the first date of public announcement of facts indicating that a person has become an Acquiring Person;
2. the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid or Competing Bid (as such terms are defined below)) or such later date as determined by the Board of Directors; and
3. the date on which a Permitted Bid or Competing Bid ceases to qualify as such; or such later date as determined by the Board of Directors.
Definition of “Expiration Time”
Provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of the Corporation at the meeting or any adjournment or postponement thereof, Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
2. the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2023 or, if the Independent Shareholders ratify the renewal of the Rights Plan at or prior to such annual meeting of shareholders, then on the close of business on the date immediately following the annual meeting of the shareholders of the Company to be held in 2026.

Definition of a “Flip-in Event”
A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights or whom are successors in title of Rights of the Acquiring Person will become null and void as a result of which the Acquiring Person’s investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

Definition of "Permitted Bid"
A Permitted Bid is a Take-over Bid made by an Offeror (as defined in the Rights Plan) pursuant to a Take-over Bid circular that complies with the following conditions:

1. the Take-over Bid is made to all registered holders of Voting Shares and Variable Voting Shares (other than Shares held by the Offeror);
2. the Take-over Bid must contain the following irrevocable and unqualified conditions:
   (i) no Shares shall be taken up or paid for:
      a) prior to the close of business on a date which is not less than 105 days following the date of the bid, or such shorter minimum period as determined in accordance with section 2.28.2 or section 2.28.3 of National Instrument 62-104 – Take-Over Bids and Issuer Bids (“NI 62-104”) for which a Take-over Bid (that is not exempt from any of the requirements of Division 5 (Bid Mechanics) of NI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104; and
      b) unless, at the close of business on the date Shares are first taken up or paid for under such bid, more than 50% of the then outstanding Voting Shares and Variable Voting Shares (on a combined basis) held by Independent Shareholders shall have been tendered or deposited pursuant to the bid and not withdrawn;
3. unless the Take-over Bid is withdrawn, Shares may be tendered or deposited at any time during the period which applies pursuant to the clause summarized in 2(i)a) above, and any Shares tendered or deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and
4. if the condition summarized in 2.(i)(b) above is satisfied, the Offeror must make a public announcement of that fact and the Take-over Bid must be extended for a period of not less than ten days from the date of such public announcement.

**Definition of “Competing Bid”**
The Rights Plan allows a competing Permitted Bid (a "Competing Bid") to be made while a Permitted Bid is in existence. A Competing Bid must satisfy all the requirements of a Permitted Bid other than the requirement that no Shares shall be taken up and paid for prior to the close of business on a date which is not less than 105 days following the date of the Permitted Bid. The Competing Bid shall also contain an irrevocable and unqualified condition that no Shares shall be taken up or paid for pursuant to the take-over bid prior to the close of business on the last day of the minimum initial deposit period that such take-over bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the date of the take-over bid constituting the Competing Bid.

**Definition of “Permitted Lock-Up Agreement”**
A Permitted Lock-Up Agreement is an agreement between a person making a Take-over Bid (the "Lock-up Bid") and one or more holders (each a "Locked-up Person") of Shares pursuant to which such Locked-up Persons agree to deposit or tender Shares to Lock-up Bid and where the agreement:

1. (i) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or

   (ii) permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount not greater than 7% of the offering price or value that is represented by the Lock-up Bid; and

2. permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Takeover Bid (or terminate the agreement in order to support another transaction) if the number of Shares to be purchased under such other Take-over Bid or transaction exceeds the number of Shares offered to be purchased under the Lock-up Bid by as much or more than a specified number of Shares not greater than 7% of the number of Shares offered to be purchased under the Lock-up Bid, at an offering price for each Share that is not less, or provides a value for each Share that is not less than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; and

3. provides for no “break-up” fees, “top-up” fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the...
price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Shares pursuant thereto or withdraws Shares previously tendered thereto in order to tender such Shares to another Take-over Bid or support another transaction.

**Fiduciary Duties of Directors**
The Rights Plan will not detract from or lessen duties of the Board of Directors, including the duty to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Corporation's shareholders as are considered appropriate.

**Redemption of Rights**
The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-in Event occurs at a redemption price of $0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan.

**Waiver**
Before a Flip-in Event occurs, the Board may waive the application of the “Flip-in” provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Takeover Bid made by Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares before the expiry of that first bid.

The Board may also waive the “Flip-in” provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Finally, the Board may waive the “Flip-in” provisions of the Rights Plan in respect of any Flip-in Event provided that the Acquiring Person has reduced its ownership or has entered into a contractual arrangement with the Corporation or other acceptable undertaking to do so such that at the time the waiver becomes effective such person is no longer an Acquiring Person.

Other waivers of the “Flip-in” provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

**Term of the Rights Plan**
Provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of the Corporation at the meeting or any adjournment or postponement
thereof, the Rights Plan will be in effect until the close of business on the date immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2023, unless terminated earlier in accordance with the Rights Plan.

The Rights Plan shall be renewed immediately following the date of the Corporation’s annual meeting of shareholders to be held in 2023 until the close of business on the date immediately following the annual meeting of the shareholders of the Corporation to be held in 2026, if the Independent Shareholders ratify the renewal of the Rights Plan at or prior to the annual meeting of shareholders of the Corporation to be held in 2023.

**Amending Power**

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation or regulations or rules thereunder, including the *Air Canada Public Participation Act* and the *Canada Transportation Act*, consent of shareholders is required for amendments to the Rights Plan before the Separation Time and consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

**Rights Agent**

AST Trust Company (Canada).

**Rightsholder not a Shareholder**

Until a Right is exercised, the holder thereof as such will have no rights as a shareholder of the Corporation.
I. PURPOSE
This charter describes the role of the board of directors (the “Board”) of Air Canada (the “Corporation”). This charter is subject to the provisions of the Corporation’s articles of incorporation and by-laws and to applicable laws. This charter is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws and applicable laws. Directors are elected annually by the shareholders of the Corporation and together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Board.

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

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

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

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

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

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

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

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

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

IV. COMPENSATION
The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.
V. RESPONSIBILITIES
Without limiting the Board’s governance obligations, general Board responsibilities shall include the following:

(a) discussing and developing the Corporation’s approach to corporate governance, with the involvement of the Governance and Nominating Committee;

(b) reviewing and approving management’s strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans’ assumptions, and reaching an independent judgment as to the probability that the plans can be realized;

(c) monitoring corporate performance against the strategic and business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;

(d) appointing the Corporation’s Chief Executive Officer, satisfying itself that a succession plan is in place and developing his or her position description with the recommendation of the Governance and Nominating Committee;

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

(f) identifying the principal risks of the Corporation and satisfying itself that the appropriate systems have been identified to manage these risks, through the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, and the Safety, Health, Environment and Security Committee;

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

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

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

(j) reviewing and approving major corporate policies developed by management;

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

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

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

(n) reviewing through the Human Resources and Compensation Committee succession and contingency plans for executive management;

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

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

(q) conducting, through the Governance and Nominating Committee, an annual assessment of the Board and the Committees;
(r) selecting, upon the recommendation of the Governance and Nominating Committee, nominees for election as directors;
(s) selecting a Chairman of the Board;
(t) reviewing with the Governance and Nominating Committee that the Board as a whole, the Committees of the Board and the directors are capable of carrying out and do carry out their roles effectively; and
(u) in respect of the retirement plans, ensuring that the plans are consistent with the goals and objectives of the Corporation, and that the plans are effectively governed and appropriately funded.

VI. MEETINGS
The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board.

Information and materials that are important to the Board’s understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

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

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL
In addition to those specific matters requiring prior Board approval pursuant to the Corporation’s by-laws or applicable laws, the Board will be responsible for approving the following:
(a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;
(b) strategic plans, business plans and capital expenditure budgets;
(c) raising of debt or equity capital and other major financial activities;
(d) hiring, compensation and succession for the Chief Executive Officer and other executives;
(e) major organizational restructurings, including spin-offs;
(f) material acquisitions and divestitures;
(g) major corporate policies, and
(h) in respect of the retirement plans, the Board shall be responsible for the following:
(i) Plan Design
   The Board shall approve a policy on materiality of benefit changes (the “Materiality Policy”) which shall define materiality in the context of plan and benefit changes and assist in determining who is authorized to approve plan text amendments and other changes to the Corporation’s retirement plans.
Unless otherwise referred to the Board by the Human Resources and Compensation Committee, such Committee shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally restructure any retirement plans, where the expected impact of such decisions on the Corporation is material, as defined in the Materiality Policy.

(II) Governance
The Board shall approve a governance structure for the retirement plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities.

(III) Valuation and Funding
The Board shall review the contributions to the pension funds of the defined benefit pension plans as approved by the Human Resources and Compensation Committee.

(IV) Supplemental Executive Retirement Plans
(i) *Initiation, Change and Termination* – The Board shall approve all decisions to initiate, terminate, and/or otherwise fundamentally restructure a supplemental executive retirement plan.
(ii) *Funding and Contributions* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a supplemental executive retirement plan and how those liabilities should be funded or secured. If the liabilities are to be funded, the Board shall approve a funding policy which sets out guidelines with respect to the valuation and funding of the plan’s liabilities. The Board shall also review the contributions to the plan’s trust fund as approved by the Human Resources and Compensation Committee.

VIII. BOARD COMMITTEES
There are four Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee. The roles and responsibilities of each Committee are described in the respective Committee charters.

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

IX. COMMUNICATION WITH THE BOARD
Shareholders and other constituencies may communicate with the Board and individual board members by contacting Shareholder Relations.

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

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

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

Approved by the Board of Directors on February 15, 2019