

**CHARTER OF THE**  
**AUDIT, FINANCE AND RISK COMMITTEE**  
**(the "Audit Committee")**

**OF THE BOARD OF DIRECTORS**

**OF AIR CANADA**  
**(the "Corporation")**

**1. General Purpose**

The purpose of the Audit Committee is as follows:

- (a) To assist the Board of Directors (the "Board") in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- (b) 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.
- (c) To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.
- (d) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- (e) To provide independent communication among the Board, the head of corporate audit and advisory, and the external auditor.
- (f) To facilitate in-depth and candid discussions among the Audit Committee, management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.
- (g) 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.

**2. Composition and Qualification**

- (a) The Audit 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 of Directors. The members of the Audit 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 Committee member shall not receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related entities, parties or subsidiaries. The members of the Audit Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit Committee and in particular each member of the Audit Committee shall be "financially literate" and at least one member shall be a "financial expert" as defined by relevant securities legislation or regulations.

- (b) The members of the Audit Committee shall be appointed by the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are appointed. Unless a Chair and a Secretary are appointed by the Board, the members of the Audit Committee may designate a Chair and a Secretary by a majority vote of all the Audit Committee members.
- (c) The Audit Committee may invite, from time to time, such person as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Audit Committee. However, any such persons invited may not vote at any meeting of the Audit Committee.
- (d) The Board, may, at any time, remove any member of the Audit Committee at its discretion and may accept the resignation of any member of the Audit Committee. Vacancies at any time occurring on the Audit Committee shall be filled by the Board.

### **3. Meetings and Procedure**

- (a) The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings may be held by telephone or by any other means which enables all participants to communicate with each other simultaneously.
- (b) The Audit Committee may fix its own procedure at meetings and for the calling of meetings except as may be otherwise provided by the Board.
- (c) A quorum for the transaction of business at an Audit Committee meeting shall be a majority of the Audit Committee members. All decisions and recommendations

- made by the Audit Committee shall be made by a majority vote of the members present at the meeting.
- (d) An “*in-camera*” session of the members of the Audit Committee shall be held as part of each meeting of the Audit Committee.
  - (e) Notice of meetings shall be given by letter, facsimile, email or telephone not less than 24 hours before the time fixed for the meeting. Notice of meetings shall state the date, the place and the hour at which such meetings shall be held. Members may waive notice of any meeting.
  - (f) The minutes of the Audit Committee meetings shall accurately record the significant discussions of, and decisions made by, the Audit Committee, including all recommendations to be made by the Audit Committee to the Board and shall be distributed to Audit Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer.
  - (g) The Audit Committee shall report to the Board on all proceedings and deliberations of the Audit Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board may require or as the Audit Committee in its discretion may consider advisable.

#### **4. Responsibilities and Duties**

To achieve its objectives, the Audit Committee shall:

- (a) 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. This will include a review of the annual and quarterly financial statements and Management's Discussion and Analysis ("MD&A") to be filed with regulatory authorities and provided to shareholders, and financial statements and other financial disclosure included in prospectuses, earnings press releases and other similar documents. The Audit Committee shall also review the Corporation's annual information form and other similar documents. These reviews include:
  - (i) discussions with management and the external auditor and a consideration of the report by the external auditor to the Audit Committee of matters related to the conduct of an audit;
  - (ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant

accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

- (iii) a review of significant adjustments arising from an audit;
  - (iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements. The Audit Committee is responsible for the resolution of disagreements between management and the external auditor regarding financial reporting;
  - (v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;
  - (vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;
  - (vii) a review of the nature and size of unadjusted errors of a non-trivial amount;
  - (viii) a review to ascertain that various covenants are complied with; and
  - (ix) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes.
- (b) Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related MD&A, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.
- (c) Review with management, the external auditor and legal counsel, the Corporation's procedures to be satisfied that it complies with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements. The Audit Committee should be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

- (d) Meet with the Corporation's external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and coordination of work between the external auditor and the corporate audit and advisory department. The Audit Committee is responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.
- (e) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Audit Committee. The Corporation shall ensure that funding is available to the Audit Committee for payment of compensation to the external auditor.
- (f) Review and approve, or delegate to a member of the Audit Committee the responsibility to review and approve, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such work. In this regard the Audit Committee will prepare a report for presentation to the shareholders of the Corporation quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period. The pre-approval of non-audit services by a member of the Audit Committee to whom such authority is delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.
- (g) 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 and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations and to confirm that it is not the subject of any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm.
- (h) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the corporate audit and advisory department or the external auditor become aware. In this regard, review the relevant control procedures with management to satisfy itself that such matters are adequately guarded against.

- (i) At each quarterly meeting of the Audit Committee, meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit or review, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.
- (j) In conjunction with management, on an annual basis, evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders.
- (k) Regarding the services provided by the corporate audit and advisory department, the Audit Committee will:
  - (i) meet privately with the head of corporate audit and advisory at least quarterly to, amongst other things, understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work;
  - (ii) periodically 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;
  - (iii) review the objectivity, qualifications, adequacy and experience of the corporate audit and advisory staff and approve the appointment, dismissal or replacement of the head of the corporate audit and advisory department;
  - (iv) review and approve annually the planned scope for the corporate audit and advisory program, its objectives, its budget, and the resources required to attain these objectives;
  - (v) at each quarterly meeting, review the reports of the corporate audit and advisory department which describe the activities of the corporate audit and advisory department for the preceding period, except those reports that have been requested directly by the Human Resources and Compensation Committee or the Safety, Health, Environment and Security Committee; and
  - (vi) review the working relationship between the corporate audit and advisory department and the external auditor, and between the corporate audit and advisory department and management.

- (l) Obtain from both the corporate audit and advisory department and the Corporation's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the corporate audit and advisory department in order to monitor whether management has implemented an effective system of internal accounting control.
- (m) Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Corporation's financial statements.
- (n) 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. The Audit Committee should be satisfied that sufficient controls are in place with the objective that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Audit Committee should also be satisfied that processes are in place with the objective that a summary of all complaints, regardless of significance, are presented to the Audit Committee.
- (o) Review policies for approval of senior management expenses.
- (p) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.
- (q) Receive regular reports from the Corporation's Disclosure Committee and Internal Control Compliance group with respect to the Corporation's system of disclosure controls and procedures and internal controls over financial reporting.
- (r) Review and approve all related party transactions as such term is defined from time to time in *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* of the Autorité des marchés financiers and Multilateral Instrument 61-101 issued by the Ontario Securities Commission, as may be amended from time to time.
- (s) Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Audit Committee as the Audit Committee may

- consider appropriate. The Corporation shall ensure that funding is available to the Audit Committee in respect of the aforementioned activities.
- (t) Report regularly to the Board on the activities, findings and conclusions of the Audit Committee.
  - (u) Review this Charter on an annual basis and recommend to the Board any changes to it that the Audit Committee considers advisable.
  - (v) Complete a self-assessment annually to determine how effectively the Audit Committee is meeting its responsibilities.
  - (w) Perform such other functions as may be delegated from time to time by the Board.
  - (x) Review and confirm the selection of the lead audit partner and any other audit engagement team partner of the external auditor of the Corporation.
  - (y) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

## **5. Other Responsibilities and Duties**

### **(a) Public Disclosure**

The Audit Committee shall:

- (i) Review and approve the Corporation's Public Disclosure Policy and any changes related thereto and satisfy itself that such policy is consistent with current developments and best practices;
- (ii) Where practicable, management will review with the Audit Committee or the Chair of the Audit Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting by the Corporation which are expected by management to be material in relation to the market price of any of the Corporation's securities.

### **(b) Enterprise Risk Management**

The Audit Committee shall:

- (i) Be responsible for the oversight of the enterprise risk management (ERM) program and the work carried out by the corporate audit and advisory department in this regard. This work includes the preparation of the quarterly update to the Audit Committee comprising the executive dashboard, the risk landscape, the ERM risk register and the risk status.

- (ii) Satisfy itself as to the effective risk management of the individual risks for which oversight has been delegated to the Audit Committee by the Board. The Audit Committee, through the receipt of periodic reports from the corporate audit and advisory department and management, shall review and discuss with the corporate audit and advisory department and management all key enterprise risk exposures (with the exception of risks for which the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee have been delegated responsibility by the Board) and the steps management has taken to monitor/control and mitigate those exposures. The Audit Committee shall be entitled, from time to time, to retain experts and consultants to assist the Audit Committee with the discharge of such mandate. The Audit Committee shall have the discretion in the discharge of these duties to address what it considers to be emerging risks to the Corporation's strategic, financial and operational goals. The Chair of the Audit Committee shall periodically report to the Board on any major issues arising with respect to the management of these risks.

**(c) Contingent Liabilities**

The Audit Committee shall monitor contingent liabilities of the Corporation and its subsidiaries. In the discharge of this duty, the Audit Committee shall have the discretion to retain experts and consultants and to review any matters, whether of a financial nature or otherwise, that can give rise to a contingent liability. The Audit Committee shall make recommendations, from time to time, to the Board on these matters.

**(d) Corporate Authorizations Policies**

The Audit Committee shall:

- (i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies as required;
- (ii) Periodically review any administrative resolutions adopted from time to time pursuant to the Corporation's By-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;
- (iii) Review, monitor and approve the Corporate Donations Policy and any changes thereto and the annual Corporate Donations Budget; and
- (iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

**(e) Performance to Budget**

The Audit Committee shall monitor the Corporation's performance compared to budget for both its annual operating and capital plans.

**(f) Responsibilities**

Nothing contained in the above mandate is intended to assign to the Audit Committee the Board's responsibility regarding the Corporation's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members have financial experience and expertise, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the head of corporate audit and advisory, and the external auditor.

Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor.

*Effective as of April 29, 2018*