

**CHARTER OF THE  
GOVERNANCE AND NOMINATING  
COMMITTEE  
(the "Committee")  
OF THE BOARD OF DIRECTORS  
OF AIR CANADA  
(the "Corporation")**

**1. Purpose**

The purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities by: (i) 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; (ii) identifying individuals qualified to become new Board members and recommending to the Board the nominees for each annual meeting of shareholders of the Corporation; and (iii) such other matters delegated to the Committee by the Board.

**2. Composition and Qualification**

- (a) The Committee shall be comprised of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable legislation in effect from time to time).
- (b) The members of the 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 Committee may designate a Chair and a Secretary by a majority vote of all the Committee members.
- (c) The 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 Committee. However, any such persons invited may not vote at any meeting of the Committee.
- (d) The Board may, at any time, remove any member of the Committee at its discretion and may accept the resignation of any member of the Committee. Vacancies at any time occurring on the Committee shall be filled by the Board.

**3. Meetings and Procedure**

- (a) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings shall be held by telephone or by any other mean which enables all participants to communicate with each other simultaneously.
- (b) The 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 a Committee meeting shall be a majority of the Committee members. All decisions and recommendations made by the Committee shall be made by a majority vote of the members present at the meeting.
- (d) The Committee shall have the authority to delegate any of its responsibilities to individual members and subcommittees as the Committee may deem appropriate in its sole discretion.
- (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 will be held. Members may waive notice of any meeting.
- (f) The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer of the Corporation.
- (g) The Committee, through its Chair, shall report to the Board on all proceedings and deliberations of the 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 Committee in its discretion may consider advisable.
- (h) To carry out its duties, the Committee will have access to independent advisors at the expense of the Corporation as well as having access to data and performance information relative to the Corporation. The Committee shall be free to choose advisors as it deems appropriate. These advisors will be given access to management and the work carried out by management for presentation to the Committee.

**4. Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

(I) Related to Corporate Governance

- (a) Review criteria regarding the composition of the Board and committees of the Board, such as size, proportion of inside to outside directors and qualifications including relatedness and independence and make recommendations to the Board.
- (b) Review criteria relating to tenure as a director, such as retirement age, limitations on the number of times a director may stand for re-election, and the continuation of directors in an honorary or similar capacity.
- (c) Review criteria for retention of directors unrelated to age or tenure, such as attendance at Board and committee meetings, health or the assumption of responsibilities which are incompatible with effective Board membership.
- (d) Assess the effectiveness of the Board as a whole, the committees of the Board, the contribution of individual directors, and assessment of directors on an ongoing basis.
- (e) Review on a regular basis, the adequacy and form of compensation of directors in the context of the responsibilities and risks involved in being an effective director, including making recommendations to the Board with respect to the actual remuneration (fees, retainers and currency) and benefits provided to directors. The Human Resources and Compensation Committee shall assist in this review when deemed necessary by the Committee.
- (f) Review and develop position descriptions for the Chairman of the Board, the Chair of each Board committee, and the Chief Executive Officer including the definition of the limits to management's responsibilities.
- (g) Be satisfied that appropriate structures and procedures are in place so that the Board can function independently of management. To this end, arrange, at scheduled meetings of the Board, for the external directors to meet for a period of time without management present.
- (h) As an integral element of the process for appointing new directors, put in place an orientation and continuing education program for new recruits to the Board.
- (i) Be satisfied that the Corporation complies with applicable legislation including directors and officers compliance.
- (j) Review and recommend to the Board any proposed amendments to the Corporation's by-laws.
- (k) Review and recommend to the Board the Corporate Policy and Guidelines on Business Conduct (the "Code of Conduct") and any amendments thereto.

- (l) Make recommendations to the Board as deemed appropriate with respect to the monitoring, adoption and disclosure of corporate governance guidelines in effect from time to time and review those guidelines once a year.
  - (m) Review and recommend to the Board the annual corporate sustainability report and company policy relating to the Corporation's commitment to corporate social responsibility and any amendments thereto.
  - (n) Develop and recommend to the Board standards to be applied in making determinations as to the presence or absence of material relationships between the Corporation and a director.
  - (o) Review and approve proposed outside directorships extended to officers of the Corporation, with the exception of those related to educational, philanthropic, professional, social and recreational activities.
- (II) Related to Committees of the Board
- (a) Recommend to the Board the types, charters and composition of the Board committees.
  - (b) Recommend to the Board the nominees to the chairmanship of the Board committees including periodic rotation of committee assignments and memberships.
  - (c) Review and make recommendations to the Board, as deemed appropriate, with respect to time of service of members on committees, meetings procedures, quorum and notice requirements, records and minutes, resignations and vacancies on committees.
- (III) Related to the Nomination of Board Members
- (a) 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.
  - (b) Assist the Board in determining the appropriate size of the Board, with a view to facilitating effective decision-making.
  - (c) 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.
  - (d) Review the Board diversity policy annually and make recommendations to the Board.

- (e) Identify individuals qualified to become new Board members and recommend them to the Board. In making its recommendations, the Committee shall consider:
  - (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess; and
  - (iii) the competencies and skills each new nominee will bring to the Board.

The Committee shall also consider whether or not each new nominee can devote sufficient time and resources to his duties as a Board member.

- (f) Recommend the slate of nominees for each annual meeting of shareholders.
- (g) Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.
- (h) Review and make recommendations relative to non-management nominees of the Corporation to the boards of subsidiaries of the Corporation or of companies in which the Corporation has an interest.

(IV) Other Related Matters

Perform such other corporate governance and nominating committee functions customarily carried out by such committees as well as such other matters which may be referred to it by the Board from time to time.

**5. Self Assessment**

- (a) The Committee shall review annually this Charter and any of the Committee's mandate and other documents used by the Committee in fulfilling its responsibilities.
- (b) The Committee shall assess the performance of the Committee on an annual basis in accordance with performance assessment guidelines formulated by the Committee.

November 4, 2016