



CITIZENS OF THE WORLD

2018
CORPORATE
SUSTAINABILITY REPORT

 **AIR CANADA**

A STAR ALLIANCE MEMBER 





CSR2018

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As a responsible corporate citizen, Air Canada has been reporting on corporate sustainability since 2012, in accordance with the Global Reporting Initiative (GRI) framework. The GRI is an internationally recognized standard for corporate reporting of economic, environmental and social performance. Air Canada declares that this 2018 report has been prepared in accordance with the GRI Standards (applicable to reports published on or after July 1st, 2018). The boundaries of this report include Air Canada, Air Canada Rouge® and Air Canada Vacations®.

Air Canada's process for defining the report content and the aspect boundaries included the following steps:

- Identification of the sustainability topics deemed relevant to Air Canada, in relation to GRI aspects. This was done through discussions with the Air Canada Corporate Sustainability Working Group and Corporate Sustainability Steering Committee.
- Prioritization of sustainability topics and identification of the associated material GRI

aspects using the Principles of Materiality and Stakeholder Inclusiveness. Rankings were based on information and stakeholder opinions, which were collected via interviews, workshops and surveys.

This report summarizes Air Canada's sustainability performance in a transparent and accountable manner. Air Canada engaged Ernst & Young LLP to perform an independent, limited assurance on selected performance indicators. For more information on the assurance scope and statement, please visit **Limited Assurance**.





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Letter from the President and CEO

In a world that is constantly changing and evolving, we nonetheless maintain deeply rooted connections to the people we fly, the more than 200 communities we serve, and the environments in which we operate through our extensive global network.

At Air Canada, we understand this gives us both a responsibility and an obligation to demonstrate our values in all that we do. This includes ensuring that our company itself is *sustained* and stands up for what is right for the long-term interest of our employees, customers, and other stakeholders. It means we support research and development and the exploration of innovative ways to reduce our environmental footprint. It also means that we conduct ourselves and govern our business in a way that is transparent, ethical and accountable.

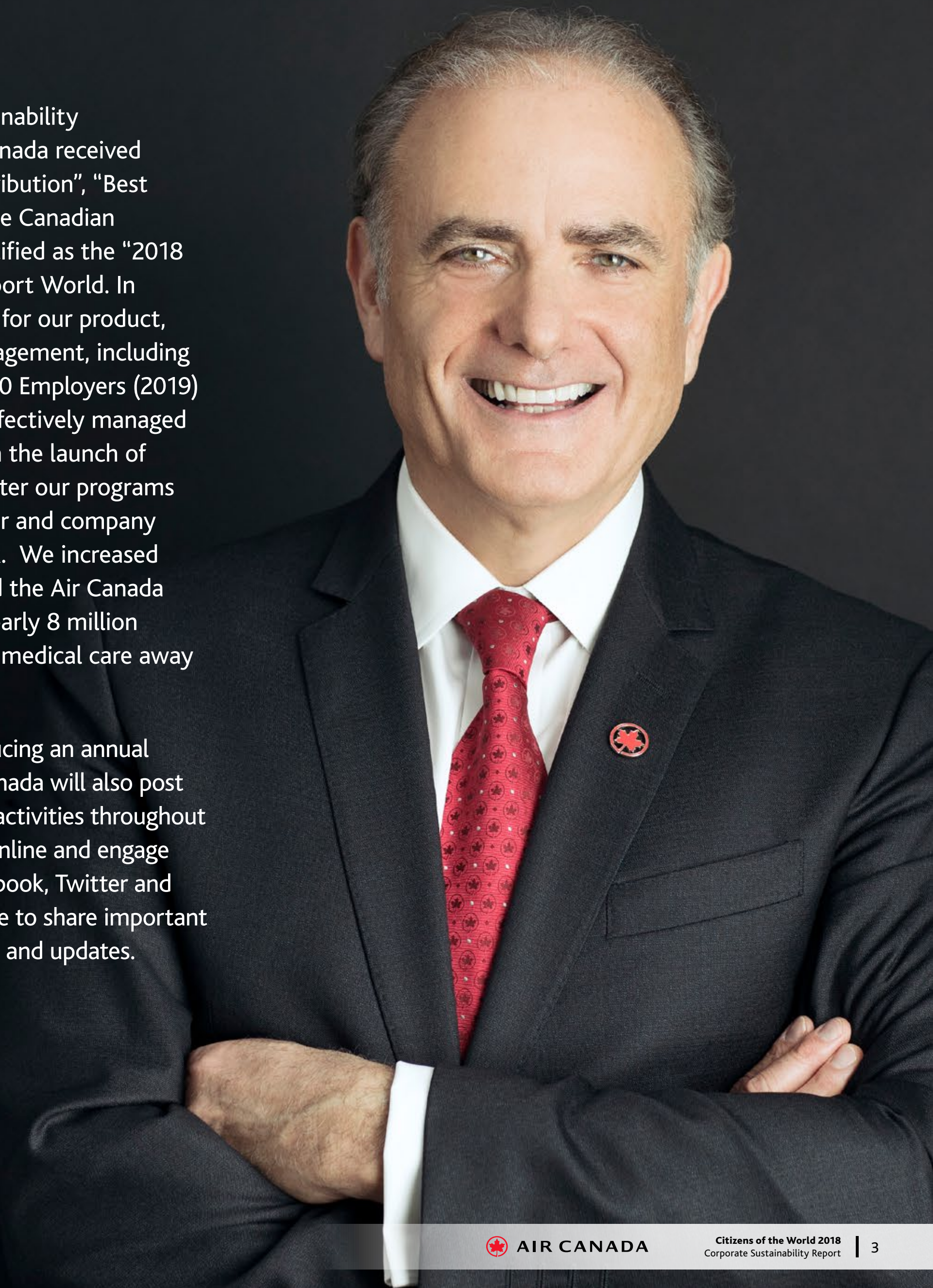
To this end, Air Canada has committed to report annually on its sustainability activities, and I am pleased to present our 2018 Corporate Sustainability Report. It covers our achievements throughout the year and, as in past years, is based on four pillars – **safety, environment, employees and communities** – addressed using principles developed by the Global Reporting Initiative (GRI).

As part of our further commitment to continuously improve our reporting and ensure our efforts remain relevant, in 2018, Air Canada undertook a materiality assessment to identify the main sustainability concerns of our key stakeholders, defined as investors, customers, employees and suppliers. In addition, a Corporate Sustainability Working Group tasked with the monitoring and coordinating of Air Canada’s sustainability initiatives was formed.

We are incredibly proud of our sustainability achievements during the year. Air Canada received awards for “Best Sustainability Contribution”, “Best Corporate Sustainability Report in the Canadian Transport Sector” and was also identified as the “2018 Eco-Airline of the Year” by Air Transport World. In addition, we received several awards for our product, corporate culture and employee engagement, including being named one of Canada’s Top 100 Employers (2019) for the sixth consecutive year. We effectively managed the risks and hazards associated with the launch of 29 new routes and continued to bolster our programs to better protect employee, customer and company data, reducing exposure to cyber-risk. We increased our presence in the communities and the Air Canada Foundation also raised a record of nearly 8 million Aeroplan Miles for children requiring medical care away from home.

While we remain committed to producing an annual sustainability report next year, Air Canada will also post regular updates on our sustainability activities throughout the year. Please be sure to follow us online and engage with us through social media on Facebook, Twitter and Instagram or via **email** as we continue to share important sustainability announcements, stories and updates.

Calin Rovinescu





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2018 ACHIEVEMENTS

- Conducted a safety pulse survey with employees, with 81 per cent positive responses.
- Managed the safety risks and hazards associated with the launch of 29 new routes.
- Provided employees with an updated Alcohol and Drug Policy to lend guidance and manage the risks associated with the legalization of cannabis.
- Successfully implemented a Multi-Factor Authenticator pilot program to better protect employee, customer and company data, reducing exposure to cyber-risk.
- Conducted a privacy maturity assessment to help drive our improvements in protecting employee and customer data.

2019 OBJECTIVES

- Rank in the top 3 per cent of airlines included in the International Air Transport Association (IATA) Operational Safety Audit.
- Manage the safety risk and hazards associated with the introduction of the Airbus A220 aircraft, new routes and new initiatives or projects.
- Implement all necessary training and other measures required to effectively reintroduce the Boeing 737 MAX in operations when appropriate.
- Deploy the Multi-Factor Authenticator Program to our entire employee base.
- Pursue the privacy action plan.





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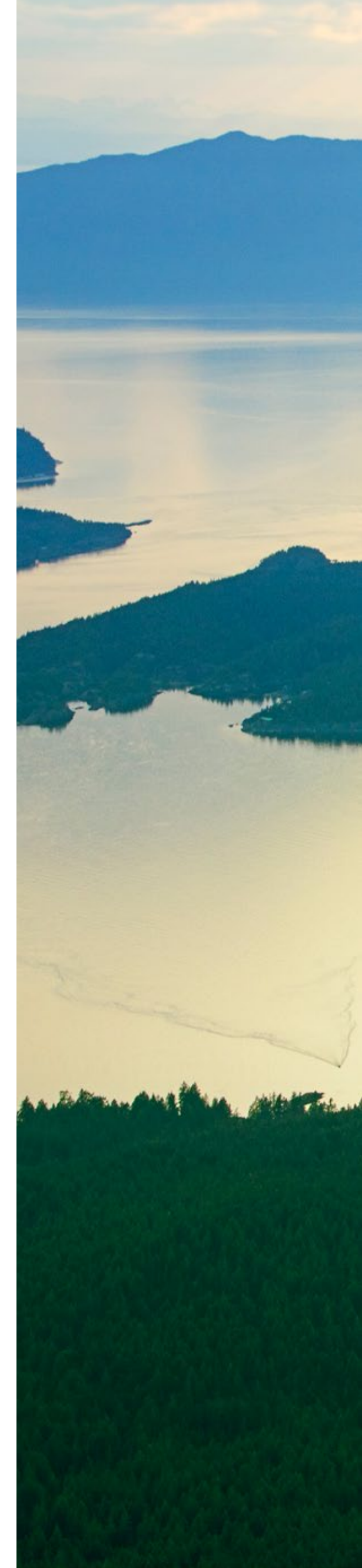
ENVIRONMENT

2018 ACHIEVEMENTS

- Recognized as the 2018 Eco-Airline of the Year by Air Transport World.
- Achieved IATA Environmental Assessment (IEnvA) Certification, Phase 1.
- Exceeded the collective annual fuel efficiency improvement targets of 1.5 per cent set for the airline industry.
- Continued to modernize our fleet, resulting in improved fuel efficiency, with the addition of 16 Boeing 737 MAX and five Boeing 787 aircraft.
- Contributed to saving 160 tonnes of carbon emissions through the use of biojet fuel on 22 domestic flights for Earth Day.
- Operated, in partnership with the Edmonton Airport Authority, a biofuel trade mission flight on May 2, 2018.
- Continued to advance the new livery deployment with a leading technology paint system known as base coat / clear coat (BCCC) system.

2019 OBJECTIVES

- Continue to progress on the 2020 Corporate Waste Strategy through the following:
 - Single-Use Plastics Reduction Program.
 - Expansion of the collection and recycling process in certain Maple Leaf Lounges.
 - Centralization of waste infrastructure at our Montréal headquarters.
 - Continuous improvements audits to the Onboard Domestic Recycling Program.
- Advocacy with federal and provincial governments on effective climate policy development for the aviation sector in Canada.





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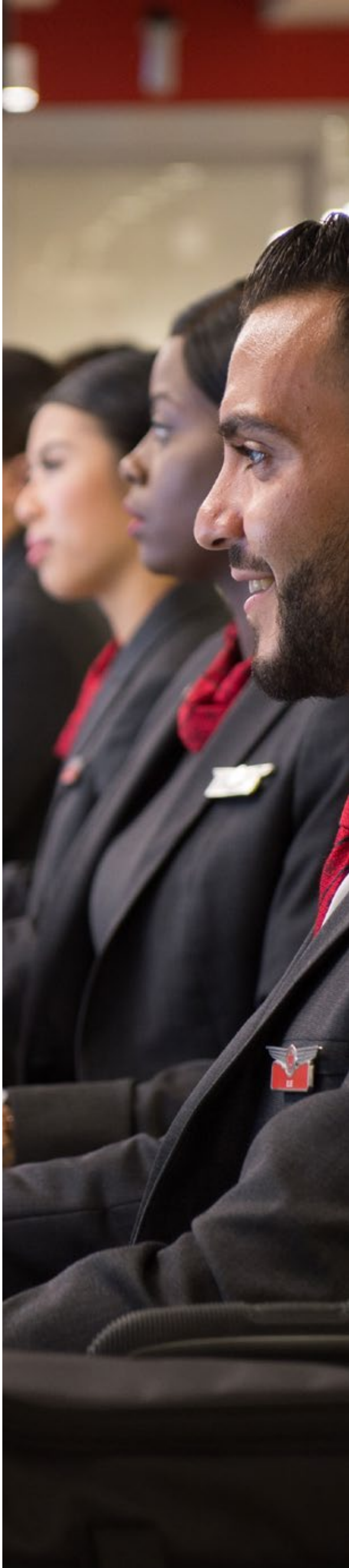
EMPLOYEES

2018 ACHIEVEMENTS

- Recognized as one of Canada's Top 100 Employers and Canada's Best Diversity employers, named one of the top five most attractive company brands to work for in Canada and one of Montréal's Top Employers.
- Enhanced the Emerging Leaders Program, a corporate career development program for managers.
- Implemented Buy-Time to Retirement and Reduced Work Week programs for senior employees to transition to retirement, while enabling the transfer of expertise to their colleagues.
- Marked International Women's Day 2018 by operating two intercontinental flights with all-female staff, and welcomed young women considering employment in aviation during Young Women in Aviation Day.
- Celebrated Pride, engaging in five memorable events for employees and the community.

2019 OBJECTIVES

- Support the implementation of Amadeus Altéa Suite passenger service system by initiating training for more than 10,000 employees.
- Create a change management Centre of Excellence.
- Further develop the Emerging Leaders Program to focus more directly on succession plans in key areas of the business.





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2018 ACHIEVEMENTS

- The Air Canada Foundation granted financial and in-kind support to 275 Canadian registered charities focused on the health and well-being of children and youth, and provided assistance for over 450 fundraising initiatives.
- The Air Canada Foundation raised a record 7,595,245 Aeroplan Miles in December 2018 through its Matching Miles campaign for children requiring medical care away from home.
- Confirmed 150 community partnerships, such as those focused on the diversity of the LGBTQ2+ community in Canada, the Rendez-vous de la Francophonie, the Vimy Foundation, and the Indspire Awards.

2019 OBJECTIVES

- Develop community partnerships in support of regional network performance, talent acquisition and socio-economic development.
- Achieve a fundraising goal for the Air Canada Foundation of \$2M (net) to support charitable organizations focusing on the health and wellness of children and youth.





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IN ADDITION

2018 ACHIEVEMENTS

- First airline to be certified for CEIV Live Animals by IATA.
- Launched a "Supplier portal" to collect key supplier information and amended our formal supplier risk assessment process for new strategic suppliers to monitor for reputational risk issues.

2019 OBJECTIVES

As we aim to further align with the United Nations' Sustainable Development Goals, in 2019 we will be joining the United Nations Global Compact (UNGC). The UNGC is a voluntary corporate initiative for businesses looking to commit and align their company's strategies and operations with 10 principles outlined by the UN surrounding areas of anti-corruption, labour, environment and human rights.

There are many upcoming programs to further secure Air Canada's long-term sustainable performance, including initiatives related to our loyalty business. In the context of the integration of Aeroplan Canada Inc., Air Canada will also be working towards aligning sustainability initiatives for maximum impact.





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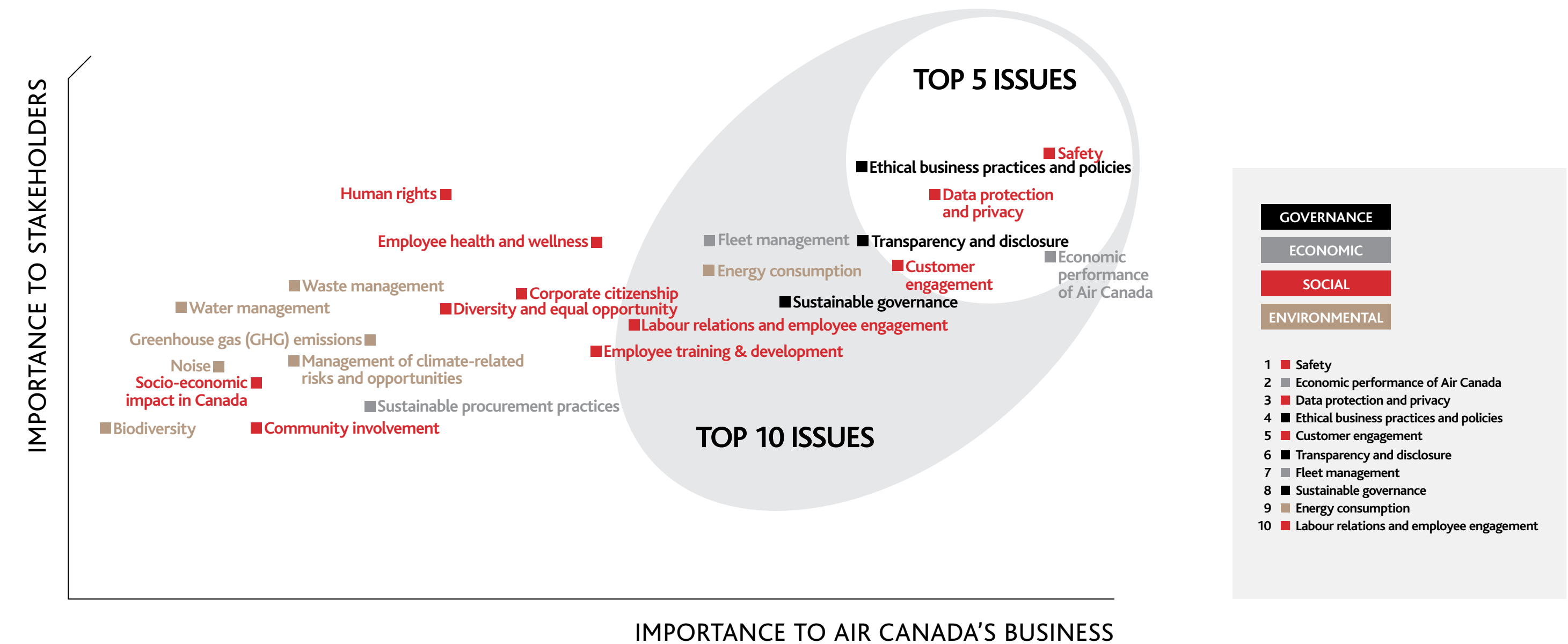
Corporate Sustainability Governance and Transparency

Air Canada is committed to conducting its business sustainably and responsibly. To further this objective, considerations of the environmental, social and economic aspects of sustainability are integrated into its business and operations. Air Canada engages with stakeholder groups in a variety of ways, including meetings, surveys, written correspondence, and ad hoc conversations. Customer satisfaction surveys are conducted on a regular basis at Air Canada and on a yearly basis at Air Canada Vacations.

In 2018, Air Canada undertook a materiality assessment to identify the main sustainability areas of focus of its key stakeholders, comprised of our investors, customers, employees and suppliers. Air Canada also values feedback from non-governmental organizations (NGOs) and engages with applicable governments. For the purpose of the Corporate Sustainability report, Air Canada identified and engaged its key stakeholders through targeted surveys. Air Canada also made a feedback mechanism available via email at sustainability.developpement_durable@aircanada.ca. [more>](#)

RESULTS OF STAKEHOLDER ANALYSIS CONDUCTED IN 2018

Air Canada's Materiality Matrix





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In addition, a Corporate Sustainability Working Group tasked with the monitoring and coordinating of Air Canada's corporate sustainability initiatives was formed. The group is comprised of Air Canada senior management subject-matter experts from diverse functions, including Environmental Affairs, Health and Safety, Strategic Procurement, Legal, Compliance, Communications and Community Partnerships, as well as Brand, Investor Relations and Corporate Audit & Advisory. The Working Group reports on Air Canada's sustainability performance and makes recommendations to a Corporate Sustainability Steering Committee, which includes several Air Canada executives. Corporate sustainability activities are reported to the Board of Directors of Air Canada (Governance and Nominating Committee).

In 2018, Air Canada was governed by an eleven-member Board of Directors committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs. The Board and executive management believe that a strong, effective, independent board plays a crucial role in promoting the interests of stakeholders, maximizing shareholder value and ensuring ethical business practices and policies.



Air Canada works with industry organizations globally on a variety of topics and participates in various committees. Of note, Air Canada is a member of IATA, the National Airlines Council of Canada (NACC), an associate member of Airlines for America (A4A), the Latin American and Caribbean Air Transport Association (ALTA), an associate member of the Canadian International Freight Forwarders Association (CIFFA), and the International Air Cargo Association (TIACA). Air Canada is also an observer on the International Civil Aviation Organization

Facilitation meeting organized in the context of the National Facilitation Committee (NFC) chaired by the Canadian Transportation Agency (as part of Canada's Facilitation Program).



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CODE OF CONDUCT

As a means of managing applicable corporate governance standards and maintaining best practices, we adopted and update, as required, our Corporate Policy and Guidelines on Business Conduct (better known as the "Code of Conduct"), which sets out guiding principles and ethical standards that apply to our corporate activities.

Among other things, the Code addresses: compliance with laws (including those related to competition and anti-corruption); privacy; fraud and ethics; discrimination and harassment; fair dealing with other people and organizations; conflicts of interest; and reporting suspected non-compliance. All employees are required to abide by the Code,

and members of the Board and management are required to review the Code and complete an acknowledgment form on an annual basis confirming their undertaking in this regard. The Board, with the assistance of the Audit, Finance and Risk Committee, is responsible for monitoring compliance with the Code. The Code is available [here](#).

We encourage our employees to report any concerns or suspected non-compliance with laws and regulations, the Code of Conduct or the corporation's policies through specified internal channels, including an anonymous ethics reporting hotline that is actively promoted throughout Air Canada and administered by a third party. All hotline reports are promptly investigated and

followed up to closure. Retaliation in any form against any employee who, in good faith, reports any concern or suspected non-compliance is strictly prohibited.

RISK MANAGEMENT

The management of opportunities and risks is considered in all our business processes. Strategic decisions are made by our executive team with consideration of the implications to the business and its stakeholders. Risks which may be material to Air Canada are identified and monitored through the Company's Enterprise Risk Management process which provides insight on a quarterly basis to the Board of Directors (Audit, Finance and Risk Committee) to support their oversight and responsibilities. Risks to the Company are also extensively discussed in the **Fourth Quarter MD&A**.

[more>](#)





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ANTI-CORRUPTION

One of the important elements identified through our risk assessment process is compliance with anti-corruption laws and regulations. Compliance efforts have now evolved significantly through the development of a specific comprehensive anti-corruption compliance program, which includes conducting interviews and focus group sessions on anti-bribery risks and practices; a global Anti-Corruption Policy and several guideline documents; a comprehensive communication plan and a tailored risk-based training program (comprising targeted in-person training sessions for executives and selected higher risk groups as well as general awareness training for management employees). On a periodic basis, we monitor or audit specific compliance elements related to anti-corruption.

A Fraud Prevention Committee is also responsible for monitoring the general state of fraud management at Air Canada, including new and emerging trends and risks and the performance of company-wide fraud mitigation structures and rhythms.

In 2018, no material anti-corruption risk sensitivities were reported or identified. Continued efforts were devoted to increased education and awareness on the potential risks related to the practice of gifts and entertainment and to our expansion to new destinations in jurisdictions with higher corruption risk.

COMPETITION

Competition law compliance is a continuous area of focus due to profound changes that the industry experienced as a result of deregulation, liberalization and globalization, and the proliferation of new competition law regimes globally. Compliance efforts are embedded in the Air Canada management system and include policies, specific guidelines, and regular targeted training. Periodic monitoring of such measures is done to improve retention and behaviour modification. Employees are made aware that the potential impacts of non-compliance are material and could include substantial regulatory penalties and sanctions, private damage actions and criminal penalties against company officers, directors and other personnel. [more>](#)





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AGAINST HUMAN TRAFFICKING

We ensure that our working practices respect and uphold the human rights of our employees, suppliers and business partners. We are committed to act with integrity in all our business dealings, to comply with all applicable laws and to act responsibly when dealing with employees, customers, and suppliers or when interacting with communities. As an increasingly growing global airline, we recognize we have an on-going responsibility to ensure that appropriate measures are implemented to mitigate the risk of slavery and human trafficking in our operations, either directly or through our service providers. Air Canada has “zero tolerance” for any form of slavery or human trafficking in its operations and supply chain and upholds its commitment by doing the following:

- In selecting its suppliers, Air Canada carries out due diligence, using up-to-date industry standard tools to identify legal and reputational issues. The reputational risk assessment encompasses human trafficking risk.
- Air Canada has implemented a Supplier Code of Conduct, which forms an integral part of Air Canada’s material supplier contracts. It sets out the standards we expect our suppliers to uphold at all times relating to various matters including human trafficking, slavery, child labour, non-discrimination and human rights, employment conditions, ethical behaviour and much more. It also provides us the ability to audit our suppliers for these concerns.

- All Air Canada and Air Canada Rouge flight attendants are trained on modern slavery and human trafficking awareness and how to recognize and report suspicious behaviour. We are planning to expand this form of training to all customer service agents in Canada and abroad.
- Air Canada has a “zero-tolerance” policy with respect to the sexual exploitation of children. Both Air Canada and Air Canada Vacations seek to ensure that partner hotels support this policy and that our business practices do not compromise it in any manner.
- Air Canada assesses risks related to human trafficking and forced labour associated with our operations and supply base in relation to new routes and at new destinations.

In 2018, the Air Canada Foundation also partnered with Beyond Borders to raise awareness about child sex tourism and trafficking. Beyond Borders ECPAT Canada is a bilingual national advocacy organization advancing the rights of children everywhere to be free from sexual abuse and exploitation.

A working group comprised of Air Canada senior management subject-matter experts is tasked with the identification and coordination of initiatives in this regard. For more information on various developments related to modern slavery and human trafficking, please refer to **Air Canada’s Modern Slavery and Human Trafficking Statement**.





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2018 ECONOMIC FOOTPRINT*



222
DESTINATIONS
served in 2018



Record
OPERATING REVENUE of
\$18.1B

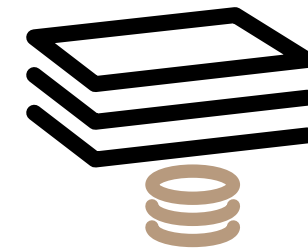


\$2.7B
NET CASH FLOWS
from operating activities



\$1.17B
OPERATING INCOME

Carried a record
50.9M
PASSENGERS



EBITDAR** of
\$2.85B



ADJUSTED
NET DEBT** of
\$5.9B
at Dec. 31, 2018

\$791M
FREE CASH FLOW**

\$952M
Adjusted **PRE-TAX INCOME****



over
33,000
EMPLOYEES
worldwide

12.6% ROIC**
(Return on invested capital)



2.1 LEVERAGE RATIO**
(adjusted net debt to trailing 12-month EBITDAR)
at Dec. 31, 2018

\$677M
Adjusted **NET INCOME****

\$167M
NET INCOME

*The financial information for 2018 is as reported in Air Canada's 2018 Annual Report. It has not been restated for the adoption of accounting standard IFRS 16 - Leases which became effective January 1, 2019.

**EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent), EBITDAR margin, adjusted pre-tax income, adjusted net income, adjusted earnings per share – diluted, leverage ratio, free cash flow, ROIC and adjusted CASM are each non-GAAP financial measures and adjusted net debt is an additional GAAP measure. Additional information as well as reconciliations of these measures to comparable GAAP measures can be found in Air Canada's 2018 MD&A, available on SEDAR at www.sedar.com or Air Canada's website at aircanada.com.



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FINANCIAL SUSTAINABILITY

We made significant progress in our goal of becoming a sustainably profitable global champion. Our key accomplishments in this regard are further described in our public disclosure file, including our 2018 MD&A. Of note:

COST TRANSFORMATION PROGRAM

In 2018, we realized or identified savings of \$220 million under the new Cost Transformation Program (CTP) intended to secure \$250 million in savings. We expect to achieve the remaining savings of \$30 million by the end of 2019.

NEW FARE STRUCTURE

We updated our suite of branded fare products allowing us to further segment our customer base and offer a wider variety of fare options and a customized on-board experience. These new re-bundled fares provide more choice and stimulate sales based on specific attributes, driving incremental revenue.

SHARE BUY BACK

In 2018, Air Canada announced that it purchased for cancellation outstanding shares, benefitting

all shareholders by increasing the underlying value of the remaining shares. The Company purchased, for cancellation 3,013,822 shares at an average cost of \$24.11 per share for aggregate consideration of \$73 million. As of May 9, 2019, since May 2015, Air Canada has purchased, for cancellation, 24.9 million shares or 9 per cent of outstanding shares.

AIR CHINA JOINT VENTURE

In June, we announced an expanded cooperation with Air China, and signed the first joint venture agreement between a Chinese and North American airline, supporting the Canada-China Year of Tourism 2018.



AEROPLAN

We reached an agreement to acquire Aimia Canada Inc.'s Aeroplan loyalty business, and entered into co-branded credit card agreements with TD, CIBC, and Visa and, after year-end, Amex Bank of Canada. The acquisition was completed on January 10, 2019 and, following the closing, Aimia Canada Inc.



changed its name to Aeroplan Canada Inc. This acquisition brings tremendous capabilities and resources in analytics, marketing, technology and customer journey management.

JAZZ

We concluded, in February 2019, an agreement to amend and extend our capacity purchase agreement ("CPA") with Jazz Aviation LP, a wholly-owned subsidiary of Chorus Aviation Inc. The amendments bolster the strength and competitiveness of the Air Canada Express brand and its coast-to-coast regional network, and provide significant CPA savings for Air Canada, while optimizing network and fleet flexibility when compared to the previous agreement.



Air Canada also continues to maintain several defined benefit pension plans, including domestic registered pension plans, supplemental pension plans and international pension plans. Air Canada also has several defined contribution pension plans as well as plans providing other retirement and post-employment benefits to its employees.



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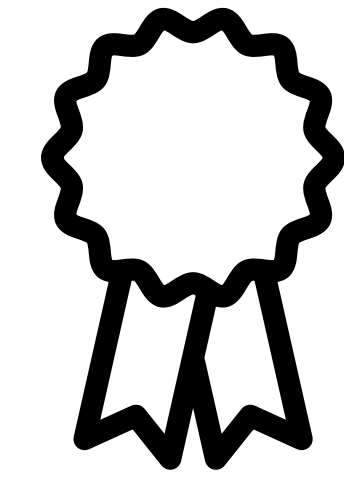
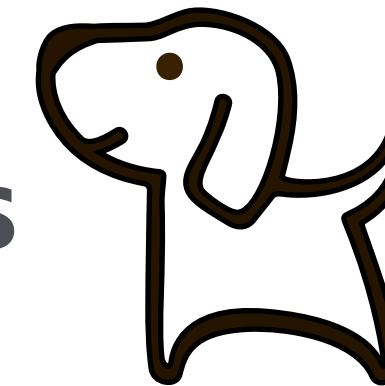
29 NEW ROUTES



Air Canada Rouge
**Best Performing
LONG-HAUL AIRLINE**



First airline to be **CERTIFIED FOR
CEIV Live Animals**
by IATA



Recognized as :



**NORTH AMERICA'S
ONLY FOUR-STAR,
Full Service International
Carrier by Skytrax**



**FIVE STAR
OFFICIAL AIRLINE
at APEX**

**BEST NORTH AMERICAN AIRLINE
FOR INTERNATIONAL TRAVEL
and
BEST NORTH AMERICAN AIRLINE
FOR INFLIGHT EXPERIENCE**
by Business Traveller

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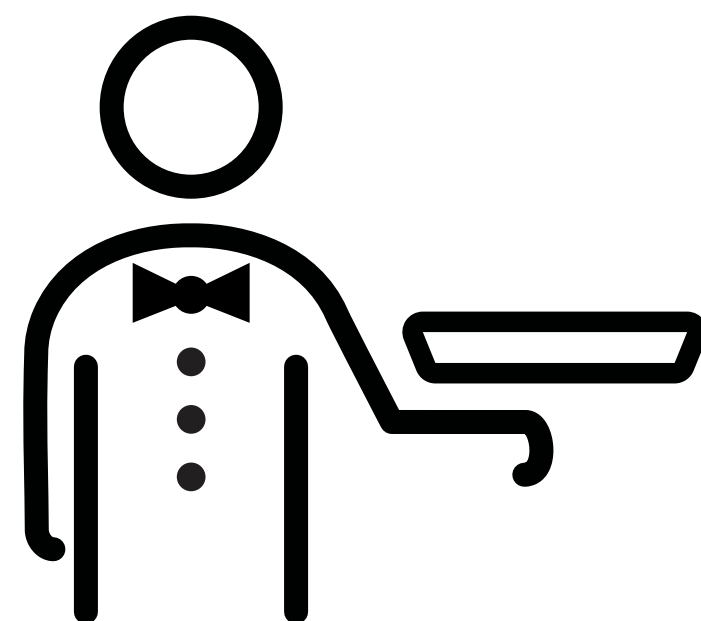
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 **AIR CANADA
SIGNATURE**

▶ Launch of an industry-leading end-to-end
PREMIUM TRAVEL EXPERIENCE

 **AIR CANADA
CONCIERGE**

▶ **EXPANDED SCOPE AND REACH**
of Concierge service

 **AIR CANADA
MAPLE LEAF LOUNGE**

▶ **EXPANSION AND ADDITION**
of Maple Leaf Lounges



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To help us achieve our environmental goals and promote responsible behaviour, we work with various suppliers worldwide. Air Canada has more than 9,500 individual suppliers and in 2018 it spent \$6.3 billion on products and services from Canadian suppliers alone, excluding fuel and labour. Air Canada's total supplier spending in 2018 was \$12.4 billion.

Despite the size of the supply chain, more than 86 per cent of expenditures go to the top 100 suppliers. Several branches within Air Canada are charged with managing these relationships but Strategic Procurement, whose purview also includes fuel purchases, accounts for the majority of the sourcing of these expenditures. Air Canada endeavors to source locally wherever commercially feasible.

The Supplier Code of Conduct is a key component of our responsible and sustainable

sourcing strategy and supports our mission to act responsibly and ethically. The code is principle-based and sets out our expectations of suppliers to ensure their behaviour aligns with Air Canada standards in the following key areas: business integrity, responsible business practices, and responsible treatment of individuals and the environment. In 2018, we launched a "Supplier portal" (available on aircanada.com) to collect key information on existing and prospective suppliers. In addition to continually improving our Supplier Code of Conduct, our Strategic Procurement team amended its formal supplier risk assessment process for new strategic suppliers in order for us to monitor for possible reputational risk issues. The assessment focuses on a multitude of criteria, including environmental, health and safety, cyber-security, privacy compliance, criminal and other illegal activities.





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In 2018, Air Canada was selected by the Government of Canada as one of five superclusters to receive funding through the "Innovation Supercluster Initiative (ISI)", exploring innovations through artificial intelligence. The goal of ISI is to foster technological leadership, create jobs and enhance skills, and to enable Canadian companies to become global leaders. As such, Air Canada

is part of the "SCALE.AI" (Supply Chains and Logistics Excellence. Artificial Intelligence) consortium. The SCALE.AI consortium brings close to 120 retail, manufacturing, transportation, infrastructure, and information and communications technology sectors together to build intelligent supply chains through artificial intelligence and robotics.





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Air Canada's core value is Safety First, Always, and in 2018, a record 50.9 million people entrusted Air Canada with their travel plans. Reflective of the 2018 Materiality Matrix Assessment, safety remains the top priority, making it also a key component to our approach toward sustainability.

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Occupational Health and Safety

In an industry that is considered high risk, it's imperative to have robust Health and Safety programs to ensure that all employees and customers go home safe and sound at the end of each day. Investing in employees' health and safety not only ensures compliance with regulations but also conveys that they are valued and vital members of the team.

At Air Canada, the Corporate Safety, Environment and Quality (CSEQ) branch, through its Corporate Safety and Emergency Management department is responsible to ensure employee safety programs are implemented, effective and continuously improving. Among other things, it monitors compliance with applicable laws and regulations while tracking employee safety-related incidents. Corporate Safety and Emergency Management also provides primary support for several health and safety committees throughout the organization as well as external committees. These joint health and safety committees meet regularly to discuss relevant



workplace issues, safety concerns and work practices to find common understanding and appropriate corrective actions to occupational health and safety concerns. Air Canada Rouge manages its occupational health and safety and emergency management program using the same key principles as Air Canada.

A serious workplace injury or death changes lives forever. Human loss and suffering are immeasurable, and occupational injuries and

illnesses provoke major crises for the families in which they occur. Our Occupational Health and Safety (OHS) programs are designed to protect workers from occupational hazards. These programs set out duties for all workplace parties and the rights for workers to ensure that all employees work in a safe environment. The programs establish procedures for dealing with workplace hazards and meeting our obligations under applicable laws and regulations. [more>](#)



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The OHS programs present an opportunity for all employees to provide input into the programs. All employees are encouraged to provide suggestions and ideas on how to improve safety. This methodology towards safety creates opportunities across the organization as it helps foster a culture of continuous improvement. While the underlying focus is safety, the programs also translate into cost savings by reducing employee absences.

Air Canada uses a Safety Information Management System that links to web-based Occupational Health and Safety software tools. The configuration allows employees to submit hazard reports including health and safety concerns which are then handled by the appropriate committee via the tool. This online repository for health and safety information is accessible to all health and safety committees. As it can collect and process all occupational health and safety-related events, it reduces duplication and encourages collaboration among different employee groups as well as simplifying file management and formal reporting to government agencies as appropriate.

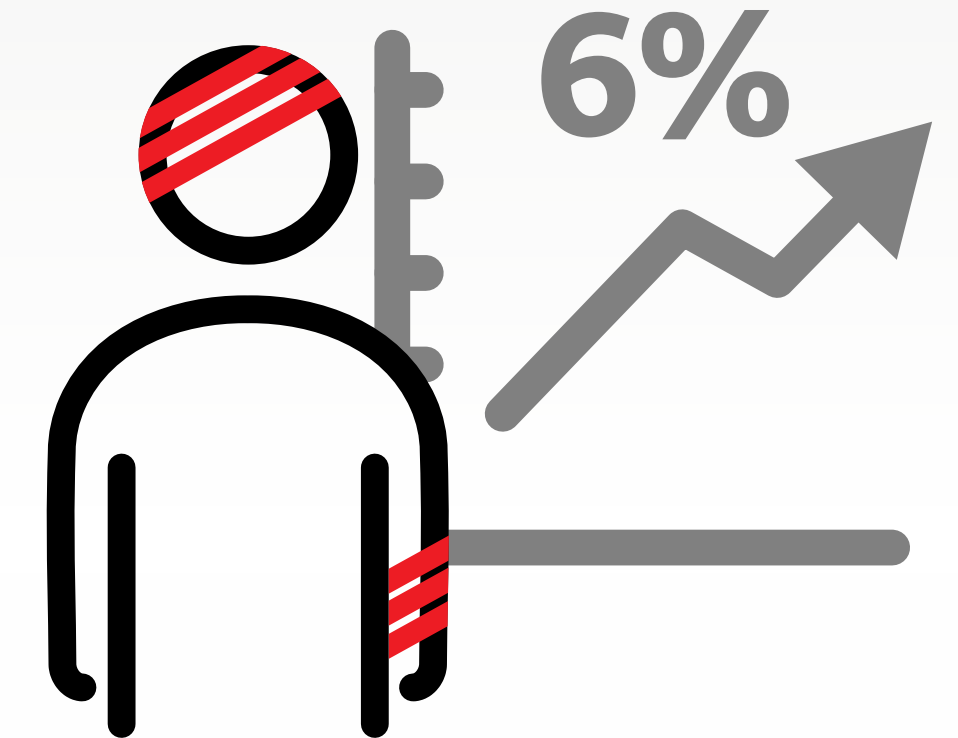
The disability management professionals are engaged to make it easier for injured workers to come back to the workplace through the Return to Work programs (for both Air Canada and Air Canada Rouge). These programs help to ensure employees in need of medical attention seek it immediately and are brought back to work when capable, including in a limited capacity. These programs along with

the teams involved in injury prevention ensure that integrity in the occupational health and safety programs is maintained by monitoring key performance indicators and the hazard prevention program for accuracy.

Key performance indicators are monitored and reviewed at branch management meetings. These discussions include performance metrics, prevention and mitigations for current hazards and opportunities to bring forward action items to leadership. Key performance indicators include non-compliance sanctions under applicable law, lost time injuries, lost time days lost and total workers compensation board costs.

In 2018, we saw an increase in Lost Time Injuries per 10,000 flights. This is in part due to growth in our operation and extreme weather conditions experienced in the first quarter of 2018. Duties performed continued to meet our standard operating procedures, however employees required an adjustment to new standards to account for the growth in operations. The trend within the injuries continue to be strains and sprains which we have a focused effort on in 2019 and we are also looking at new tools to further prevent some of the injuries that have been occurring. [more>](#)

LOST TIME INJURIES



In 2018, we saw an increase in Lost Time Injuries per 10,000 flights. This is in part due to **growth in our operation and extreme weather conditions** experienced in the first quarter of 2018.



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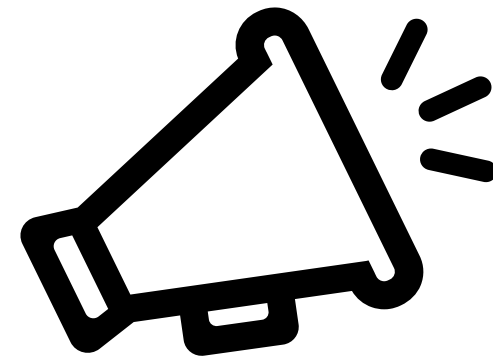
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SAFETY PULSE SURVEY



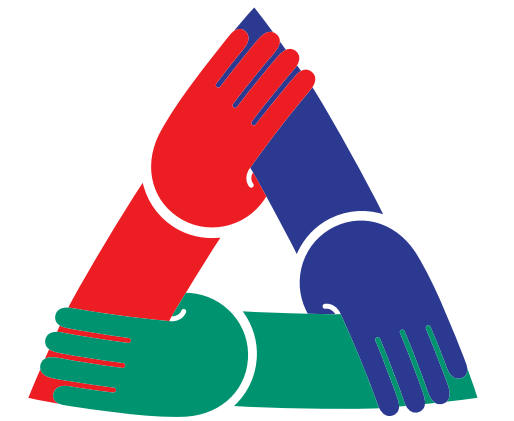
Bi-annual, voluntary confidential safety pulse surveys are conducted as an opportunity to get a sense of Air Canada employees' safety voice. These pulse surveys provide Air Canada with a benchmark for various points that provide a framework for improvement for the following years. In 2018, 81 per cent of the respondents responded positively, up 3 per cent from the previous survey held in 2016. This shows that the culture of safety is moving in a positive direction. We continue to progress on our culture objective which is that we all understand that safety is the paramount value we all must adhere to at Air Canada, at all levels, and make it the primary concern in decision-making for everyone at Air Canada.

BOEING 737 MAX SIMULATORS

The Boeing 737 MAX simulators became operational in the Fall of 2017. The first pilots trained were the team of instructors and check pilots that would be responsible for the training and qualification of pilots new to the Boeing 737 MAX. In 2018, both Boeing 737 MAX simulators operated at full capacity in order to train enough pilots to operate the Boeing 737 MAX aircraft that were planned to be operational in 2018. Air Canada is the only airline in North America to own Boeing 737 MAX simulators. These simulators will become key assets for Air Canada for any training required when the Boeing 737 MAX are reintroduced, as it enables us to have direct oversight on the timing of the training.

AUTOMATED REPORTING PROCESS

In 2018, the automated internal complaint occupational health and safety resolution process was enhanced and promoted during the North American Occupational Safety and Health (NAOSH) activities week – a week to focus employers, employees, partners and the public on the importance of preventing injury and illness in the workplace, at home and in the community.



CARING FOR CHANGE CAMPAIGN

We are dedicated to creating a safe and inclusive work environment for all employees, which includes being free from all forms of harassment. In 2018, Air Canada's Harassment Office launched a new awareness campaign called "Caring for Change" to help educate all employees, including managers, on harassment-related matters in the workplace. The second phase of the Caring for Change campaign commenced in mid-2018 and encourages managers to promote a respectful work environment by providing them guidelines and tools that can assist in responding to inappropriate behaviour that may be witnessed in the workplace. The plan is for both the first and second phases of the campaign to carry into 2019 as the team continues to visit different stations throughout the Company.



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AC ROUGE: START THE CONVERSATION

Air Canada Rouge launched “Start the Conversation”, an internal mental health campaign which was supported with weekly initiatives and events for employees, promotional videos and campaign photos. The campaign sought to raise awareness about the reality of mental health and addressed topics like ‘breaking the stigma,’ ‘how to talk about mental health,’ and strategies for ‘maintaining wellness’.

UPDATED ALCOHOL AND DRUG POLICY

As Safety is First, Always, and in preparation for the legalization of cannabis, we provided employees with an updated Alcohol and Drug Policy. Specifically, this update sought to lend guidance and manage the risks associated with substances which can impair employees’ ability to do their jobs safely. Under the policy, Air Canada employees may not be impaired by intoxicating substances while on duty or in the workplace. Moreover, employees engaged in safety-sensitive work and safety-critical work have additional obligations and are held to a higher standard. If employees are engaged in safety-critical work, they are prohibited from using cannabis (except if prescribed as medication, in which case accommodation measures may be required) and illegal drugs at all times, even when not on duty or not in the workplace.





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Safety Management

Safety management is a critical responsibility at Air Canada and impacts virtually every decision the airline makes. Given safety is the paramount priority for us, we have set up the appropriate structure, processes and resources to ensure that all aspects of safety and safety stewardship are always prioritized and that safety measures are enacted in a proper and effective manner.

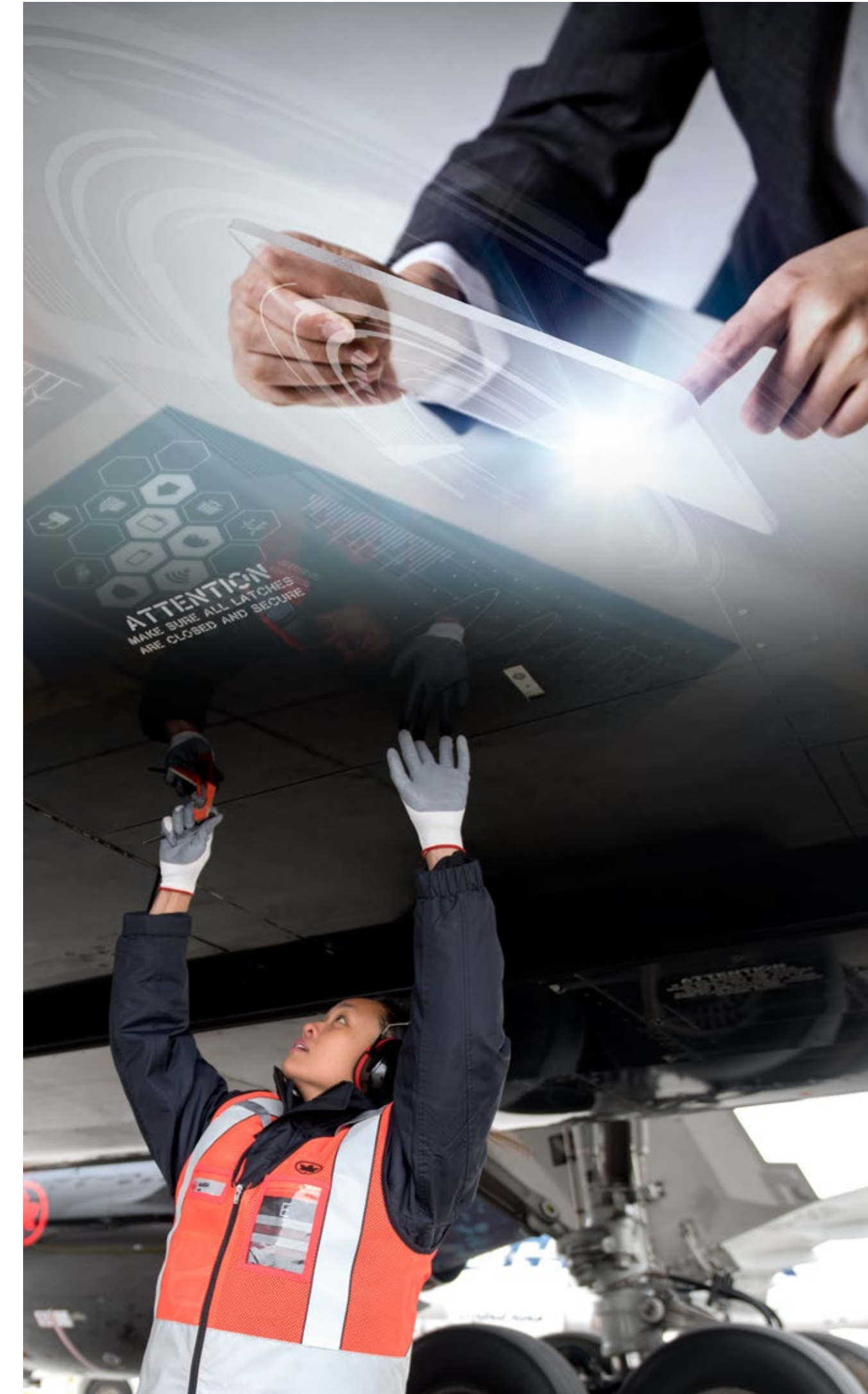
Air Canada has established a Safety Management System (SMS) that serves as a framework within which systematic and comprehensive processes and procedures for managing risk are developed, applied and evaluated. The SMS also creates a common support structure for all operational groups, with clear elements and concise direction, so that they may perform their safety management functions effectively. Air Canada's President and Chief Executive Officer is the designated accountable executive for Air Canada's SMS with Air Canada's Vice-President, Safety responsible for day-to-day administration and corporate oversight of SMS. At Air Canada Rouge, the company's President is the designated

accountable executive with the Director of Safety Security & Regulatory Affairs responsible for day-to-day administration and oversight of the SMS. An integrated safety management process ensures that an appropriate flow of safety information is exchanged between the two airlines and that it reaches all levels throughout the corporation. The Air Canada Corporate Safety Board, chaired by the Chief Executive Officer, meets quarterly to oversee and guide the safety program (which includes data from Air Canada Rouge). Air Canada Rouge also holds quarterly meetings for its Corporate Safety Board.

New aircraft, new routes, changing organizational structures and business practices present opportunities for development and growth. Effective safety management is critical to ensure hazards and risks are identified and held to the lowest level. In 2018, we successfully managed the safety risks and hazards associated with the launch of 29 new routes.

An investigation and research group consisting of experts recruited from across all the operational branches forms the core safety team. It collects and manages information related to safety gathered through each airline's reporting system. Supported by its investigation and flight data monitoring experts, this group catalogues trends in incidents, reports on safety of flight, conducts flight analysis and flight re-creations,

[more](#)





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develops comprehensive statistical data for senior management and identifies operational trends, threats, risks and hazards. This group leads all formal investigations, conducts industry benchmarking activities, participates in international aviation forums and provides detailed quality analysis on the reporting tools and the safety process itself.

Air Canada is scheduled to conduct the IOSA audit again in 2019. The IOSA program is an internationally recognized and widely accepted evaluation system designed to assess the operational management and control systems of Air Canada. It is conducted on a bi-annual basis and is a critical audit that governs international operations, code share and alliance memberships. Successful completion of the audit is critical to Air Canada and as such, a determined and focused effort is required to demonstrate safe, sound and effective practices to the independent assessment team.

To ensure robust safety management systems, Air Canada maintains a safety reporting policy that ensures confidential reporting. Under this policy, except in the case of gross negligence or willful infractions, the identity of an employee who reports a hazard or occurrence, will not be disclosed unless agreed to by the employee or required by law, and no company disciplinary action, or reprisal, will be taken against the reporting employee.

In 2018, Air Canada received a final report on an incident in 2017 in which an aircraft lined up

with the taxiway while landing in San Francisco. The National Transportation Safety Board concluded during a final hearing on the report that despite the situation, Air Canada has a "robust" safety and reporting culture. Prior to the release of the report, we made a number of operational and other changes to enhance safety based on preliminary findings.

In 2019, we will continue to reinforce and promote safety reporting, ensuring the protection of safety critical information and associated management obligations. This includes supporting the continued development and integration of safety data analytics and artificial intelligence into the Safety Management System.

Air Canada has a robust process in place to identify and mitigate potential operational risks, including as a result of new aircraft, routes or initiatives and projects. Through this effective process, Air Canada expects to effectively and safely manage the introduction of the new Airbus 220.

At Air Canada Vacations, contracts between the organization and its partner hotels, and ground handlers include strict safety standards to which suppliers are held. Site inspections are conducted annually to ensure that protocol is being followed and standards are being met. Should Air Canada Vacations receive any complaints regarding the health and safety of its customers, complaints are immediately addressed directly with the supplier and further inspections are conducted, when required, to ensure appropriate corrective measures have been made.

HEALTHY FOOD CHOICES

At Air Canada, we care about the health and wellbeing of our employees and customers. In 2018, Air Canada was identified by the 2018-19 Airline Food Study as one of the top five airlines that offer customers "healthiest" food choices in the air. The study was released by the Hunter College NYC Food Policy Centre and DietDetective.com.

The study assigned a "Health Score" (5 stars = highest rate; 0 star = lowest) based on 11 criteria including health and calorie levels of meals, level of transparency (display nutrient information and ingredients), menu innovation, and cooperation in providing information. Based on the findings, our health score is 3.45 stars and our cooperation level is "very helpful" when it comes to providing nutritional information. Average calories overall is 346, average meal calories is 351 and average individual snack calories is 324.





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Privacy & Cybersecurity

The security of Air Canada's IT systems is of paramount importance, and we take the security of our employees and customers' privacy and data very seriously. Data protection and cybersecurity is also identified as a key topic in the 2018 materiality assessment that is the basis of this report.

In 2018, Air Canada conducted a privacy maturity assessment as part of its efforts to prepare for the coming into force of the European Union's General Data Protection Regulation (GDPR) and hired a full-time privacy leader and two full-time privacy legal counsels as the core of the privacy organization it is building. Having been subject to privacy legislation in Canada, Air Canada is well-placed to adapt to this latest major change in the legislative landscape on privacy. To that end, policies and procedures were assessed and revisions initiated, more robust breach reporting and management tools were developed and measures to raise awareness of the importance of privacy were undertaken, including activities to mark International Data Privacy Day in January 2018.

In 2019, we will pursue the privacy action plan, with a focus on the following six broad areas to improve our privacy maturity: Privacy Incident Response, Policies & Documentation, Data Subject Rights, Record of Processing Activities, Vendor Risk

Management and Privacy Governance.

Air Canada also successfully implemented a Multifactor Authenticator Program to better protect employee, customer and company data, reducing exposure to cyber-risk, and we will continue deployment to our employee base in 2019.

During a 48-hour window in August, Air Canada detected unusual log-in on its mobile app, affecting approximately 1 per cent of its then 1.7 million app users. Upon detection of the behaviour, we took immediate action to block the attempts and implemented additional protocols to protect against further unauthorized attempts. All Air Canada mobile app accounts were locked, and potentially affected customers were contacted directly by email. Cybersecurity breaches mainly arise from the theft of usernames and passwords. To ensure continuous improvements, Air Canada increased education and awareness surrounding the importance of password protection and security, and data privacy through internal campaigns and a Cybersecurity Awareness Month.





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At Air Canada, the goal of our environmental strategy is to “Leave less” and “Do more”. Leave less, ensuring we are minimizing our environmental impact throughout our operations, through leaving less carbon in our atmosphere, less waste in our land and water, and less noise in our communities.

Do more, increasing collaboration and participation with our industry partners, and being further involved with our communities, employees and customers.

[more>](#)





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As a result of our ambition to “Leave less and Do more”, Air Canada was named the 2018 Eco-Airline of the Year by the respected airline industry publication Air Transport World (ATW). In recognizing Air Canada’s environmental accomplishments, ATW cited a number of our initiatives and programs, in particular our commitment to emission reductions through supporting the development of alternative fuels and our numerous green programs and partnerships. We were also recognized for being the first airline in the world to voluntarily join the World Bank’s International Monetary Fund (IMF) Carbon Pricing Leadership Coalition.



ATW presents the Eco-Airline Award to an airline that practices and innovates in exceptional eco-operations. In choosing the 2018 winner, judges looked for an industry-leading commitment to technologies and efforts that increase operational efficiency and reduce emissions and dependency on oil. This includes pioneering solutions to environmental problems, environmental concern and action through community involvement, and best practices at airports.

Air Canada devotes significant resources to environmental management and compliance. Our **Environmental Policy** clearly states that the Company is committed to complying with all applicable environmental compliance obligations and other commitments to which Air Canada subscribes. [more>](#)

“ We are very pleased that ATW has recognized the effectiveness of our environmental programs, including our participation in the development and support of alternative fuels in Canada, and our efforts to contribute to healthier communities. We have made great strides, improving fuel efficiency by 44.5 per cent since 1990, and this award will further spur us on to the goals we have set for ourselves to continually improve our environmental performance.”

– Calin Rovinescu, CEO.





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IEnvA

Air Canada was one of the first airlines in North America to adopt an Environmental Management System (EMS) based on ISO 14001. In 2017, we chose to pursue a certified Environmental Management System, through the IATA IEnvA system. The 2 Stage certification approach of the IEnvA system demonstrates equivalency to the new ISO 14001: 2015 EMS standard. IEnvA is a voluntary environmental management system for the airline industry that will allow an airline to focus resources on enhancing its environmental performance and ensure continual environmental management improvement.

We are among the first adopters of this system and achieved Stage 1 Certification in 2018.

The IEnvA system covers the flight operations of Air Canada, Air Canada Rouge and Air Canada Vacations, and has the capacity to cover a variety of operations. This includes our office buildings and facilities in Canada. Environmental compliance is managed and monitored through the EMS which reports quarterly to the Corporate Environment Board, chaired by the Chief Executive Officer.





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Leave Less

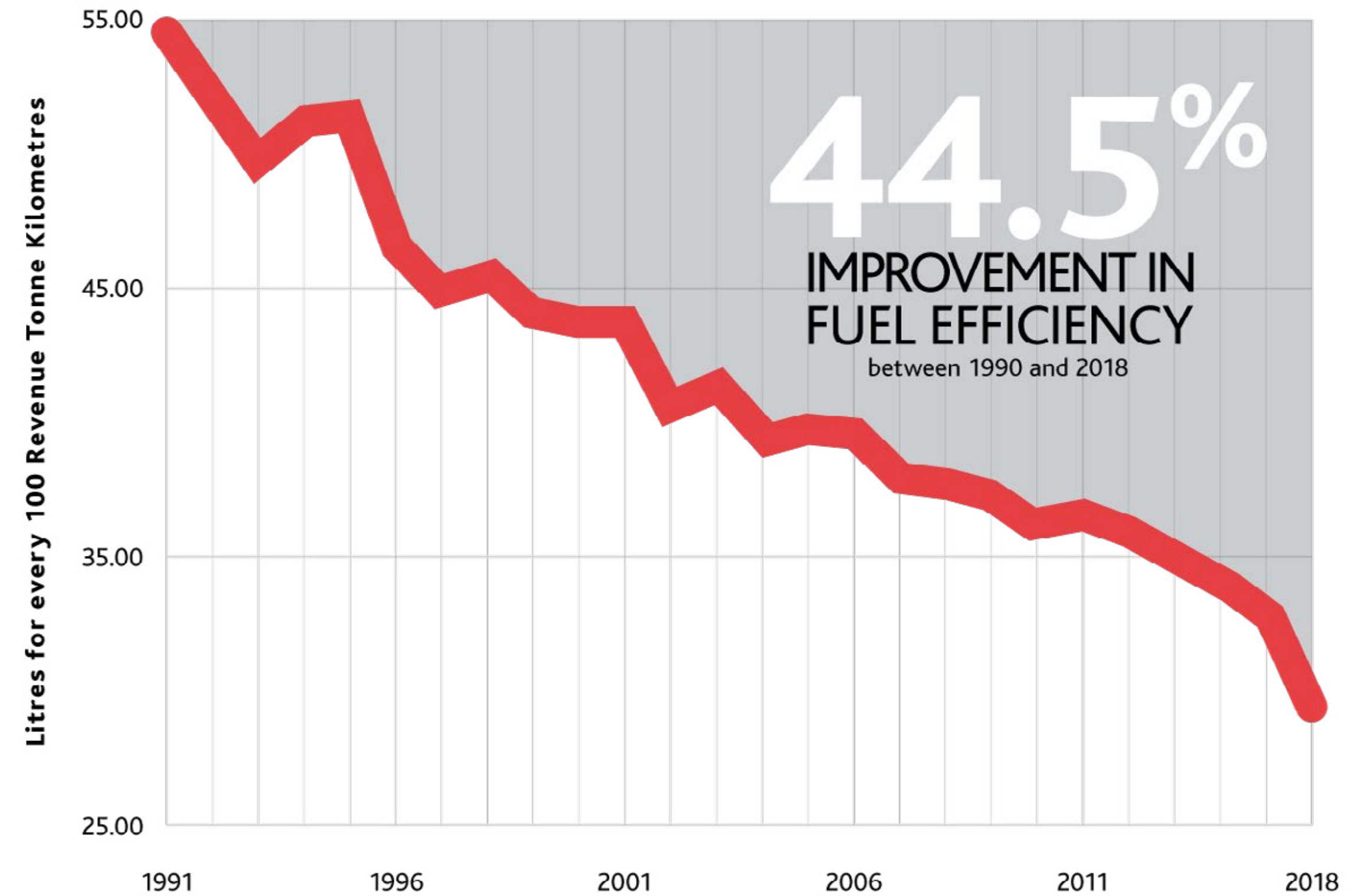
LESS EMISSIONS, LESS ENERGY

Air Canada's primary environmental concern is greenhouse gas (GHGs) emissions which contribute to climate change. As 99 per cent of our CO2 emissions come from aircraft engines, there is a strong positive correlation between meeting our environmental targets and reducing our fuel burn, emissions and operating costs. Using less fuel and energy has significantly improved Air Canada's environmental footprint. We have implemented several initiatives such as flying lighter, improved operational efficiencies and refining our air and ground procedures to reduce our environmental footprint. As a result, since 1990, Air Canada has been able to improve our fuel efficiency by 44.5 per cent.

15 per cent of Air Canada's mechanized ground support equipment is now electric, and 12 per cent run on low emission propane.

Air Canada is a signatory, through the National Airlines Council of Canada (NACC), to the Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation which is a multi-party action plan between aviation industry stakeholders and the federal government.

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FUEL EFFICIENCY PERFORMANCE

In 2018, we exceeded the collective annual fuel efficiency improvement targets of 1.5 per cent set for the airline industry. We also continued to modernize our fleet, with the addition of sixteen Boeing 737 MAX and 5 Boeing 787 aircraft, resulting in improved fuel efficiency.

FLEET (December 31, 2018)

AIR CANADA	OPERATING
Boeing 777-300ER	19
Boeing 777-200LR	6
Boeing 787-8	8
Boeing 787-9	27
Boeing 767-300ER	6
Boeing 737-8 MAX	18
Boeing 737-9 MAX	0
Airbus A330-300	8
Airbus A321	15
Airbus A320	42
Airbus A319	16
Airbus A220-300	0
Embraer 190	19
TOTAL	184

AIR CANADA ROUGE	
Boeing 767-300ER	25
Airbus A319	22
Airbus A321	6
TOTAL	53

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NEW LIVERY

We continued to advance our new livery deployment with a leading technology paint system known as the base coat / clear coat system (BCCC). This livery system contains no chrome, lead or other heavy metals and requires less layers of paint, enabling operational efficiencies, reducing overall weight of the aircraft, leading to a reduction in the overall carbon footprint. This paint is expected to last longer (at least 11 years compared to standard paint life of 6 to 7 years) and has a thinner coat and increased drying speed. This requires less paint and reduces the paint time by an average of 30 per cent, and is easier to strip, therefore reducing costs and the environmental footprint and waste in the process.

SKY'S THE LIMIT CHALLENGE

In August 2018, Air Canada, along with federal government and industry stakeholders, announced its participation in the Natural Resources Canada (NRCan) "Sky's the Limit Challenge". The Challenge is federally sponsored and is intended to incentivize the sustainable aviation fuel innovation in Canada.

BIOJET SUPPLY CHAIN INITIATIVE

We also contributed to saving 160 tonnes of carbon emissions on 22 domestic flights for Earth Day through Canada's Biojet Supply Chain Initiative (CBSCI), an innovative biojet fuel research project funded through the Green Aviation Research & Development Network (GARDN), developing experience-based knowledge with biojet integration in co-mingled fueling systems at Toronto Pearson Airport. As the only commercial airline partner, Air Canada sourced and integrated 230,000 litres of sustainable biojet fuel into Pearson International airport's multi-user fuel supply system. We are proud of our leading role in this biofuel project, the first of its kind in Canada. This will advance the use of low-carbon renewable fuels in Canada by demonstrating they can be used in shared fuel systems at airports. With this participation, we are reducing our footprint and also contributing to the aviation industry's knowledge on biojet supply chain adoption. [more>](#)





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BIOFUEL

We also operated, in partnership with the Edmonton Airport Authority, a biofuel trade mission flight onboard an A320-200 aircraft on May 2, 2018, our eighth biofuel flight since 2012. Approximately 5,000 gallons of blended biofuel (30 per cent bio, 70 per cent fossil fuel) were used, therefore reducing the flight's carbon emissions by over 10 tonnes, equivalent of taking 26 cars off the road for an entire month.

Air Canada has committed to meet ambitious industry targets set by the International Air Transport Association, including carbon-neutral growth from 2020 and to reduce CO₂ emissions by 50 per cent by 2050, relative to 2005 levels. This commitment to and use of cleaner energy will advance our ability to decarbonize and work towards the goal of sustainable aviation. [more>](#)

“Air Canada’s leadership in the renewable resource sector strongly aligns with EIA’s commitment to regional economic development and sustainability, while reducing the long-term carbon impact of airport operations.”

– Tom Ruth

President and CEO of Edmonton International Airport





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LESS NOISE

Airports facilitate the trade of goods and bring economic development to urban settings, cities and countries. However, airport operations also generate noise. As such, people living near airports are exposed to airport operations.

For Air Canada, reducing the effect of noise to and from the airports we serve is a priority. Air Canada actively participates with multiple stakeholders, including airport authorities, local government, air navigation service providers and other air carriers on noise committees to improve noise conditions around airports. When investing in new aircraft, the noise impact is also considered, to ensure that we reduce the noise footprint as much as feasible. All of the Air Canada and Air Canada Rouge aircraft achieve or surpass the Chapter 3 noise standards set by the International Civil Aviation Organization (ICAO). The Boeing 777, 787 Dreamliner and the new Boeing 737 MAX meet ICAO's more stringent Chapter 4 noise standard, which is 10 decibels quieter than Chapter 3.

To further minimize noise, airports have developed noise abatement procedures that our flight crews comply with, and carefully manage operating hours during the night. Furthermore, as a result of technological improvements, aircraft produced today are 50 per cent quieter than they were 10 years ago and 75 per cent quieter than the first generation of jet aircraft (as per **Aviation Benefits Beyond Borders**). Generally speaking, communities' exposure to

noise depends on factors such as the specific airport's location and weather conditions, air traffic control's routing for each flight, the procedures pilots use for that flight, and the type of aircraft. When Air Canada receives a notice of non-compliance with noise procedures from an authority, the incident is investigated, and appropriate corrective measures are implemented.

Additionally, in support of local communities, Air Canada proactively initiated a program to add a noise-reducing device to the remainder of its operating A320 fleet of aircraft. As early as November of 2015, Air Canada began operating narrow body Airbus aircraft with the FOPP Cavity Vortex Generator modification installed. In 2018, the decision was made to include the remaining operating A320 aircraft. The installation continues in 2019, as the aircraft come in for scheduled maintenance. [more>](#)





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LESS WASTE

Being focused on minimizing its environmental footprint, Air Canada also looks to reduce its waste. Air Canada's Corporate Waste Strategy focuses on key targets to reduce waste sent to landfill by 20 per cent by 2020, with our "leave less" and "do more" approach.

In 2018, we implemented a centralized waste pilot in two areas; one in our Montreal

headquarters and one in our Vancouver Operations Centre. Upon completion of the trial, we incorporated lessons learned and employee feedback to enhance the program and made the commitment to strategically roll out the program throughout the rest of Canada. Employees at the Montreal headquarters building, and the Vancouver Operations Centre are now participating in the centralized waste

program – promoting mixed recycling, organics, paper and cardboard recycling. We continue to review the options to reduce single use items such as plastic and Styrofoam® in offices, and in 2018, changed all coffee cups to compostable cups as well as banned plastic straws and stir sticks at our Montreal headquarters.





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ONBOARD RECYCLING PROJECT

Air Canada received permission from the Canadian Food Inspection Agency (CFIA) to launch the Domestic Onboard Recycling pilot project. With the Toronto project, we have established onboard recycling processes at nine of our major Canadian stations. Flight attendants on planes operating domestically into Toronto will collect recyclables such as aluminium cans, plastic bottles, Tetra Paks® and newspapers in blue bags. The cabin cleaning teams then pick up these bags and transport them to the designated Air Canada recycling compactor. With an effective recycling program in place in Toronto, we can expect to increase our onboard recycling efficiency by up to 10 per cent.

RECLAIM YOUR SEAT WITH THE SATELLITE BACKPACK WITH MARICLARO

In the spirit of recycling, Air Canada was proud to repurpose material originating from seats on Air Canada's Boeing 777 aircraft, giving it new life as The Satellite Backpack. The Mariclaro company used these materials to produce high-quality, all-leather backpacks in two sizes (which fit 13- and 15-inch laptops) with five per cent of its proceeds being donated to the Air Canada Foundation. In 2017, Mariclaro donated \$1,800 of its proceeds to the Foundation as well. The backpack project kicked off on the 16th of April 2018.

CUSTOMER CONTACT CENTER PAYS IT FORWARD

When it comes to asset management, Air Canada strives to dispose of materials as responsibly as feasible. Upon renovation of the Contact Centre in Saint John (New Brunswick), local employees managed to divert nearly all of the old furniture and equipment from going to the landfill to local worthy causes in Saint John instead, including Habitat for Humanity, SPCA, and the local school board. This resulted in sparing landfill from approximately 95 per cent of the old furniture and equipment. In addition, most of the metal equipment and other materials were recycled. This initiative resulted in shared value, as Air Canada avoided certain costs by avoiding landfill, transport, and labour fees. [more>](#)





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UNIFORM RECYCLING PROGRAM

Air Canada was proud to unveil its new uniforms in 2017. However, this meant that old uniforms would need to be disposed of, in addition to many unused previous uniform items. We wanted to ensure these uniforms were disposed of in a way that minimized the environmental impact while giving them a new lease on life. It was important that we take responsibility for recycling the uniforms from both a brand security and an environmental standpoint.

The uniform recycling program has allowed to divert roughly 240 tonnes of items from landfill, which is just under the equivalent weight of two empty Boeing 787-9 Dreamliners. Through this program, we work with several organizations that repurpose, recycle or reuse our surplus and used uniforms. An example of this is our collaboration with the non-profit organization Brands for Canada, which seeks to ensure Canadians living below the poverty line have access to proper clothing and other essentials necessary for a dignified and prosperous life. How? By donating around 50,000 surplus items such as blazers, skirts, pants, blouses and shirts to support Brands for Canada in their mission.

Air Canada pilot uniforms were also given new purpose. This was done through Viking Recycling in Toronto, who transformed the uniforms into material used to stuff punching bags. These bags were then donated to community centres in the city. In addition to the repurposing of uniforms, cargo straps were given new life as fasteners for the punching bags.

AIR CANADA WINS BEST SUSTAINABILITY CONTRIBUTION AWARD

Air Canada received the 2018 Best Sustainability Contribution Award at the Greater Toronto Airport Authority (GTAA) Eye on Safety Awards event, an event which celebrates the achievement of an organization that has developed or contributed to an economic, social, and/or environmental initiative that supports Toronto Pearson's commitment to be a sustainable airport. Air Canada was recognized for its strong commitment to sustainability and our many initiatives to divert waste streams from landfill, including Air Canada's initiative to recycle waste from domestic flights arriving at our designated gates in Toronto.





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Air Canada focuses significant energy and resources in creating and maintaining a positive employee culture. There are considerations for the workers' varying schedules, the different nature of their jobs, and the diversity of their cultural backgrounds.

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Adding a dimension to employee relationship management is the fact that approximately 87 per cent of our employees are unionized. Collective bargaining at Air Canada is therefore an important business process, and the corporation endeavors to ensure collective agreements are consistently negotiated in line with corporate priorities. Since 2014, Air Canada successfully concluded long-term agreements with 9 of 10 of its Canadian bargaining units, covering a majority of our unionized employees in Canada. These 10-year and 12-year contracts contain periodic reopeners and no strike/lockout provisions, resulting in long-term labour stability unprecedented in Canadian industrial relations and nearly unheard of in the global airline industry.

As part of our approach to fostering a positive culture and an engaged and productive workforce, we have developed extensive employee support structures. In this regard, leadership development and guidance emanate

from the Human Resources (HR) branch led by the Senior Vice President, People, Culture and Communications and supported by a capable team of approximately 400 HR professionals in various disciplines including Total Rewards, Talent, Employee Engagement and Diversity, Recruitment, HR Generalists, Employee and Corporate Communications, Linguistic Services and Harassment Office and Training.

Parallel to HR is the Labour Relations (LR) branch, responsible for managing and maintaining positive relationships with Air Canada's unionized employees. LR also reports to the Senior Vice President, People, Culture and Communications and is responsible for negotiating, implementing and overseeing collective agreements. LR also has responsibility for the ongoing management of relations between the corporation and its unionized workforce, which has become more central to LR's role with recent long-term labour contracts that have provided labour stability.

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To validate our approach to employee engagement and relations, we have retained the services of a culture management company to conduct in-depth employee surveys to measure satisfaction, retention and engagement. Over many years, Air Canada has partnered with external providers to measure and monitor our employees' net promoter score. Such a study was undertaken in 2016 and, when compared with results from previous similar studies conducted in 2010 and 2014, it revealed significant progress in engaging employees. Over time, we have seen a much higher percentage of employees reporting their pride in working at Air Canada and agreement with the Company's overall direction.

The latest results indicate a strong standing in employee engagement. A mobile adaptive, online engagement and satisfaction survey, conducted in early 2018, was designed to be a succinct simple experience to capture the most thorough information. It used real time metrics and advanced technology which still preserves anonymity with responses. Throughout the year, results were shared with leadership to provide insight and relevance to development plans and new employee initiatives. We are very pleased to see that overall, more than 75 per cent of the employee base is engaged at Air Canada. [more>](#)





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RECRUITMENT FROM 2016 TO 2018 WORLDWIDE

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Under 30 years old	1,083	835	1,801	1,455	1,871	1,509
Between 30-50 years old	698	941	1,164	1,382	1,279	1,494
Over 50 years old	103	104	238	215	244	228

Throughout the year, we received several awards demonstrating our strong employee culture and engagement. Air Canada was named one of Canada's Top 100 Employers (2019) for the sixth consecutive year in an annual national employer survey by Mediacorp Canada Inc. Being consistently recognized as one of Canada's Top 100 employers is also further evidence of the successful transformation of Air Canada. We have made culture a

core priority and this has been instrumental in earning us a place among the leading global carriers. In addition to this accolade, Air Canada was named in 2018:

- One of the 50 Most Engaged Workplaces in North America for the third consecutive year by Achievers.
- One of the top five most attractive company brands to work for in Canada, according to the Randstad Employer Brand Research independent survey.
- One of Montreal's Top Employers for the fifth consecutive year in Mediacorp Canada Inc.'s survey.
- One of Canada's Best Diversity Employers for 2018 by Mediacorp Canada Inc. for the third consecutive year, which shows we are not simply a progressive employer but also a company that recognizes the tremendous competitive benefits diversity brings to an organization.

We also received a 2018 North American Candidate Experience Award for the second consecutive year.

More information on these and other awards is available [here](#). [more>](#)





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EMPLOYEE CARE TEAM

After 12 years of outsourcing, the People, Culture and Communications branch launched the first phase of the repatriation of recruitment functions with the launch of its new Employee Care Team. This team of professionals ensures that employees, during their life journey at Air Canada, are treated with care and class. By the end of 2018, the new Employee Care Team was serving 42 per cent of the active population.



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“Win as One Air Canada” is part of the employee “Flight Path”, a set of behaviors and values we have created to ensure that everyone across the vast organization is on the same page. Everybody understands why we’re rowing in the same direction and, more importantly, how we’re going to do it. Training has been key to this culture change in the organization.

We empower our people through training and development programs, to strengthen those skills that each *employee* needs to perform tasks to the best of their abilities and to bring all *employees* to a higher level so they all have similar skills and knowledge. [more>](#)





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EMERGING LEADERS PROGRAM

In 2018, we enhanced the Emerging Leaders Program, a corporate career development program for managers. The Emerging Leaders Program (ELP) prepares identified leaders in the Company for a transition into next level leadership roles. With a focus on experiential learning, participants are encouraged to challenge themselves and step outside of their comfort zones. Individuals are nominated by executives or senior management for the program and can benefit from a mix of internal and external development opportunities, including coaching/mentoring aspects, assessments, activities, and access to online tools. In 2018, we enhanced the program through providing personalized feedback to individual participants, including managers as part of the feedback process, and increasing the amount of opportunities presented to participants such as invitations to join the Director Development Program and International Women’s Day events. With such opportunities, participants are able to expand their internal and external networks, while being prepared and groomed for future leadership roles.

FOCUS-IN: PILOT CUSTOMER TRAINING

As part of the Company’s dedication to continually improving the customer experience, we introduced a pilot training program called “Focus-In”. The program was geared toward training pilots to improve their customer engagement skills. Training involved a variety of approaches including real-world, relatable examples and statistics, delivered and co-facilitated by consultants and other pilots. The program placed an emphasis on overall awareness training to further encourage a customer service mindset shift. The program was very well received by participant pilots, guests and management.

The program was completed in November 2018 with 179 pilots representing all crew bases. Participants attended 10 separate sessions in Toronto, Montreal, and Vancouver. So far, 300 pilots have participated in the voluntary program with another 200 planning to do so in the Fall of 2019.

[more>](#)



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ALTÉA

Many preparations took place in 2018 to lead the way for Altéa, a new Passenger Service System (PSS) launching in 2019. The PSS project is a complex transformational project to replace Air Canada's legacy reservation systems. Six workstreams have been established to implement the project, which affects virtually every aspect of Air Canada's business.

In 2019, training to more than 10,000 employees will be provided, in time for the period of transition from RESIII to Altéa.



BUY-TIME TO RETIREMENT

Air Canada implemented Buy-Time to Retirement and Reduced Work Week programs for senior employees to transition to retirement, while enabling the transfer of expertise to their colleagues.





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Diversity and Equal Opportunities

Air Canada was named one of Canada's Best Diversity Employers for 2018 for the third year in a row by Mediacorp Canada, recognized for our Diversity Committees, Women in Aviation speaker series and Women of Air Canada Maintenance (ACM) program.

We were recognized among 30 organizations by Women in Governance and received a Parity Certification. Women in Governance's mission is to support women in their leadership development, career advancement and promote access to board seats.

2014-2018 COMPARISON

	Women		Visible Minorities	
	2014	2018	2014	2018
Overall representation (in Canada)	40%	42.3%	20.5%	25%

The Company's most precious resource is its people. Our Air Canada Diversity team is dedicated to developing and maintaining partnerships that facilitate and encourage diversity and inclusivity, both of which are necessary to "Win as One Air Canada", as the Company's Flight Path calls for, and to mirror Air Canada's diverse customer demographics. [more>](#)





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DIVERSITY THROUGH RECRUITING

In 2018, Air Canada participated at the Aboriginal Future Career Fair in Calgary, Alberta, gave presentations in Kahnawake and Kanesatake communities in Quebec, Siskita and Otteenow communities in Alberta, and involved employees as ambassadors and role models who proudly shared their stories and experiences with Air Canada.

Air Canada also launched a campaign with the support of 16 Indigenous employees, creating promotional material to use at Indigenous career fairs, in magazines and other events across Canada, in order to raise awareness of the career opportunities at Air Canada. An example of this is a recruitment event in Kahnawake, Québec which took place in September, where our first Indigenous flight attendant, Ridge-Stone Cross-McComber, shared his personal journey with community members and provided insight about working at Air Canada.

We proudly partnered with different organizations that offer support and consultation in addition to offering training tools that help implement best practices while providing networking and development opportunities for employees. Some of these alliances include the Canadian Centre for Diversity and Inclusion, Catalyst, SenseAbility, Indspire, and Amik.

Supporting Air Canada's commitment to Indigenous candidates, we introduced a new pilot program with AMIK, an organization dedicated to enhancing the socio-economic participation of Canada's Indigenous demographic through respectful collaboration. The pilot program was designed with an innovative recruitment strategy for qualified Indigenous candidates as flight attendants, in a manner that is culturally appropriate and commercially effective.

In 2018, Air Canada also partnered with Dolphin Digital Technology and participated in their Disability Mentoring Day where they welcomed representatives in Montreal, St. John's (Newfoundland), and Toronto. The goal of the meeting was to connect with employers candidates who had a disability, joining resources and talent with business. Air Canada Diversity Committees meet several times a year to discuss and champion diversity initiatives.

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For the third year in a row, Air Canada marked International Women’s Day 2018, by operating two intercontinental flights with all female staff, from groundhandlers, to check in, to pilots and flight attendants. Flight AC015 departed Toronto to Hong Kong and AC868 departed Toronto for London Heathrow.

As Air Canada supports the recruitment women in non-traditional roles, in 2018 we partnered with the Northern Lights Aero Foundation whose main focus is to attract young women to enter careers in any sector of aviation and aerospace, by recognizing and celebrating the achievements of accomplished women in these fields. The Northern Lights Aero Foundation strives to inspire and encourage increased participation in aviation and aerospace by promoting awareness of the vast career opportunities within. [more>](#)





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Air Canada is a LGBTQ2+ friendly company and has participated in 4 pride parades across Canada: in Vancouver, Calgary, Toronto, and Montréal and also hosted the first Canada Pride event. As one of Canada's Top Diversity employers, in 2018 these pride event participations allowed nearly 300 employees from coast-to-coast to celebrate diversity and demonstrate their support.

Air Canada was named Best Corporate Group by Fierté Montréal at the Montréal Pride parade on August 19, 2018. Approximately 150 Air Canada employees, friends and family participated in the event and were recognized with the award for our high energy, cohesive look and creativity. The jury is composed of parade marshals and members of Montréal's businesses and community organizations.





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At Air Canada, we care not only about the wellbeing of our employees and customers, but also of the communities which surround them and in which we operate. Air Canada uses several channels to engage with communities including the Air Canada Foundation, through Community Partnerships, and other social initiatives.





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We are Citizens of the World, and Kids Mean the World to Us!

The Air Canada Foundation's mission is focused on the health and wellness of children and youth in Canada and abroad. In 2018, it granted financial and in-kind support to 275 Canadian registered charities and provided assistance to over 450 fundraising initiatives.

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OF NOTE IN 2018:

- The Air Canada Foundation increased its fundraising by 12 per cent, totaling more than \$1.9 Million.
- The Air Canada Foundation celebrated Air Canada’s 25 years of partnership with the Children’s Miracle Network (CMN) member hospitals. A reception was held during Children’s Hospital Week in Walt Disney World, where “Champion” children from pediatric hospitals across Canada, their families as well as hospital representatives were invited to highlight this milestone. \$871,396 was donated to CMN pediatric members hospitals including the second installment of a five-year, \$250,000 commitment to the new Jim Pattison Children’s Hospital in Saskatchewan.
- The Foundation also directly supported Dreams Take Flight with various resources such as tickets for local fundraising, flights to bring children from remote or regional areas to a Dreams departure, cash donations, and more. Air Canada supports this program further by providing the aircraft, cargo and crew for all eight annual Dreams flights operated each year from various cities across Canada.
- In 2018, the Air Canada Foundation proudly supported the Rally for Kids, benefitting the Pinball Clemons Foundation, which focuses on the wellness of children, empowering youth in the Greater Toronto Area who are in shelter, in social care or in impoverished communities. It does so through education and life skill programs to enable them to live independently and succeed. The Foundation hosted a pit stop in the hangar and over 50 volunteers encouraged 25 teams as they completed airline related challenges. This year’s rally raised nearly \$1 million for the youth. [more>](#)





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- For the fifth consecutive year, the Air Canada Foundation and Breakfast Club of Canada joined forces to welcome three Indigenous youth from British Columbia on an exceptional trip to meet Montréal Canadiens goaltender #31, Carey Price, as part of the Shooting for the Stars event. In 2017 and 2018 alone, through the financial contribution of the Air Canada Foundation, 2,500 indigenous students accessed a healthy breakfast every day. Over the past 7 years, 11,249 students were fed for a total of 1,856,085 breakfasts served, and 14 youth from Indigenous communities had the once-in-a-lifetime opportunity to participate in the Shooting for the Stars event. In 2019, the Air Canada Foundation is committed to fund the opening of two priority Indigenous breakfast programs in the Northwest Territories and Yukon, and sustain three breakfast programs in remote schools by covering the costs of food purchases and kitchen equipment.

- The Air Canada Foundation proudly raised a record of almost 7.6 million miles in support of its Hospital Transportation Program through the Aeroplan Mile Matching campaign, which ran between December 3 and 9. Aeroplan contributed to the campaign by matching up to 500,000 miles in donations to the Foundation. Since the program's 2003 launch, hundreds of sick children have received the medical care they need away from home. To learn more about the impact of our Hospital Transportation Program, please **meet Keisha**.

- In 2018, the Air Canada Foundation held its seventh annual golf tournament, netting over \$1 million for its activities. The tournament took place at the Saint Raphaël Golf Club in Ile-Bizard, Québec and featured close to 350 attendees from around the world. The event included a full day of golf followed by a cocktail-style dinner, as well as silent and live auctions of items donated by tournament partners and Air Canada Foundation supporters. [more>](#)





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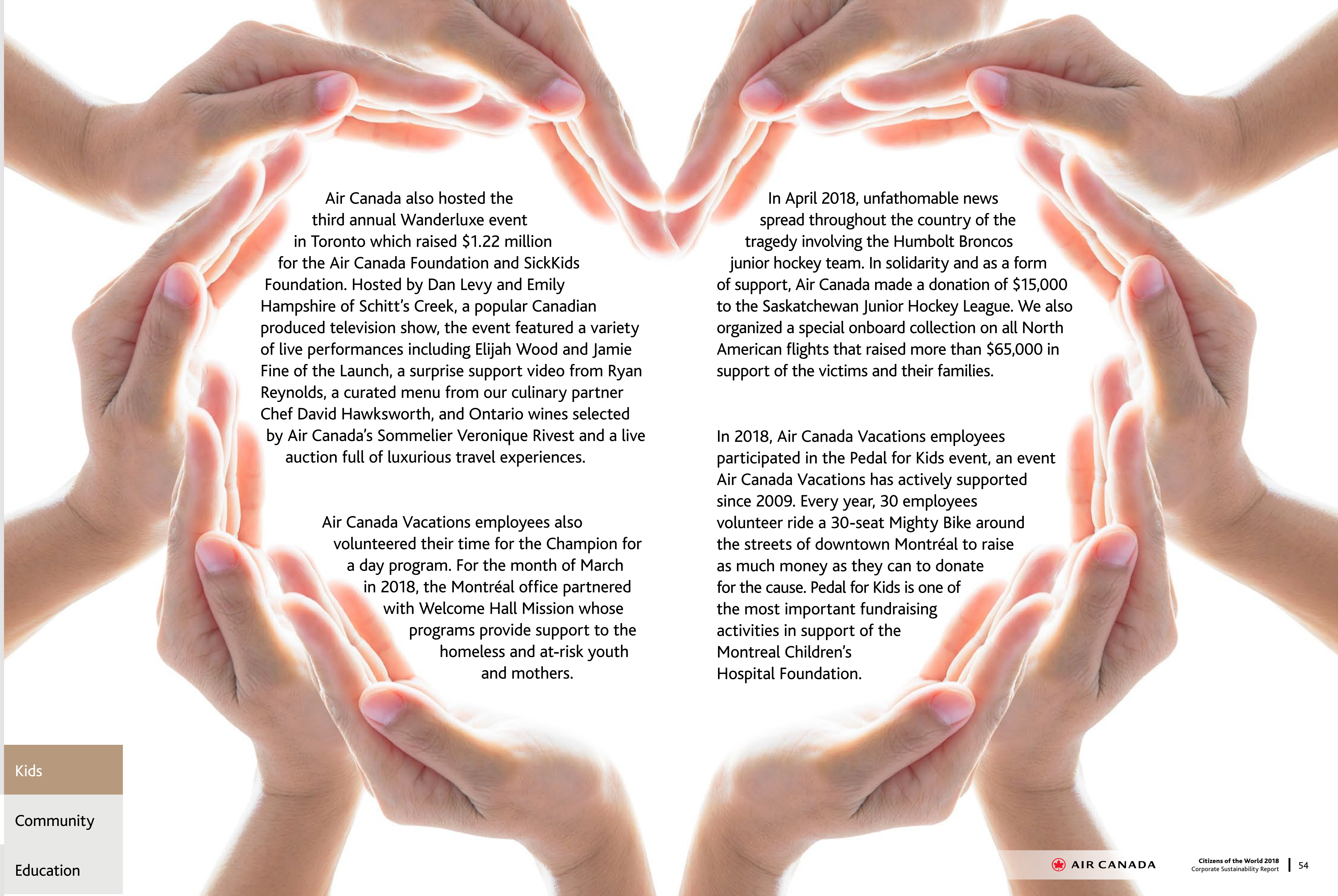
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Air Canada also hosted the third annual Wanderlux event in Toronto which raised \$1.22 million for the Air Canada Foundation and SickKids Foundation. Hosted by Dan Levy and Emily Hampshire of Schitt's Creek, a popular Canadian produced television show, the event featured a variety of live performances including Elijah Wood and Jamie Fine of the Launch, a surprise support video from Ryan Reynolds, a curated menu from our culinary partner Chef David Hawksworth, and Ontario wines selected by Air Canada's Sommelier Veronique Rivest and a live auction full of luxurious travel experiences.

Air Canada Vacations employees also volunteered their time for the Champion for a day program. For the month of March in 2018, the Montréal office partnered with Welcome Hall Mission whose programs provide support to the homeless and at-risk youth and mothers.

In April 2018, unfathomable news spread throughout the country of the tragedy involving the Humbolt Broncos junior hockey team. In solidarity and as a form of support, Air Canada made a donation of \$15,000 to the Saskatchewan Junior Hockey League. We also organized a special onboard collection on all North American flights that raised more than \$65,000 in support of the victims and their families.

In 2018, Air Canada Vacations employees participated in the Pedal for Kids event, an event Air Canada Vacations has actively supported since 2009. Every year, 30 employees volunteer ride a 30-seat Mighty Bike around the streets of downtown Montréal to raise as much money as they can to donate for the cause. Pedal for Kids is one of the most important fundraising activities in support of the Montreal Children's Hospital Foundation.



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Air Canada also confirmed 150 community partnerships, such as those focused on the diversity of the LGBTQ2+ community in Canada, The Rendez-vous de la Francophonie, the Vimy Foundation, and the Indspire Awards, the latter designed to recognize successful and inspiring Indigenous role models who are making an impact across the country.

- From March 1 to March 21, Air Canada proudly supported the 20th edition of Rendez-vous de la Francophonie. During this time, more than 3,000 activities took place across Canada including community gatherings, multicultural meetings, film viewings and educational events. French comedy nights were also held in select cities across the country, to which a few Air Canada representatives attended to surprise the audience with draws for gift cards.
- For more than 25 years, Air Canada has been supporting Indspire as the official airline partner. Indspire is a national Indigenous-led registered charity that invests in the education of Indigenous people for the long-term benefit of these individuals, their families and communities around Canada.
- As Canada's flag carrier, we are proud to celebrate our country's history and we are deeply respectful of the sacrifices made by Canadians at Vimy Ridge. The Battle of Vimy Ridge is an important, strategic event in Canadian history, and in 2018, Air Canada proudly supported our youth and tomorrow's leaders, who took part in the 2018 Vimy Pilgrimage. These 20 youths from across Canada participated in a one-week educational journey from Belgium to France to study Canada's tremendous First World War efforts. The highlights of their trip included the commemoration of Vimy Day 101, visits to the Canadian National Vimy Memorial, tunnels and trenches, as well as participation in the Vimy Day official ceremony. Programs like the Vimy Pilgrimage Award help keep the legacy of our WWI veterans alive.

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An example of one of our “Leave less, Do more” projects is the Tree Planting initiative which took place in September 2018. Air Canada partnered with Tree Canada to plant more than 100 trees at Fort Whyte Alive, an environment, education and recreation centre, in Winnipeg. More than 25 employees, friends and family joined team Air Canada to plant trees and support the local community.

As part of our commitment to do more in the community, in June 2018, Air Canada partnered with MicroHabitat and Aéroports de Montréal to implement an ecological urban agriculture project at Centre d’hébergement de Dorval. Under the project, more than 25 employees planted 500 edible plants and bushes, providing the Centre’s residents with a local supply of ecological fruits and vegetables in the cafeteria. This food oasis will also create a biodiverse space for pollinators and birds to thrive.

In 2018, Air Canada Vacations employees also participated in a clean up of the Angrignon Park in Montréal. This event took place through the City of Montréal’s Corvées de propreté program (a cleanup program). Volunteers focused on the clean up of the lakeshore and forest of Montréal’s third largest park.

Air Canada also celebrated the central role that dining plays in travel experiences at the annual unveil of the highly-coveted Top 10 Best New Restaurants in Canada. Top chefs from across the country gathered to show off their culinary skills, serving the public, industry professionals and Air Canada guests, flavours from their winning menus. *The Restaurant at Pearl Morissette* in Jordan, Ontario, clinched the top spot, with the second and third positions going to Montréal restaurants *Vin Mon Lapin* and *Elena* respectively.





CSR2018

At a Glance

Letter from CEO

2018 Achievements /
2019 Objectives

Corporate Sustainability
Governance and Transparency

Ethics, Compliance and Risk

Financial Performance

Product and Service Development

Supply Chain

Sustainable Innovation,
Research and Development

SAFETY

ENVIRONMENT

EMPLOYEES

COMMUNITIES

Kids

Community

Education

Education

In October, we launched the 2018 Air Canada Sustainability Scholarship program and put out a call for 500-word essays on sustainability from eligible students. In order to be eligible, students had to be children of full-time Air Canada employees, currently registered at a post-secondary institution and under the age of 30. The top 11 finalists each received \$2,000 to use towards their post-secondary studies.

In 2018, Air Canada Vacations ran a Tuition Reimbursement program and Air Canada Vacations Young Scholars program. The Tuition Reimbursement program allows for employees to pursue their studies in a field that is related and relevant to their work at Air Canada Vacations. The Air Canada Vacations Young Scholars program grants scholarships to selected students each school year, ranging from \$500 to \$1,500 per student. The scholarships are intended to help students achieve their educational and professional goals.



Air Canada is dedicated to sustainability and transparency. This report has been published for Air Canada's stakeholders to maintain open communication and support an ongoing dialogue about the importance of responsibility and accountability. We continue to welcome feedback on both our reporting and our sustainability programs in general.

Thank you.

