



United Nations
Global Compact

Communication on Progress

STATEMENT FROM THE CEO

At Air Canada, we believe that growth and prosperity should not come at the expense of sustainability and we are committed to operating our business responsibly and with integrity, for the benefit of future generations.

As an official signatory of the United Nations Global Compact, we are pleased to present our support and commitment to upholding and promoting the Ten Principles of the UN Global Compact. We believe in the value system set forth by these principles and commit to continuing their incorporation into our strategies, policies and procedures for the long-term success.

— Calin Rovinescu, Chief Executive Officer

DEMONSTRATING OUR COMMITMENT

We present this Communication of Progress (CoP) report as supporting evidence of our commitment to the implementation of the Ten Principles of the UN Global Compact. The following information is accompanied by Air Canada's 2019 *Citizens of the World*, a report prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, as well as Air Canada's 2019 GRI Content Index. This CoP provides information detailing some of our strategies, policies and procedures as they relate to the UNGC principles, in effect from January 1 to December 31, 2019.

As sound business practices and ethical behaviour are fundamental to Air Canada's risk governance culture, we have adopted a **Corporate Policy and Guidelines on Business Conduct**, otherwise known as the "Code of Conduct". Amended in October 2019, the Code of Conduct applies to all directors, officers and employees of Air Canada and its wholly owned subsidiaries, to the extent that similar policies and guidelines have not been adopted separately by them. The Code of Conduct addresses, among other things, conflict of interest, use of company assets, confidential information, fair dealing with other people and organizations, compliance with laws, rules and regulations, employment policies, computer, email and Internet policies, and reporting actual or potential misconduct or violations of the Code.

The Code of Conduct supports our commitment to the principles outlined by the United Nations Global Compact and sets the standards for our governance, as well as the behaviours we expect of our employees globally. All employees have a responsibility to understand and follow the Code. On an annual basis, all directors of Air Canada and members of management are required to follow a brief training module and complete an acknowledgment form, to confirm that they have read the Code and will follow its terms, and undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. The Code also includes guidance on how employees can report actual or potential misconduct on an anonymous basis including through an independent confidential reporting system. The system provides an online reporting portal, as well as toll-free telephone lines for Canada and several locations around the world.

The Code of Conduct governs our responsible actions and policies at Air Canada.

In addition to the below communication regarding the 10 Principles, we encourage you to read our **2019 Sustainability Report, *Citizens of the World***, which further outlines our initiatives, goals, progresses, policies and procedures as they relate to safety, our people, our planet and our business. Our report also further discusses our culture and values as they relate to diversity and inclusion, employee engagement, community development, and more.

Human Rights

Global Compact Principle	Air Canada Business Efforts & Initiatives	Citizens of the World Page Reference	Reference to GRI Standards
<p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p>	<p>Respect for human rights is one of our fundamental values. Through our actions and policies, we are committed to maintaining a working environment which promotes and protects fundamental human rights. We achieve this by upholding recognized international standards of business and human rights in our relationships with our employees, suppliers, and other business partners; we expect them to avoid causing or contributing to any human rights infringements through their business actions.</p> <p>We recognize we have an ongoing 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. Our Modern Slavery Statement outlines our commitment, policies, and initiatives in this regard.</p>	<p>p. 21, 22</p>	<p>102-9 102-14 102-15 102-16 102-18</p>
<p>Principle 2: make sure that they are not complicit in human rights abuses.</p>	<p>Our Supplier Code of Conduct sets out specific standards we expect our suppliers to uphold at all times, including on matters relating to forced or child labour, non-discrimination and human rights, safe and healthy employment conditions, ethical behaviour and much more. To ensure adherence to the Supplier Code of Conduct, we are committed to working in partnership with our suppliers. Suppliers may be asked to confirm in writing periodically that they meet the expectations of the Code. Certain audit rights are also available.</p>		

Labour

Global Compact Principle	Air Canada Business Efforts & Initiatives	Citizens of the World Page Reference	Reference to GRI Standards
<p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>In 2019, 86 per cent of Air Canada's workforce was unionized.</p> <p>Since 2014, we have entered into multiple long-term labour agreements with unions representing our unionized workforce. These agreements provide additional stability and flexibility and demonstrate a collaborative partnership. The deep and strong relationship we have with our major union groups is a fundamental pillar of our sustainable future. Additional details on the developments of our labour agreements can be found in our 2019 Annual Report.</p> <p>Our Supplier Code of Conduct sets out specific standards we expect our suppliers to uphold at all times, including on matters relating to forced or child labour, non-discrimination and human rights, as well as safe and healthy employment conditions.</p>	<p>p. 17, 22, 40, 45, 57</p>	<p>102-08 102-16 102-41 405-1</p>
<p>Principle 4: the elimination of all forms of forced and compulsory labour;</p>	<p>Our executive team and Board of Directors are committed to maintaining high standards of corporate governance in all aspects of our business and recognize the responsibility and benefits of fostering greater diversity, both in the boardroom and within our workforce in Canada. Our Board's diversity policy states that candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board including the representation of members of "designated groups" as defined in the Employment Equity Act (that is, women, members of visible minorities, Indigenous peoples and persons with disabilities). In furtherance of diversity, the Board has established as its target that women represent at least 30 per cent of the directors at Air Canada by end of 2020. This target has now been achieved.</p>		
<p>Principle 5: the effective abolition of child labour; and</p>	<p>We know that our strength as an organization lies in the celebration of diversity and its values, understanding it is what makes us unique and enriches our workplace. It's one of the many reasons we're voted one of Canada's Top Diversity Employers each year. Within the workforce, we aim to provide a work environment where all employees feel respected, actively listened to, and recognized as their authentic self. We help employees achieve their full potential and highlight all employees' unique contributions within a diversified and inclusive work environment. Our goal is to have a diverse workforce which represents Canada and allows our customers to recognize themselves in our employee workforce. Our Workplace Violence and Harassment Prevention Policy works to prevent workplace violence and harassment (which also includes discriminatory harassment) and acts with remedial measures.</p>		
<p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p>	<p>We also have a Workplace Accommodation Office to support our duty to accommodate policy and develop a preventive approach to support the different stakeholders during the hiring and onboarding process. The intent behind having a Workplace Accommodation Office is to streamline the accommodation process and implement a consistent approach across the Company by being the central point of contact for any accommodation questions during the hiring and onboarding of new employees. The Office also provides guidance regarding Air Canada's legal duty to accommodate, takes part in the accommodation process, and is responsible for the training and awareness of stakeholders. In line with our culture change approach, this new role works to foster an inclusive workplace by ensuring an equitable and consistent approach to assure a positive candidate and new employee experience.</p>		

Environment

Global Compact Principle	Air Canada Business Efforts & Initiatives	Citizens of the World Page Reference	Reference to GRI Standards
<p>Principle 7: Businesses should support a precautionary approach to environment challenges;</p>	<p>At Air Canada, we aim to integrate environmental considerations into business decisions and minimize our environmental footprint in all our operations. Our approach is two-fold: Leave less carbon, waste and noise - and Do more collaboration and participation with our industry partners, employees, customers and in our communities.</p> <p>We have developed an Environmental Policy, consistent with the requirements of IEnvA and ISO 14001:2015, which documents the commitments made by our executive management.</p> <p>Through our Environmental Management System, we maintain environmental management programs to meet our regulatory compliance requirements and other commitments we have subscribed to. We operate an environmental compliance audit program to monitor regulatory compliance, identify root causes of non-conformances and develop corrective actions where needed.</p> <p>To support our efforts to reduce waste, pollution and greenhouse gas emissions and improve environmental performance, we chose to advance from our existing environmental management system ("EMS") to a third-party certified system through the IATA IEnvA program. IEnvA is a two-stage certification process, specific for airlines and demonstrates equivalency to the new ISO 14001: 2015 environmental management systems standard. The scope of IEnvA includes the flight operations of Air Canada and its wholly owned subsidiaries (Air Canada Vacations and Air Canada Rouge) and has the capacity to cover a variety of our operations. Office buildings and facilities in Canada where the company conducts its business operations complete the scope. In 2018, we became an IEnvA Stage 1 registered airline.</p>	<p>p. 24, 69, 77</p>	<p>302-1 302-2 302-3 302-4 305-1 305-2 305-3 305-4 305-4 306-2</p>
<p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p>	<p>Through the IEnvA program, we have established environmental management plans which describe the procedures and controls in place to effectively manage the environmental aspects of our operations. In 2019, we continued with preparing for the Stage 2 certification assessment (expected in 2020). Upon successful completion, Air Canada expects to be the first airline in North America to be IEnvA certified.</p> <p>The aviation industry climate action plan has set the following targets to mitigate CO₂ emissions from air transport:</p> <ul style="list-style-type: none"> • An average improvement in fuel efficiency of 1.5 per cent per year from 2009 to 2020 <ul style="list-style-type: none"> – A cap on net aviation CO₂ emissions from 2020 (carbon-neutral growth) – A reduction in net aviation CO₂ emissions of 50 per cent by 2050, relative to 2005 levels 		
<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p>	<p>The industry has adopted a four-pillar approach to do this:</p> <ul style="list-style-type: none"> • More efficient aircraft operations • Improved technology, including the deployment of sustainable (low carbon) aviation fuels • Infrastructure improvements (including modernized air traffic management systems) • Single Global Market-based measures to fill the remaining emissions gap <p>We have subscribed to this industry approach.</p> <p>In 2017, we began the implementation of the 2020 Corporate Waste Strategy. The focus of the strategy is to reduce the amount of waste we generate and send to landfill, through the following targets: (1) Reduction of 20 per cent waste in our offices, Maple Leaf Lounges, and other facilities and (2) Recycle 50 per cent of approved items on board domestic flights. We are well on our way to achieving our 2020 waste targets.</p> <p>Developments relating to environmental initiatives are available in our Citizens of the World report and on leaveless.aircanada.com. Our environmental achievements are also further detailed through the Carbon Disclosure Project (CDP) report.</p>		

Anti-Corruption

Global Compact Principle	Air Canada Business Efforts & Initiatives	Citizens of the World Page Reference	Reference to GRI Standards
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>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 guideline documents; a comprehensive communication plan and a tailored risk-based training program (comprised of targeted in-person training sessions for executives and selected groups who deal in more sensitive areas, as well as general awareness training for management employees). On a periodic basis, we monitor, or audit specific compliance elements related to anti-corruption.</p> <p>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.</p> <p>In 2019, 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.</p>	<p>p. 20</p>	<p>205-1 205-3</p>