2018
Annual Information Form

March 25, 2019

AIR CANADA

A STAR ALLIANCE MEMBER

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EXPLANATORY NOTES

Except as otherwise noted or where the context may otherwise require, the information in this Annual Information Form (“AIF”) is current as at December 31, 2018.

Air Canada and the Corporation - References in this AIF to Air Canada and to the “Corporation” include references, as the context may require, to Air Canada and its subsidiaries collectively, Air Canada and one or more of its subsidiaries, one or more of Air Canada's subsidiaries, or Air Canada itself.

Subsidiaries - References in this AIF to the term “subsidiary” or “subsidiaries” refer, in relation to any entity, to any other entity, including a corporation or a limited partnership, which is controlled, directly or indirectly, by that entity.

Defined Terms - For an explanation of defined terms, capitalized terms and expressions used in this AIF, refer to the section entitled “Glossary of Terms” at the end of this AIF.

Currency - All currency amounts used in this AIF are stated in Canadian dollars, unless otherwise indicated.

Industry and Market Data - Market data and certain industry forecasts used throughout this AIF were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable at the relevant time, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts, market research and other publicly available information, while believed to be reliable, have not been independently verified, and the Corporation does not make any representation as to the accuracy or completeness of such information. Any estimates and forecasts involve risks and uncertainties and are subject to change based on various factors, including those discussed below under “Caution Regarding Forward-Looking Statements”.

Caution regarding forward-looking statements - Air Canada’s public communications may include forward-looking statements within the meaning of applicable securities laws. Such forward-looking statements are included in this AIF and may be included in other communications, including filings with regulatory authorities and securities regulators. Forward-looking statements may be based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions, including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including without limitation, our ability to successfully achieve or sustain positive net profitability or to realize our initiatives and objectives, industry, market, credit, economic and geopolitical conditions, energy prices, currency exchange, competition, our dependence on technology, cybersecurity risks, our ability to successfully implement appropriate strategic initiatives or reduce operating costs, our ability to successfully integrate and operate the Aeroplan loyalty business following its acquisition from

Aimia Inc. and to successfully launch our new loyalty program, our ability to preserve and grow our brand, airport user and related fees, high levels of fixed costs, our dependence on key suppliers including regional carriers, employee and labour relations and costs, our dependence on Star Alliance and joint ventures, interruptions of service, environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), our ability to pay our indebtedness and maintain liquidity, pension issues, limitations due to restrictive covenants, pending and future litigation and actions by third parties, our ability to attract and retain required personnel, war, terrorist acts, casualty losses, changes in laws, regulatory developments or proceedings, epidemic diseases, insurance issues and costs, as well as the factors identified in Air Canada's public disclosure file available at www.sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2018 MD&A. The forward-looking statements contained or incorporated by reference in this AIF represent Air Canada's expectations as of the date of this AIF (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

Intellectual Property - Air Canada owns or has rights to trademarks, service marks or trade names used in connection with the operation of its business. In addition, Air Canada's names, logos and website names and addresses are owned or licensed by Air Canada, as applicable. Air Canada also owns or has the rights to copyrights that also protect the content of its products and/or services. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this AIF may be listed without the ©, ® and TM symbols, but Air Canada reserves all rights to assert, to the fullest extent under applicable law, its rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights. This AIF may also include trademarks, service marks or trade names of other parties. Air Canada's use or display of other parties' trademarks, service marks, trade names or products is not intended to, and does not imply a relationship with, or endorsement or sponsorship of Air Canada by the owners and\or licensors of such trademarks, service marks or trade names.

CORPORATE STRUCTURE

Name, Address and Incorporation

Air Canada was continued under the *Canada Business Corporations Act* ("CBCA") on August 25, 1988. Air Canada acquired Canadian Airlines International Ltd. ("Canadian Airlines") on July 6, 2000 and completed a corporate amalgamation with Canadian Airlines effective January 1, 2001, with the amalgamated entity being known as Air Canada. Pursuant to a consolidated plan of reorganization, compromise and arrangement of Air Canada and certain of its subsidiaries made pursuant to the *Companies' Creditors Arrangement Act* ("CCAA"), ACE Aviation Holdings Inc. ("ACE") became the parent holding company of the reorganized Air Canada on September 30, 2004. In 2006, ACE and Air Canada completed an initial public offering and secondary offering of Class A variable voting shares of Air Canada (the "Variable Voting Shares") and Class B voting shares of Air Canada (the "Voting Shares", together with the Variable Voting Shares, the "Shares") (the "Initial Public Offering").

Effective November 3, 2014, Air Canada's Voting Shares and Variable Voting Shares were listed for trading on the Toronto Stock Exchange ("TSX") under the single ticker "AC". Effective July 29, 2016, Air Canada's Variable Voting Shares and Voting Shares were listed for trading on OTCQX International Premier in the United States under the single ticker symbol "ACDVF".

The head office of Air Canada is located at 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, H4S 1Z3. Air Canada's website address is **aircanada.com.** For greater certainty, no information contained on Air Canada's website (or any other website referred to in this AIF) is incorporated into this AIF, except for such information, if any, which is expressly stated in this AIF to be incorporated into this AIF.

Additional information is provided in Air Canada's consolidated financial statements for the year ended December 31, 2018 and Air Canada's 2018 MD&A, both of which, along with this AIF, are available on SEDAR at **www.sedar.com** or on Air Canada's website at **aircanada.com**.

INTERCORPORATE RELATIONSHIP

At December 31, 2018, Air Canada did not have any subsidiary which represented 10% or more of the consolidated assets, or 10% or more of the consolidated sales and operating revenues of Air Canada, or, any subsidiaries which in the aggregate represented 20% or more of the total consolidated assets, or the total consolidated sales and operating revenues of Air Canada. Air Canada directly and/or indirectly holds all of the issued and outstanding shares of certain subsidiaries. Air Canada holds, directly and indirectly, all the issued and outstanding limited partner units of Touram Limited Partnership doing business as Air Canada Vacations® ("Air Canada Vacations"), a limited partnership formed under the laws of the province of Québec. Touram General Partner Inc., a corporation incorporated under the laws of Canada, is the general partner of, and holds a 0.00001% interest in Touram Limited Partnership and Air Canada holds a 100% interest in Touram General Partner Inc. As well, Air Canada holds, directly and indirectly, all the issued and outstanding limited partner units of Air Canada Rouge LP, doing business as Air Canada Rouge® ("Air Canada Rouge"), a limited partnership formed under the laws of the province of Québec. Air Canada Rouge General Partner Inc., a corporation incorporated under the laws of Canada, is the general partner of, and holds a 0.0001% interest in Air Canada Rouge, and Air Canada holds a 100% interest in Air Canada Rouge General Partner Inc. Since January 10, 2019, Air Canada holds directly all the issued and outstanding shares of Aeroplan Inc. (formerly Aimia Canada Inc.), ("Aeroplan").

THE BUSINESS

Overview

Air Canada is the largest provider of scheduled passenger services in the Canadian market, the Canada-U.S. transborder market and in the international market to and from Canada. In 2018, Air Canada, together with Jazz Aviation LP ("Jazz"), Sky Regional Airlines Inc. ("Sky Regional") and other regional airlines operating flights on behalf of Air Canada under capacity purchase agreements, operated, on average, 1,613 daily scheduled flights to 222 direct destinations on six continents, comprised of 64 Canadian cities, 60 destinations in the United States and a total of 98 cities in Europe, Africa, the Middle East, Asia, Australia, the Caribbean, Mexico and South America. In 2018, Air Canada carried a record of 50.9 million passengers, an increase of 5.8% from 2017.

At December 31, 2018, Air Canada mainline operated a fleet of 184 aircraft, comprised of 91 Boeing and Airbus narrow-body aircraft, 74 Boeing and Airbus wide-body aircraft, and 19 Embraer 190 regional jets, while Air Canada Rouge operated a fleet of 53 aircraft, comprised of 22 Airbus A319 aircraft, six Airbus A321 aircraft and 25 Boeing 767-300 aircraft.

Air Canada enhances its domestic and transborder network through capacity purchase agreements ("CPAs") with regional airlines, namely Jazz, Sky Regional, Air Georgian Limited ("Air Georgian") and Exploits Valley Air Services Limited ("EVAS"), each of which operates flights on behalf of Air Canada. The regional airlines form an integral part of the airline's international network strategy, by providing valuable traffic feed to Air Canada and Air Canada Rouge routes. At December 31, 2018, the Air Canada Express fleet was comprised of 45 Bombardier regional jets, 84 Bombardier Dash-8 turboprop aircraft and 25 Embraer 175 aircraft for a total of 154 aircraft. Air Georgian and EVAS also operated a total of nine 18-passenger Beech 1900 aircraft on behalf of Air Canada.

Air Canada is a founding member of the Star Alliance® network. Through the 28-member airline network, Air Canada offers its customers access to 1,317 destinations in 193 countries, as well as reciprocal participation in frequent flyer programs and the use of airport lounges and other common airport facilities.

Air Canada is able to build customer loyalty through Air Canada Altitude®, its frequent flyer program, and through the Aeroplan® loyalty program. Air Canada Altitude® recognizes and rewards Aeroplan® members with a range of premium travel privileges and benefits corresponding to their travel activity, such as priority check-in, complimentary checked baggage and upgrades to Business Class, as well as opportunities to earn Aeroplan® Miles on Air Canada flights and those of the other 27 Star Alliance® member airlines. The Aeroplan program represents the single largest consumer of Air Canada seats. Aeroplan® members also have opportunities to redeem their Aeroplan® Miles for travel with Star Alliance® member airlines.

Consistent with its promise of continued investments in the customer experience, Air Canada plans to launch its new loyalty program in mid-2020. Air Canada believes that the new program will allow it to further strengthen customer relationships, offer members more flexible rewards, and deliver a more consistent end-to-end customer experience, including by offering broad earning and redemption opportunities, more personalized service and a better digital experience for Air Canada customers.

Air Canada has been pursuing a comprehensive strategy to improve profitability and competitiveness in leisure markets. This strategy leverages the strengths of Air Canada, Air Canada Rouge, the airline's lower-cost airline, and Air Canada Vacations. Through Air Canada Rouge, Air Canada is pursuing opportunities in leisure markets made viable by Air Canada Rouge's more competitive cost structure. Air Canada Vacations is a leading Canadian tour operator, developing, marketing and distributing vacation travel packages, operating in the outbound leisure travel market (Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia and Asia), and the inbound leisure travel market to destinations within Canada, and also offering cruise packages in North America, Europe and the Caribbean.

Air Canada Cargo, a division of Air Canada, is Canada's largest provider of air cargo services as measured by cargo capacity and provides direct cargo services to over 150 Canadian, U.S. transborder and international destinations and has sales representation in over 50 countries. Air cargo services are provided across the Air Canada network.

STRATEGY

Air Canada's principal objective is to become a sustainably profitable global champion. In pursuing this goal, Air Canada seeks to continually improve customer experience and employee engagement and create value for shareholders by focusing on four core priorities:

- Identify and implement cost reduction and revenue enhancing initiatives;

- ➢ Pursue profitable international growth opportunities and leverage its competitive attributes to expand margins, in large part by increasing connecting traffic through its strategic international gateways in Toronto, Vancouver and Montréal, and grow and compete effectively in both the business and leisure markets to and from Canada;

- ➢ Engage customers by continually enhancing their travel experience and by consistently achieving customer service excellence; and

- ➢ Foster positive culture change which includes making meaningful investments in training and other tools that support delivering exceptional customer experiences and that promote improved collaboration to enable Air Canada and its employees to better work together in a supportive and enriching environment.

Additional information on Air Canada's strategy as well as achievements realized in 2018 are discussed in section 4 "Strategy" of Air Canada's 2018 MD&A, which section is incorporated into the AIF by this reference.

ROUTES AND SCHEDULES

In 2018, Air Canada, together with its Contracted Carriers, operated, on average, 1,613 daily scheduled flights to 222 direct destinations on six continents, comprised of 64 Canadian cities, 60 destinations in the United States and a total of 98 cities in Europe, Africa, the Middle East, Asia, Australia, the Caribbean, Mexico and Central and South America.

Air Canada's hubs are located in Toronto, Vancouver, and Montréal, each of which provides extensive access to domestic, transborder and international markets. Toronto Pearson International Airport ("Toronto Pearson Airport") is the largest hub in Canada and one of the largest airports in North America, making it a significant airline origin and destination market in North America. In 2018, Air Canada, together with its Contracted Carriers, operated, on average:

- 351 daily departures from Toronto;
- 158 daily departures from Montréal; and
- 162 daily departures from Vancouver.

Domestic Services

In 2018, Air Canada, together with its Contracted Carriers, provided the largest network and most extensive product offering in Canada, with scheduled direct passenger service to 64 Canadian destinations. The most important Canadian routes, in terms of operating revenues, are the transcontinental routes linking Toronto, Montréal and Ottawa with major western Canadian cities, including Vancouver, Calgary, Edmonton and Winnipeg. On a combined basis, Air Canada, together with its Contracted Carriers, operates a large number of short-haul routes, including Rapidair® routes, linking Toronto, Montréal and Ottawa. Air Canada, together with its Contracted Carriers, also offers frequent service linking major metropolitan centres within western Canada, and operates numerous flights between Calgary, Edmonton and Vancouver. In addition to transcontinental and commuter routes, Air Canada, together with its Contracted Carriers, operates a large number of routes between and within Central Canada, the Prairies and the Atlantic provinces. Air Canada Rouge also operates flights on select domestic routes such as Toronto–Abbotsford and Montréal-Victoria and Calgary–Halifax.

In 2018, Air Canada expanded its domestic network, including with non-stop, seasonal Air Canada Rouge service from Toronto to Kamloops and Nanaimo and from Montréal to Victoria and with non-stop, year-round Air Canada Express service from Edmonton to Kelowna.

In 2019, Air Canada plans to launch daily Air Canada Rouge seasonal service between Calgary and London, Ontario. In addition, Air Canada plans to upgrade Air Canada Express regional aircraft to larger Air Canada Rouge aircraft on flights from Toronto to Fredericton, Moncton and Thunder Bay, from Montréal to St. John's and on several routes within Western Canada, including Vancouver to Nanaimo, Comox, Sandspit, Prince Rupert, Smithers, Kamloops, Penticton, and Calgary to Kelowna, Saskatoon and Winnipeg. In addition, Air Canada plans to launch an Air Canada Express summer-seasonal operation which will fly between Montréal and Sydney, Nova Scotia.

Transborder Services

With the most non-stop destinations and flights from Canada to the United States, Air Canada, together with its Contracted Carriers, carries more passengers between Canada and the United States than any other airline. Air Canada, together with its Contracted Carriers, directly served 60 U.S. destinations in 2018. Air Canada's network reach is also enhanced through its extensive connections and code share flights with United Air Lines Inc. ("United Airlines"), its Star Alliance® partner.

In 2018, Air Canada, together with its Contracted Carriers, launched 10 transborder routes to the U.S., including from Montréal to Phoenix, Baltimore, Pittsburgh, from Toronto to Omaha, Providence, from Edmonton to San-Francisco, Las Vegas, from Vancouver to Sacramento, Lihue, Hawaii and Calgary to Palm Springs. In addition to further developing Air Canada's transborder business, these new routes also channel traffic to and from Air Canada's domestic and international networks through its major airport hubs.

In 2019, Air Canada plans to launch a new daily non-stop route to Raleigh/Durham from Montréal. While always a popular leisure destination, North Carolina is also experiencing strong economic growth, and Air Canada is making it more convenient and comfortable for customers to travel between Canada and the state. Air Canada also plans to deploy larger aircraft on certain Air Canada Express regional routes such as Toronto to Nashville, Washington-Dulles, and Memphis and Charlotte. In addition, Air Canada plans on increasing frequencies on services from Toronto to Minneapolis and Philadelphia, from Montréal to Baltimore and from Vancouver to Anchorage.

International Services

Air Canada is well positioned as Canada's largest scheduled international airline. In 2018, Air Canada provided scheduled service directly to 98 destinations in Europe, Africa, the Middle East, Asia, Australia, Mexico, the Caribbean, and Central and South America.

Air Canada offers transatlantic services to the United Kingdom, Germany, France, Switzerland, Iceland, Israel, Ireland, Italy, Spain, Belgium, Denmark, Netherlands, Greece, Portugal, Hungary, Poland, Czech Republic, Croatia, Romania, United Arab Emirates, India, Morocco and Algeria. Air Canada participates in a transatlantic joint venture, referred to as A++, with United Airlines and Deutsche Lufthansa AG. By coordinating pricing, scheduling and sales (under the joint venture), Air Canada is better able to service customers by offering more travel options, greater choice and streamlined service on routings between North and Central America, as well as Africa, India, Europe and the Middle East.

Air Canada offers transpacific services via Vancouver, Calgary, Toronto and Montréal. Air Canada operates non-stop flights to Japan (Vancouver and Calgary to Tokyo-Narita, Toronto to Tokyo–Haneda, Montréal to Tokyo-Narita and Vancouver to Osaka), China (Vancouver and Toronto to Beijing, Shanghai and Hong Kong and Montréal to Shanghai and Vancouver to Taipei), Korea (Vancouver and Toronto to Seoul), Australia (Vancouver to Sydney, Brisbane and Melbourne). In 2018, Air Canada concluded a revenue-sharing joint venture agreement with Air China, the first joint venture agreement between a Chinese and North American airline. The agreement applies to all flights between mainland China and Canada and allows for cooperation in various commercial and operational areas, including network planning, revenue management, sales and distribution, and airport operations. The joint venture agreement provides customers more flight choices, seamless travel experiences, optimized flight schedules, harmonized fare products, as well as reciprocal participation in frequent flyer programs and use of airport lounges.

Air Canada provides service to six destinations in South America via its Toronto hub (Sao Paolo, Buenos Aires, Santiago, Bogota, Cartagena and Lima) as well as Lima via its Montréal hub.

Air Canada also provides service to 11 destinations in Mexico/Central America and 31 destinations in the Caribbean. Air Canada offers service from Toronto to Costa Rica in addition to Panama City, making Air Canada the only Canadian network carrier operating between Canada and Panama.

In 2018, Air Canada began operating non-stop service from Toronto to Buenos Aires and from Montréal to Tokyo-Narita, as well as seasonal non-stop services from Vancouver to Paris-Charles de Gaulle and Zurich, Toronto to Shannon, and Montréal to Dublin. In addition, Air Canada launched non-stop seasonal Air Canada Rouge service from Montréal to Lisbon and Bucharest, and Toronto to Porto, Bucharest and Zagreb.

Air Canada’s 2019 schedule includes the introduction of non-stop Air Canada service from Toronto to Vienna and Quito, Montréal to Bordeaux and São Paulo, and Vancouver to Auckland.

AIR CANADA VACATIONS AND AIR CANADA ROUGE

Air Canada has been pursuing a comprehensive strategy to improve profitability and competitiveness in leisure markets. This strategy leverages the strengths of Air Canada, Air Canada Rouge, the airline’s lower-cost airline, and Air Canada Vacations.

Air Canada Vacations is a Canadian tour operator based in Montréal and Toronto. Air Canada Vacations operates its business in the outbound leisure travel market (Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia and Asia) and the inbound leisure travel market to destinations within Canada by developing, marketing and distributing vacation travel packages. Air Canada Vacations also offers cruise packages in North America, Europe and the Caribbean. Air Canada Vacations offers its products through its website at **vacations.aircanada.com** and a network of independent travel agencies across Canada.

The strategic expansion of Air Canada Rouge in conjunction with Air Canada’s mainline fleet growth continues. Since its first flight in July 2013, the lower-cost carrier has been deployed to a growing number of Caribbean destinations and select leisure destinations in the United States and Canada, as well as in international leisure markets where demand is highly-elastic and responds positively to lower-priced, non-stop capacity. Air Canada Rouge offers competitive fares while leveraging the strengths of Air Canada such as its brand, loyalty program, extensive network with enhanced connection options, and operational expertise.

Air Canada Rouge operates with a long-term cost structure consistent with that of its leisure market competitors, effectively lowering operating expense per available seat miles ("CASM") on leisure routes through increased seat density, lower wage rates, more efficient work standards, and reduced overhead costs. This provides new opportunities for profitable growth in international leisure markets.

CONTRACTED CARRIERS

As discussed in the section entitled "The Business" of this AIF, Air Canada enhances its domestic and transborder network through capacity purchase agreements with regional airlines, including Jazz, Sky Regional, Air Georgian and EVAS, which operate flights on behalf of Air Canada.

In February 2019, Air Canada concluded an agreement to amend and extend its capacity purchase agreement with Jazz ("Jazz CPA") and to provide for an equity investment by Air Canada in Chorus Aviation Inc. ("Chorus"), Jazz's parent corporation. The amendments to the CPA, which were made effective retroactively to January 1, 2019, will 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 prior Jazz CPA.

Highlights of the Jazz CPA amendments are:

- An extension of the Jazz CPA term by 10 years from January 1, 2026 to December 31, 2035;
- The simplification and modernization of the Jazz fleet with growth through a transition to larger gauge aircraft. The Jazz CPA amendments include various minimum levels of covered aircraft at different points in time, providing Air Canada with the flexibility to optimize its fleet within its network strategy;
- The continuance of a fixed fee structure, including new terms mitigating risk and market-oriented compensation to make the Jazz CPA more competitive for Air Canada, given new competitors entering the market;
- In support of Air Canada's cost transformation program, projected annual savings to Air Canada of approximately $50 million in each of 2019 and 2020, and cumulative savings of approximately $53 million between 2021 and 2025, both as compared to the prior Jazz CPA frame-work (from both fixed fee and performance incentive reductions). Beyond 2025, the Jazz CPA contains a market competitive fixed fee. These projected savings are in addition to the significant benefits expected from improved network efficiencies relating to this transaction;
- The continuation of a highly successful pilot mobility agreement which provides Air Canada Express pilots with opportunities to access pilot careers at Air Canada on a planned basis; and
- The consolidation of more of Air Canada's overall regional capacity into Jazz, thereby lowering Air Canada's overall regional costs in the future.

Concurrent with the Jazz CPA amendments, Air Canada made a $97.26 million equity investment in Chorus, subscribing for 15,561,600 Class B voting shares in the capital of Chorus, representing, at time of issuance, approximately 9.99% of the issued and outstanding Class A variable voting shares and Class B voting shares of Chorus on a combined basis. Chorus shares were issued to Air Canada at a price of $6.25 per share, representing a 5% premium to their five-day volume weighted average price as of the close of trading on January 10, 2019. Concurrently with the closing of the equity investment, Air Canada and Chorus entered into an investor rights agreement under which, among other things, Air Canada will hold the investment shares for a period of at least 60 months, subject to certain limited exceptions. Michael Rousseau, Deputy Chief Executive Officer and Chief Financial Officer of Air Canada, was also appointed to the board of directors of Chorus.

Sky Regional operates 25 Embraer 175 aircraft for Air Canada under a capacity purchase agreement. The Embraer 175 aircraft are operated primarily on U.S. short-haul routes, from Toronto and Montréal, to destinations in the Northeast U.S.

Air Georgian operates a number of regional routes on Air Canada’s behalf, including transborder routes, using Canadair regional jet aircraft and Beech 1900 aircraft. Similarly, EVAS operates Beech 1900 aircraft on routes primarily within the Maritimes.

SIGNIFICANT ACQUISITIONS

On January 10, 2019, Air Canada completed the closing of its purchase of Aimia Canada Inc., owner and operator of the Aeroplan loyalty business, from Aimia Inc. The aggregate purchase price for the acquisition consisted of $450 million in cash plus $47 million in cash for pre-closing adjustments. The purchase price is subject to post-closing adjustments and the acquisition also includes the assumption of liability related to Aeroplan Miles. Air Canada received payments from The Toronto-Dominion Bank ("TD") and Canadian Imperial Bank of Commerce ("CIBC") in the aggregate amount of $822 million. Visa Canada Corporation ("Visa") and Amex Bank of Canada (“AMEX”) also made payments to Air Canada.

Concurrently with the conclusion of the Aeroplan purchase, Air Canada, TD, CIBC, and Visa finalized various commercial agreements relating to and in support of the acquisition, including a credit card loyalty program and network agreements for future participation in Air Canada's new loyalty program. In addition, TD and CIBC made payments to Aimia Canada Inc., now Air Canada's wholly-owned subsidiary called Aeroplan Inc., in the aggregate amount of $400 million as prepayments to be applied towards future monthly payments in respect of Aeroplan Miles. Following the closing of the acquisition, Aimia Canada Inc. changed its name to Aeroplan Inc. In addition, on February 28, 2019, Air Canada concluded agreements with AMEX, which also issues Aeroplan co-branded products, to secure its continued participation in Air Canada's loyalty program after 2020.

STAR ALLIANCE®

Air Canada is a founding member of the Star Alliance® network, the world's largest airline alliance group. Air Canada operates an extended global network in conjunction with its international partners.

Since its inception in 1997, the Star Alliance® network has grown to include the following 28 airlines: Adria Airways, Aegean Airlines, Air Canada, Air China, Air India, Air New Zealand, ANA, Asiana Airlines, Austrian, Avianca, Avianca Brasil, Brussels Airlines, Copa Airlines, Croatia Airlines, EGYPTAIR, Ethiopian Airlines, EVA Air, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Shenzhen Airlines, Singapore Airlines, South African Airways, SWISS, TAP Portugal, THAI, Turkish Airlines and United Airlines.

Through the Star Alliance® network, Air Canada offers its customers access to more than 1,300 destinations in 193 countries, as well as reciprocal participation in frequent flyer programs and the use of airport lounges and other common airport facilities. The Star Alliance® network is an alliance that brings together flight networks, lounge access, check-in services, ticketing and other services to improve the travel experience for customers. Member airlines have implemented initiatives, such as the common utilization of facilities, and are focusing on capturing potential synergies in additional areas. Air Canada code shares with all Star Alliance® members with the exception of Copa Airlines and Shenzhen Airlines.

JOINT VENTURE AND CODESHARE PARTNERSHIPS

The development of commercial alliances with major international carriers is an important element of Air Canada's business strategy. These arrangements provide Air Canada with an effective means to leverage and broaden its network offerings. Air Canada achieves this through its membership in Star Alliance, its revenue-sharing joint venture with Air China on routes between Canada and China, its A++ trans-Atlantic revenue-sharing joint venture with United Airlines and Deutsche Lufthansa AG, which the parties are focused on enhancing to increase competitiveness, create operating efficiencies and improve customer experience. By coordinating pricing, scheduling and sales (under the joint ventures, which are sanctioned by competitive authorities), Air Canada is better able to serve customers by offering more travel options, while reducing travel times.

The airline's numerous codeshare and interline agreements further allow it to achieve greater critical mass and network scope. Air Canada has 36 codeshare partners, of which 26 are Star Alliance members and 10 are non-members, including Aer Lingus, Central Mountain Air, Etihad, Eurowings, GOL Linhas Aéreas Inteligentes, Jet Airways, Middle East Airlines, Sri Lankan Airlines, Cathay Pacific and Virgin Australia. In addition to its new codeshare agreement with Adria Airways, in 2018, Air Canada also expanded the scope of its existing codeshare agreements with Lufthansa Group, United Airlines, Air China, All Nippon Airways and Cathay Pacific.

Air Canada continues to assess new strategic partnerships in support of its business plan and international growth strategy. In this regard, in 2018, Air Canada:

- Concluded the revenue-sharing joint venture agreement with Air China as mentioned above, the first joint venture agreement between a Chinese and North American airline. The agreement, which is in respect of all flights between mainland China and Canada, allows for cooperation in various commercial and operational areas, including network planning, revenue management, sales and distribution, and airport operations. The joint venture agreement provides customers more flight choices, seamless travel experiences, optimized flight schedules, harmonized fare products, as well as reciprocal participation in frequent flyer programs and use of airport lounges. Air Canada and Air China also enhanced their codeshare agreement to include Zhengzhou, Xiamen, Shenzhen and Nanjing in domestic China and Victoria, Kelowna, Saskatoon, and Regina in domestic Canada. Furthermore, the codeshare agreement now includes flights between Montréal and Havana and Montréal and Shanghai;

- Expanded its codeshare agreement with Cathay Pacific, further widening the network by connecting Air Canada's services to Hong Kong to many Southeast Asian destinations, including the Philippines, Malaysia, Vietnam and Thailand. As a result, Air Canada now offers codeshare services to destinations such as Manila, Cebu, Kuala Lumpur, Ho Chi Minh City, Hanoi, Bangkok, Phuket and Chiang Mai;

- Implemented a new codeshare agreement with Adria Airways, connecting Air Canada's services to Germany and Belgium (Frankfurt, Munich and Brussels) to Ljubljana, Slovenia;

- Expanded its codeshare agreement with All Nippon Airways (ANA) with the addition of ANA's code on Air Canada's new Montréal–Narita service, providing customers with additional travel options to cities within Japan and other Asian destinations; and

- In February 2019, Air Canada entered into a Memorandum of Understanding with Star Alliance partner Air New Zealand to pursue expanding its current alliance arrangement to strategically co-operate in the form of a Joint Venture, subject to Air Canada and Air New Zealand making the necessary filings, obtaining competition and other regulatory approvals and finalizing documentation. A deeper, more integrated partnership will provide greater customer choice, comprehensive benefits and an expanded trans-Pacific network.

CARGO

Air Canada Cargo, a division of Air Canada, provides direct cargo services to over 150 Canadian, U.S. transborder and international destinations and has sales representation in over 50 countries. Air cargo services are provided across the Air Canada network.

Air Canada Cargo is Canada's largest provider of air cargo services as measured by cargo capacity. Its primary customers are large freight forwarding companies and businesses whose products require the use of air services to expedite their time sensitive cargo shipments. It offers shipping solutions tailored to specific commodities and time requirements to meet the needs of its customers efficiently and cost-effectively.

With a profit-driven and innovation focus, Air Canada Cargo develops applications and utilizes technology to consistently improve operational and business processes and deliver quality service to its customers. It is active in many industry initiatives and assumes a position of leadership in moving the air cargo industry forward.

AIR CANADA'S ENVIRONMENTAL OBJECTIVES

Air Canada is conscious of the impact that its operations have on the environment. In support of its efforts to minimize waste and pollution, as well as greenhouse gas emissions, Air Canada has elected to pursue the IATA Environmental Assessment ("IenvA") certification for its environmental management system. IEnvA is an IATA environmental management system certification which is consistent with the ISO 14001:2015 standard requirements. Air Canada has achieved IEnvA Stage 1 certification of IEnvA's two-stage implementation approach.

Air Canada demonstrates environmental leadership by maintaining a management system that adheres to the following principles:

- Comply with applicable environmental obligations and other commitments to which Air Canada subscribes;

- Identify, prioritize, and address environmental risks to reduce or prevent pollution and protect the natural environment from the environmental impacts of its operations both on the ground and in the air;

- Responsibly manage its environmental impact by minimizing waste, reducing noise and exploring ways to lower its carbon emissions;

- Improve its environmental performance through the continuous improvement of its environmental management system and integration of environmental sustainability considerations into its business decisions, strategies and performance goals;

- Ensure management of Air Canada provides leadership on environmental matters, for achieving the specific targets that Air Canada has developed, and for providing training and resources;

- Communicate openly with its employees and other stakeholders to resolve problems, engender cooperation and facilitate mutual understanding regarding environmental concerns.

As part of Air Canada's environmental management system, management presents quarterly reports to the Corporate Environment Board, chaired by the Chief Executive Officer and reports to the Safety, Health, Environment and Security Committee of the Board of Directors.

Air Canada provides its greenhouse gas emissions and climate change disclosure, in the Air Canada Corporate Sustainability Report and the annual submission to the Carbon Disclosure Project. Refer to the section entitled "Regulatory Environment" of this AIF for additional information.

FINANCIAL OVERVIEW

The table below sets forth certain of Air Canada's financial results for the years 2016 through to 2018:

(Canadian dollars in millions)	**2018**	**2017(1)**	**2016(1)**
Passenger revenue	$ 16,223	$ 14,593	$ 13,148
Cargo revenue	803	708	512
Other revenue	1,039	951	1,017
Total operating revenues	**18,065**	**16,252**	**14,677**
Total operating expenses	**16,891**	**14,881**	**13,332**
Operating income	**1,174**	**1,371**	**1,345**
Non-operating expense	(769)	(85)	(468)
Income before income taxes	**405**	**1,286**	**877**
Income tax (expense) recovery (2)	(238)	743	(1)
Net income	**$ 167**	**$ 2,029**	**$ 876**
EBITDAR (excluding special items) (3)	**$ 2,851**	**$ 2,928**	**$ 2,768**
Adjusted pre-tax income (3)	**$ 952**	**$ 1,165**	**$ 1,148**

(1) Air Canada adopted accounting standard IFRS 15 – Revenue from Contracts with Customers effective January 1, 2018 with restatement of 2017 amounts. 2016 amounts have not been restated for the adoption of this new accounting standard.

(2) In 2017, Air Canada recorded a tax recovery of $743 million (representing a deferred income tax recovery of $759 million and a current income tax expense of $16 million). This deferred income tax recovery was excluded from adjusted net income as it reflected a one-time recognition of previously unrecognized income tax assets.

(3) EBITDAR and adjusted pre-tax income are non-GAAP financial measures. Air Canada uses non-GAAP financial measures in an effort to provide readers with additional information on its financial and operating performance. Such measures are not recognized measures for financial statement presentations under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered as a substitute for or superior to GAAP results. Additional information as well as reconciliations of these measures to comparable GAAP measures can be found in Air Canada's 2018 and 2017 MD&A reports, available on SEDAR at www.sedar.com or Air Canada's website at aircanada.com.

The table below sets forth the proportions of passenger revenues derived from domestic, transborder and international services of Air Canada for the years 2016 through to 2018:

(in percent)	**2018**	**2017**	**2016**
Domestic	30%	32%	34%
Transborder	22%	22%	22%
International	48%	46%	44%
Total	**100%**	**100%**	**100%**

Air Canada's objective is to increase global international-to-international connecting traffic sixth freedom through its major Canadian hubs. The domestic and transborder markets have experienced continued growth in connecting traffic via Canada to international destinations. In 2018, Air Canada increased sixth freedom connecting traffic through its hubs by 15% when compared to 2017.

Air Canada historically experiences greater demand for its services in the second and third quarters of the calendar year and lower demand in the first and fourth quarters of the calendar year. This demand pattern is principally a result of the high number of leisure travelers and their preference for travel during the spring and summer months. Air Canada has substantial fixed costs in its cost structure that do not meaningfully fluctuate with passenger demand in the short term.

For additional information on Air Canada's financial results for 2018, refer to Air Canada's consolidated financial statements for the year ended December 31, 2018, and Air Canada's 2018 MD&A, both of which are available on SEDAR at **www.sedar.com** or on Air Canada's website at **aircanada.com**.

SIGNIFICANT FINANCING TRANSACTIONS

Air Canada entered into the following significant financing transactions from 2016 through to the date of this AIF:

In 2018:

- In connection with the financing of one new Boeing 787-9 aircraft and four new Boeing 737 MAX-8 aircraft, which were delivered in 2018, Air Canada entered into a certificate purchase agreement on March 8, 2018 for a private offering of two tranches of enhanced equipment trust certificates ("EETCs") with a combined aggregate face amount of approximately $301 million and a weighted average interest rate of 3.76% per annum, and a final expected distribution date of April 15, 2030;

- Air Canada amended its 2016 Credit Facility, as described below, to increase its existing undrawn secured revolving credit facility from US$300 million to US$600 million and extend the availability date from 2021 to 2023. As part of this transaction, the US$800 million secured term loan (US$792 million outstanding), as described below, was reduced to US$600 million following a US$192 million cash repayment;

- Air Canada completed a new syndicated $200 million revolving credit facility on December 18, 2018. The facility is available for three years and, if drawn, would be secured by certain designated aircraft;

- On February 28, 2018, Air Canada completed a second repricing of its 2016 Credit Facility (described below), reducing the interest rate by 25 basis points, to an interest rate of 200 basis points over LIBOR (subject to a LIBOR floor of 75 basis points).

In 2017:

- In connection with the financing of four new Boeing 787-9 and nine new Boeing 737 MAX-8 aircraft, which were delivered in 2018, Air Canada completed a private offering of three tranches of EETCs with a combined aggregate face amount of approximately U.S. $719 million. The three tranches of EETC's have a combined weighted average interest rate of 3.422% per annum, and a final expected distribution date of January 15, 2030;

- Air Canada obtained financing of US$439 million and JPY¥12,990 million in connection with the delivery of four Boeing 787 aircraft. These financings were secured using Japanese operating leases with a call option ("JOLCO") structures;

- On June 2, 2017, Air Canada completed the first repricing of its 2016 Credit Facility (described below), reducing the interest rate by 50 basis points, to an interest rate of 225 basis points over LIBOR (subject to a LIBOR floor of 75 basis points).

In 2016:

- Air Canada completed a private offering of senior secured notes and a new credit facility in connection with its $1.25 billion refinancing transaction. As part of its refinancing transaction, Air Canada entered into a purchase agreement with a syndicate of initial purchasers relating to a private offering of $200 million aggregate principal amount of 4.75% senior secured first lien notes due 2023 (the "2016 Senior Notes"), which were sold at par. Air Canada also received proceeds of a US$800 million term loan, maturing in 2023, and entered into a new, undrawn US$300 million revolving credit facility expiring in 2021 (collectively with the term loan, the "2016 Credit Facility"). The 2016 Credit Facility has an initial interest rate of 275 basis points over LIBOR (subject to a LIBOR floor of 75 basis points). Air Canada used the net proceeds from the sale of the 2016 Senior Notes, together with the borrowings under the term loan under the 2016 Credit Facility, and $444 million of cash on hand, to pay the redemption price for all of Air Canada's then outstanding senior secured notes and to repay Air Canada's then outstanding US$300 million term loan.

RATINGS

The Corporation's access to long-term financing in the debt capital markets is dependent on its credit rating and market conditions. The Corporation believes that it continues to have access to the long-term debt capital markets. Rating downgrades could impact the Corporation's ability to access the capital markets and/or increase its borrowing costs.

Ratings are intended to provide investors with an independent view of credit quality. They are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Each rating should be evaluated independently of any other rating.

Air Canada's corporate ratings, their long-term debt securities and/or enhanced equipment trust certificates (long-term aircraft financing instruments) are rated by the following credit rating agencies:

- Moody's Investors Service, Inc. ("Moody's");
- Standard & Poor's Rating Services ("Standard & Poor's"); and
- Fitch Ratings, Inc. ("Fitch").

Air Canada Corporate Credit Ratings

Rating Agency	**Rating**	**Rank**
Moody's	Ba2 stable	12/21
Standard & Poor's	BB positive	12/22
Fitch	BB- positive	13/21

Ratings for Air Canada Long-Term Debt

i) Senior Secured Debt (First Lien)

Rating Agency	**Rating**	**Rank**
Moody's	Ba1	11/21
Standard & Poor's	BBB-	10/22

ii) Senior Unsecured Notes

Rating Agency	**Rating**	**Rank**
Moody's	Ba3	13/21
Standard & Poor's	BB	12/22

Ratings for Air Canada Enhanced Equipment Trust Certificates (EETC)

EETC 2013-1	**Rating Agency**	**Rating/Rank A tranche**	**Rating/Rank B tranche**	**To add Rating/Rank for C tranche**
	Moody's	Baa1 (8/21)[1]	Baa3 (10/21)	
	Standard & Poor's	A (6/22)	BBB+ (8/22)	
	Fitch	A (6/21)	BBB- (10/21)	
EETC 2015-1	**Rating Agency**	**Rating/Rank A tranche**	**Rating/Rank B tranche**	**Rating/Rank C tranche**
	Standard & Poor's	A (6/22)	A- (7/22)	BB+ (11/22)
	Fitch	A (6/21)	BBB (9/21)	BB+ (11/21)
EETC 2015-2	**Rating Agency**	**Rating/Rank AA tranche**	**Rating/Rank A tranche**	**Rating/Rank B tranche**
	Moody's	Aa3 (4/21)	A2 (6/21)	Baa2 (9/21)
	Standard & Poor's	AA (3/22)	A+ (5/22)	BBB+ (8/22)
EETC 2017-1	**Rating Agency**	**Rating/Rank AA tranche**	**Rating/Rank A tranche**	**Rating/Rank B tranche**
	Moody's	Aa3 (4/21)	A2 (6/21)	Baa2 (9/21)
	Fitch	AA (3/21)	A (6/21)	BBB (9/21)

[1] *The downgrade of the Class A rating of Series 2013-1 to Baa1 from A2 reflects Moody's stated projection of significantly smaller equity cushions over the remaining life of this transaction relative to its prior expectations, based on applying a steeper annual depreciation rate for Boeing B777-300ERs than it had used in the past.*

CAD$ EETC 2018-1	Rating Agency	Rating/Rank A tranche	Rating/Rank B tranche	
	Standard & Poor's	A+ (5/22)	BBB+ (8/22)	

General Note Regarding Long-Term Debt Securities:

The table below shows the range of ratings that each agency may assign to long-term debt securities.

Rating Agency	Highest Rating for Long-Term Securities	Lowest Rating for Long-term Securities
Moody's	Aaa	C
Standard & Poor's	AAA	D
Fitch	AAA	C

The discussion below highlights information from each agency in respect of their ratings:

Moody's Rating Explanation – Long-Term Debt Securities

Moody's ratings are forward-looking opinions of the relative credit risks of the financial obligations issued by a company. Their long-term debt ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of a default.

Air Canada Senior Secured Debt (1st Lien)	Ba1	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. A modifier of "1" indicates a ranking in the higher-end of this rating category.
Air Canada Senior Unsecured Notes	Ba3	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. A modifier of "3" indicates a ranking in the lower-end of this rating category.

Standard & Poor's Rating Explanation – Long-Term Debt Securities

Standard & Poor's ratings are a forward-looking opinion about the creditworthiness of a company with respect to a specific financial obligation or a specific class of financial obligations. They take into consideration the likelihood of payment, i.e., a company's capacity and willingness to meet its financial commitments as they come due, and they assess terms such as collateral security and subordination, which could affect ultimate payment in the event of a default.

Air Canada Senior Secured Debt (1st Lien)	BBB-	Obligations rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A modifier of plus (+) or minus (-) indicates relative standing within this rating category.
Air Canada Senior Unsecured Notes	BB	Obligations rated BB are regarded as having significant speculative characteristics and face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inability to meet financial commitments on the obligation. A modifier of plus (+) or minus (-) indicates relative standing within this rating category.

Fitch Rating Explanation – EETC / Aircraft Financing

Fitch's ratings provide an opinion on the relative ability of a company to meet its financial commitments, including interest, repayment of principal, or counterparty obligations. They are used by investors as an indication of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. Fitch's ratings are forward-looking and include their analysts' views of future performance. They are opinions on relative credit quality and not a predictive measure of specific default probability.

During the last two years, each of the rating agencies listed above charged Air Canada the usual customary fees for their ratings services which include annual surveillance fees and issuance fees for newly issued securities. Access to the rating agencies' websites are also typically included as part of their customary service.

Moody's Structured Finance Long-Term Ratings (EETCs)

Moody's ratings on long-term structured finance obligations are stated to primarily address the expected credit loss an investor might incur on or before the legal final maturity of such obligations vis-à-vis a defined promise. These ratings incorporate Moody's assessment of the default probability and loss severity of the obligations. Such obligations generally have an original maturity of one year or more, unless explicitly noted. Moody's credit ratings are stated to address only the credit risks associated with the obligations; other non-credit risks have not been addressed, but may have a significant effect on the yield to investors.

Standard & Poor's Long-Term Issue Credit Ratings (EETCs)

Issue credit ratings are stated to be based on the following considerations:

- Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation;
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

PENSION PLAN ARRANGEMENTS

Air Canada maintains 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.

Based on actuarial valuations as at January 1, 2019, the aggregate solvency surplus in Air Canada’s domestic registered pension plans is $2.5 billion. As a result, Air Canada will not make any past service payments in 2019.

As permitted by applicable legislation and subject to applicable plan rules, amounts in excess of 105% on a solvency basis may be used to reduce current service contributions under the defined benefit component or to fund the employer contribution to a defined contribution component within the same pension plan. Based on that, and including the international and supplemental plans, the total employer pension funding contributions during 2018 amounted to $94 million. Pension funding obligations for 2019 are expected to be $93 million.

For additional information on Air Canada’s pension plan arrangements, refer to Air Canada's consolidated financial statements for the year ended December 31, 2018, and section 9.7 “Pension Funding Obligations” of Air Canada’s 2018 MD&A, which section is incorporated into the AIF by this reference.

FOREIGN EXCHANGE

Air Canada’s financial results are reported in Canadian dollars, while a large portion of its expenses, debt obligations and capital commitments are in foreign currencies, primarily in U.S. dollars. Foreign exchange risk is the risk that fluctuations in foreign exchange rates may have on operating results and cash flows. Air Canada has a risk management objective to reduce cash flow risk related to foreign denominated cash flows. Additional information can be found in Air Canada's consolidated financial statements for the year ended December 31, 2018, and section 12 “Financial Instruments and Risk Management” of Air Canada’s 2018 MD&A, which section is incorporated into the AIF by this reference.

AIRCRAFT FUEL

Aircraft fuel is a major expense in the airline industry and the single largest expense to Air Canada, representing almost 27% of Air Canada’s 2018 total operating expenses. Additional information can be found in Air Canada's consolidated financial statements for the year ended December 31, 2018, and section 12 “Financial Instruments and Risk Management” of Air Canada’s 2018 MD&A, which section is incorporated into the AIF by this reference.

AIRCRAFT FLEET

For information relating to Air Canada’s fleet and fleet plans as at December 31, 2018, refer to section 8 “Fleet” of Air Canada’s 2018 MD&A, which section is incorporated into the AIF by this reference.

On March 13, 2019, Transport Canada issued a safety notice closing Canadian airspace to Boeing 737 MAX aircraft until further notice. The Federal Aviation Administration also issued a temporary grounding order for such aircraft and Boeing has suspended all Boeing 737 MAX deliveries to airline customers. As a result, Air Canada continues to adapt its contingency plan to address the Boeing 737 Max situation, which may have an impact on Air Canada's fleet, fleet plans, routes and schedules. As part of its contingency plan, on March 19, 2019, Air Canada announced the following:

- It has adjusted its schedule through to April 30, 2019 to cover 98% of its planned Boeing 737 MAX flying;
- In light of the uncertainty, announced its intention to remove Boeing 737 MAX flying from its schedule until at least July 1, 2019;
- It has been substituting different aircraft on Boeing 737 MAX routes, extending leases for aircraft which were scheduled to exit the fleet and accelerating the in-take of recently acquired Airbus A321 aircraft from WOW Air into its fleet;
- It has also hired other carriers to provide immediate extra capacity and implemented a number of route changes, either changing operating times or substituting larger aircraft with fewer frequencies on routes operated more frequently by smaller aircraft;
- In some cases, it has deployed Air Canada Rouge aircraft to serve mainline routes, and, in a small number of cases, it has temporarily suspended service on certain Boeing 737 MAX routes where alternative aircraft are not presently available. Air Canada remains committed to these routes and will resume service as soon as possible.

EMPLOYEES AND ARRANGEMENTS WITH UNIONS

The following table provides a breakdown of Air Canada's average full-time equivalent ("FTE") employees for the years 2018 and 2017 together with the unions that represent them.

Employee Group	Union (1)	2018	2017
Management and Administrative Support	n/a (2)	4,670	4,248
Pilots	ACPA	3,406	3,149
Flight Attendants	CUPE	7,975	7,502
Customer Sales, Service Agents and Flight Dispatchers	Unifor/IBT /CALDA	4,694	4,400
Technical Services, Ramp and Cargo	IAMAW	8,673	8,045
United Kingdom Unionized Employees	UNITE	180	176
Other Unionized	various	297	303
Total		**29,895**	**27,823**

(1) *ACPA: Air Canada Pilots Association; CUPE: Canadian Union of Public Employees; CALDA: Canadian Airline Dispatchers Association; Unifor (formerly CAW: Canadian Auto Workers); IBT: International Brotherhood of Teamsters; IAMAW: International Association of Machinists and Aerospace Workers; and UNITE.*

(2) *Certain administrative support employees are represented by IAMAW.*

Most of Air Canada's employees are unionized. Over the last few years, Air Canada entered into the following labour agreements:

- ACPA (Pilots) – In 2014, Air Canada and ACPA, representing pilots, ratified a new contract providing collective agreement terms for 10 years, ending September 29, 2024, subject to certain renegotiation provisions and benchmarks over this period. In 2017, Air Canada and ACPA ratified amendments to their existing long-term labour agreement. The amendments provide additional commercial opportunities as well as increased operational flexibility;

- IAMAW (Maintenance, Operations and Baggage) – In 2016, Air Canada and the IAMAW, representing technical maintenance, operational support and airport baggage handlers, concluded a new contract providing collective agreement terms for 10 years, ending March 31, 2026, subject to certain renegotiation provisions over this period;

- CALDA (Dispatchers) – In 2016, Air Canada and CALDA, representing flight dispatchers, concluded a new contract providing collective agreement terms for 12 years, ending February 29, 2028, subject to certain renegotiation provisions over this period;

- CUPE (Flight Attendants) – In 2015, Air Canada and CUPE, representing flight attendants, concluded a new contract providing collective agreement terms for 10 years, ending March 31, 2025, subject to certain renegotiation provisions over this period;

- Unifor (Customer Service and Sales Agents) – In 2015, Air Canada and Unifor, representing the airline's customer service and sales agents concluded a new contract providing collective agreement terms for five years, ending February 28, 2020;

- International Brotherhood of Teamsters (IBT) - In 2015, Air Canada and IBT, representing airport, cargo and call centre employees in the U.S., concluded a new contract providing collective agreements terms for seven years, ending June 30, 2019;

- UNITE - In 2015, Air Canada and UNITE, representing U.K.-based employees, concluded a new contract providing collective agreements terms for five years, ending December 31, 2019 for its Airports and Cargo employees. In 2016, a new contract was concluded providing collective agreement terms for ten years, ending December 31, 2026 for maintenance employees represented by UNITE.

FACILITIES

Air Canada owns or leases facilities in major airports and certain cities consisting of offices, hangar space, aircraft maintenance and ground handling facilities. The following describes the principal properties owned or leased by Air Canada as at December 31, 2018:

Principal Properties	Description	Square Footage	Nature of Right
Montréal - Air Canada Centre Air Canada Headquarters	Head office and training facilities	272,000	Owned facilities on leased land
Montréal Trudeau Airport - Maintenance Base	Offices, computer centre, aircraft maintenance, hangars, workshops and training facilities	1,326,664	Owned facilities on leased land
Toronto Pearson Airport - Terminal Building	Counters, offices, passenger and baggage handling facilities	180,000	Leased
Toronto Pearson Airport - Maintenance Base	Offices, hangars, workshops and simulators	871,343	Owned facilities on leased land
Toronto Pearson Airport	Offices, workshops, training and equipment storage	258,757	Leased
Toronto - Cargo Facility and Equipment Maintenance	Offices, cargo and equipment maintenance facilities	426,000	Leased
Brampton, Ontario SOC Building	Systems Operations Control	74,000	Owned facility on owned land
Vancouver - Technical Operations Centre	Offices, hangars, workshops and simulators	1,087,985	Owned facilities on leased land
Vancouver - South Hangar	Offices, hangars, workshops, stores	131,626	Owned facilities on leased land
Calgary International Airport	Hangar, commissary, ground support equipment and warehouse	267,891	Owned facilities on leased land
Winnipeg - Air Canada Building	Offices and computer centre	394,650	Owned facility on owned land
Winnipeg Airport - Maintenance Base	Offices, aircraft maintenance hangars and workshops	278,891	Owned facilities on leased land

Air Canada operates additional office, terminal, maintenance and/or cargo facilities under long-term leases at Toronto, Montréal, Vancouver, Calgary, and London (England). A portion of the hangar space and aircraft maintenance facilities in Calgary, Montréal and Toronto are leased or subleased by Air Canada to Jazz and to other third parties.

TRADEMARKS

Air Canada believes that its branding, including its trademarks add value and are important to its competitive position. Air Canada is Air Canada's trade name and trademark. Other Air Canada trademarks include Air Canada Express®, Air Canada Jetz®, Air Canada Jazz®, Jazz®, Air Canada Vacations®, Vacances Air Canada®, Executive First®, Executive Class®, AC Priority™, AC Air Freight®, Rapidair®, Maple Leaf™, Feuille d'érable™, Maple Leaf Lounge™, Air Canada Elite®, Air Canada Super Elite®, Air Canada Rouge®, Air Canada Altitude®, Altitude Prestige®, Altitude Elite®, Altitude Super Elite® and related design marks such as the Air Canada Roundel®. Air Canada has granted Jazz a license to use Air Canada Express, Air Canada Jazz®, Jazz®, Air Canada®, Air Canada Design®, Air Canada and Design®, Aeroplan® and other trademarks in Canada and the United States in association with the provision of scheduled airline services in regions of Canada and across the Canada-United States border on behalf of Air Canada. Air Canada seeks to protect its proprietary and sensitive commercial information and intellectual property rights through a variety of means, including, as applicable, through registrations, confidentiality and other contract provisions, policies, restrictions and monitoring of access and other means.

REGULATORY ENVIRONMENT

In Canada, commercial air transportation, including policy, maintenance standards, operations standards, safety and ground and navigation facilities, falls wholly within the jurisdiction of the Government of Canada and is the responsibility of the Minister of Transport, and, to some extent, the Minister of Employment and Social Development. The Canadian Transportation Agency, an independent administrative body of the Government of Canada, acts as a quasi-judicial tribunal to resolve a range of commercial and consumer transportation-related disputes and acts as an economic regulator, to make determinations and to issue authorities, licenses and permits related to the air transportation industry. NAV Canada, a private sector, non-share capital corporation, is responsible for providing air navigation services in Canada. All major Canadian airports are operated by Canadian airport authorities that are not-for-profit corporations.

On May 23, 2018 *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts* ("Transportation Modernization Act") received royal assent. Among other things, the Transportation Modernization Act amended the *Canadian Transportation Act* to require the Canadian Transportation Agency to establish a passenger rights regime and created a new process for approving international joint ventures in the airline industry taking into account competitive effects as well as broader public interest considerations. The new joint venture review process will be effective once the new regulations establishing applicable fees are adopted which is expected in 2019. The Transportation Modernization Act also increased foreign ownership limits in Canadian airlines from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian carrier. Additional information on Air Canada's shares and ownership limits is available in the section of this AIF entitled *Description of Capital Structure*.

In December 2018, the Canadian Government announced its intention to adopt the *Air Passenger Protection Regulations* pursuant to the Transportation Modernization Act, governing flights to, from and within Canada, including connecting flights. These proposed regulations, currently scheduled to enter into force on July 1, 2019, specify a carrier's obligations in the case of flight delay, cancellation or denial of boarding, as well as minimum standards of treatment, compensation and assistance in completing the planned itinerary. The regulations prescribe minimum compensation for lost or damaged baggage, obligations with respect to delays over three hours where an aircraft is on the tarmac, and a carrier's obligation to seat young children near a parent, guardian or tutor. The Minister of Transport is also authorized to order the Canadian Transportation Agency to make regulations respecting any of a carrier's other obligations towards passengers.

In addition, Bill C-81, *An Act to ensure a barrier-free Canada* (also referred as the "Accessible Canada Act") is currently in the House of Commons. If passed, this legislation is expected to impose new obligations on carriers regarding accessible transportation for passengers with disabilities. Air Canada cannot predict the outcome or timing for passage of Bill C-81.

On March 8, 2019, the Canadian Transportation Agency's draft *Accessible Transportation for Persons with Disabilities Regulations* were published (the "Accessible Transportation Regulations") with a stated purpose of creating a single comprehensive set of accessible transportation regulations in Canada. Once adopted, they will form part of the Canadian Transportation Agency's broader regulatory modernization initiative and will complement measures proposed in the Accessible Canada Act. If adopted, the Accessible Transportation Regulations will apply to large carriers serving Canada, such as Air Canada, provided that certain requirements would only apply in respect of aircraft with 30 or more passenger seats operated by large Canadian carriers. Air Canada cannot predict the outcome or timing for passage of the final regulations, but the proposed Accessible Transportation Regulations are expected to come into force one year after they are registered, except for certain specified provisions where a longer period prior to their entry into force would apply.

U.S. Transborder Services

Transborder services between Canada and the United States are operated pursuant to the Open Skies Agreement between Canada and the United States, which came into force in 2007. The Open Skies Agreement allows air carriers of both countries (i) to pick up passenger and/or cargo traffic in the other country and carry that traffic to a third country as part of a service to or from the carrier's home country, (ii) to operate stand-alone all-cargo services between the other country's territory and third countries, and (iii) greater pricing flexibility for services between the other country and a third country. The Open Skies Agreement also permits Air Canada to offer code share services with certain Star Alliance® partners between Canada and the United States. In addition, some of these Star Alliance® partners' codes appear on certain transborder flights operated by Contracted Carriers on behalf of Air Canada under the Air Canada Express banner.

The carriage of local traffic between points within one country by carriers of the other country, commonly known as cabotage, remains prohibited.

International Services

Scheduled international air services are regulated by the applicable Canadian and foreign governments involved. The Canadian Minister of Transport has the authority to designate which Canadian air carriers may serve scheduled international routes. International route rights are obtained through bilateral negotiations between the Government of Canada and foreign countries. Bilateral agreements provide for the rights which may be exercised over agreed routings and the conditions under which carriers may operate, including the number of carriers which may operate, the capacity and/or flight frequencies that may be provided and the controls over tariffs to be charged. Most bilateral agreements to which Canada is a party provide for the designation of more than one Canadian carrier, however, some provide for the designation of only one Canadian carrier.

Transport Canada applies a liberalized multiple designation policy to scheduled international air services by Canadian carriers (excluding services to the United States). Any Canadian carrier may apply for designation to serve any foreign country regardless of the size of the air travel market. If the number of Canadian carriers permitted is restricted under existing bilateral agreements, the Government of Canada will pursue negotiations with the appropriate countries to seek the necessary rights for Canadian carriers. In addition, an incumbent carrier's designation in a particular market will be subject to reallocation only in circumstances where the bilateral agreement limits designation and the carrier is not operating its own aircraft or code share services.

Transport Canada's international air transportation policy called Blue Sky, includes a more liberalized approach to Canada's bilateral air transportation negotiations. Under this policy, when it is in Canada's overall interest, Transport Canada will proactively pursue opportunities to negotiate more liberalized agreements for international scheduled air transportation, in order to provide maximum opportunities for the addition of passenger and all-cargo services according to market conditions. In 2008, Canada concluded negotiations with the European Union on a comprehensive air transport agreement. That agreement includes, among other things, unrestricted direct air services between Canada and European Union member states, flexible pricing arrangements, increased flexibility on code sharing and improved flexibility on cargo services. Although the formal ratification process remains pending, these rights and others contained in this air transport agreement have been made available, on a provisional basis, since December 18, 2009.

Charter Services

Subject to certain exceptions, charter operations are generally not covered by bilateral agreements. Government of Canada policy permits Canadian carriers to operate charter services between Canada and any point in the world subject to the prior approval of the Canadian and other applicable regulatory authorities.

The policy governing international passenger charter air services does not contain restrictions relating to advance booking, minimum stay requirements or prohibitions on one-way travel, however it requires that the entire seating capacity of an aircraft be chartered and that charter carriers are prohibited from selling seats directly to the public.

Carbon Emissions

There continues to be heightened focus on carbon (sometimes referred to as "greenhouse gas") emissions produced by the aviation industry. Legislation in various jurisdictions is being considered or adopted. Legislative initiatives include market-based mechanisms such as emissions trading systems, designed to reduce the total amount of carbon emissions by all targeted industries through the setting of permissible emissions allowances for those industries. Individual operators within those industries are generally allocated a certain number of free emission allowances and may purchase additional allowances from the pool of permissible emissions allowances. In certain circumstances, they may also purchase or sell permissible emissions allowances among operators across different industries and may obtain emissions credits by investing in certified carbon reduction projects or by taking certain early actions to reduce their carbon footprint.

Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA")

The International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), adopted in 2016, includes emissions from international flights. Under CORSIA, any growth in emissions beyond the 2020 baseline will be offset by the emitters (airlines) through the acquisition and remittance of carbon offsets or the use of sustainable aviation biofuels. CORSIA is set to be implemented in phases, with the first two phases (occurring from 2021 to 2023, and 2024 to 2026, respectively) to be voluntary and with the third phase (from 2027 to 2035) to be mandatory. Canada voluntarily adopted the first phase. Transport Canada released final amendments to the Canadian Aviation Regulations ("CARs") on November 28, 2018 to address the implementation of CORSIA. Air Canada, Air Canada Rouge and Air Canada's regional carriers have submitted Emission Monitoring Plans to Transport Canada in compliance to the amended CARs.

On the basis of CORSIA, the European Parliament and Council has continued exempting flights between Europe and third countries from the European Union emissions trading system.

Greenhouse Gas Pollution Pricing Act

In 2016, the Government of Canada proposed a pan-Canadian benchmark for carbon pricing to be implemented in all Canadian jurisdictions. The *Greenhouse Gas Pollution Pricing Act* received Royal Assent on June 21, 2018, as a part of Bill C-74 and will cover emissions from intra-provincial flights. Under the act, effective on April 1, 2019, the Government of Canada set a minimum CO2 price of $20 per tonne for 2019, rising annually by $10 to $50 per tonne by 2022 ("Benchmark Pricing"), applicable to all fossil fuels (including jet fuel and other fuels used in ground operations and stationary combustion equipment).

The Government of Canada recognized the need for a national approach to cover inter-jurisdictional flights and indicated they will engage in further discussion in 2019 with provincial and territorial governments and stakeholders to determine how to cover inter-jurisdictional aviation emissions. In the meantime, the Benchmark Pricing will only apply to jet fuel used in intra-jurisdictional flights in jurisdictions that do not have a carbon system in place (Saskatchewan, Manitoba, Ontario and New Brunswick). The Canadian Government indicated it would not seek to apply the Benchmark Pricing in jurisdictions that have a carbon system in place.

Since 2017, Air Canada and regional carriers operating flights on behalf of Air Canada have been subject to a carbon tax for flights operating intra-Alberta, and since 2008, intra-British Columbia. The Government of Canada has indicated it will move forward in applying the Benchmark Pricing as of April 1, 2019 for Saskatchewan, Manitoba, Ontario and New Brunswick. Court challenges filed by the Provinces of Saskatchewan and Ontario are still pending. Air Canada expects the Benchmark Pricing to become effective April 1, 2019 for these provinces.

Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation

In 2012, the Government of Canada and the Canadian aviation industry**,** through its representative aviation sector associations, collectively developed and adopted Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation, which is a voluntary action plan that sets an aspirational goal to improve fuel efficiency from a 2005 baseline by an average annual rate of at least 2% per year until 2020 (the "Voluntary Action Plan"). The Action Plan forms the basis for the Government of Canada's response to the International Civil Aviation Organization's ("ICAO") Assembly Resolution A37-19, which encouraged Member States to submit national action plans setting out measures each state is taking or will take to address international aviation emissions. In 2015, the Voluntary Action Plan underwent its three-year review by all parties to the Action Plan and revised the average annual rate of fuel efficiency improvement to 1.5% annually, considered to be a more realistic target for Canada, and consistent with global aviation targets. The three principal measures for the industry to achieve this target are technology improvements through fleet renewals and upgrades and sustainable aviation fuels, more efficient air operations, and improved infrastructure such as air traffic management efficiency improvements. The Voluntary Action Plan also supports the aspirational goal of carbon neutral growth from 2020 onwards and absolute greenhouse gas emission reductions of 50%, relative to 2005 levels, by 2020.

Official Languages Act

Pursuant to the *Air Canada Public Participation Act* ("ACPPA"), Air Canada is subject to the *Official Languages Act* (Canada), (the "OLA"). The OLA contains numerous provisions applicable to Air Canada such as provisions that members of the traveling public be able to communicate with and obtain services in French and English (including where such services are performed on behalf of Air Canada by another party), where there is significant demand for those services in that language and to allow Air Canada employees to work in either official language where required by regulation. The ACPPA also imposes on Air Canada the obligation to ensure any of its subsidiaries' customers can communicate with the subsidiary in respect of air services and incidental services, and obtain those services, in either official language, where the number of customers warrants such services.

Anti-Terrorism Legislation

The *Act to enact the Security of Canada Information Sharing Act and the Secure Air Travel Act, to amend the Criminal Code, the Canadian Security Intelligence Service Act and the Immigration and Refugee Protection Act and to make related and consequential amendments to other Acts* (the "Anti–Terrorism Act"), received royal assent on June 18, 2015. The Anti–Terrorism Act provides a legislative framework for identifying and responding to persons who may engage in an act that poses a threat to transportation security or who may travel by air for the purpose of committing a terrorism offence. The Anti–Terrorism Act authorizes the Federal Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. Under the Anti-Terrorism Act, the Federal Minister of Transport also has the power to detain an aircraft for inspection and require the owner to provide the Minister all reasonable assistance to enable such inspection. If the Minister is of the opinion that the owner of the aircraft has failed to comply with the legislation, the Minister may make orders in respect of the movement of the aircraft.

Security

Air Canada is committed to the security of its operations, passengers, employees and assets. Air Canada works with the other stakeholders in the aviation industry, as well as regulators, airports, industry associations, service providers and other third parties, to ensure that the appropriate security measures are implemented in an efficient and effective manner.

Transport Canada regulations require the aviation industry to put security management systems in place. Air Canada has an approved security management system in place which it continues to monitor and refine. The security management system uses threat/risk assessments in conjunction with government regulations to define appropriate security measures and then monitors compliance through audits and incident reporting. Air Canada has been using its security management system as part of the IATA Operational Safety Audit ("IOSA") compliance process and has found it to be beneficial in driving continuous improvement in the security of its operations.

Air Canada's Corporate Security department provides 24/7 support to the operations world-wide to ensure the security and compliance of the airline's operations.

In addition, the Canadian Government introduced Bill C-59, *An Act respecting national security matters* (the "National Security Matters Act"). If passed, this legislation is expected, among other things, to authorize the Minister of Public Safety and Emergency Preparedness to collect from air carriers and operators of aviation reservation systems, for the purpose of identifying listed persons, existing information about any individuals who are on board or expected to be on board an aircraft for any flight prescribed by regulation, and to exempt an air carrier from providing that information, or from the application of any provision of the National Security Matters Act's regulations, in certain circumstances. If passed, the National Security Matters Act would also authorize the Minister of Public Safety and Emergency Preparedness to collect personal information from individuals for the purpose of issuing a unique identifier to them to assist with pre-flight verification of their identity. Air Canada cannot predict the outcome or timing for passage of Bill C-59.

Safety

In order to improve the safety performance of Canadian air operators and increase accountability in the aviation sector, Canadian Aviation Regulations require air operators to implement a Safety Management System ("SMS") in their organizations and appoint executives who are accountable for safety.

Air Canada and Air Canada Rouge have approved SMS's in place which meet and exceed the requirements outlined within the Canadian Aviation Regulations. Air Canada's President and Chief Executive Officer has been appointed as the Accountable Executive ("AE") for Air Canada's Safety Management System and Air Canada's Vice President, Safety is responsible for the day-to-day administration and oversight of the SMS's on behalf of the AE. The President of Air Canada Rouge is the designated AE for the Air Canada Rouge Safety Management System and the Director, Safety, Security & Regulatory Affairs of Air Canada Rouge is the designated Person Responsible for Managing the SMS's on behalf of the AE.

In May 2017, Air Canada successfully completed a full SMS assessment with Transport Canada. This process ensures that Air Canada is fully committed to the principles of the SMS program and that its operations are in full compliance with all aspects of an effective SMS program. Further, as a founding member of the Star Alliance® network, Air Canada is actively engaged in helping ensure that the Star Alliance® members, including Air Canada, are guided by best industry practices and enhanced safety performance. Additional non-regulated measures, such as the completion of Line Operations Safety Audits, the establishment of an advanced Flight Data Monitoring programs, the implementation of Fatigue Risk Management Programs and compliance with IATA, Operational Safety Audit standards are key examples where Air Canada is among those leading international safety efforts.

Air Canada is a leading and engaged member of international safety initiatives and is actively involved in IATA, ICAO, A4A, NACC, ASIAS and regional safety meetings and working groups. Air Canada is closely aligned with IATA and the Star Alliance® network concerning international benchmarking of standards and safety performance and shares its experience and knowledge, especially in the field of Flight Data Analysis, to help develop advanced safety tools to better understand risk, threats and hazards.

The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IATA members are IOSA registered and must remain registered to maintain their IATA membership. Air Canada is required to successfully complete a biennial audit to remain a Star Alliance member. In November 2017, Air Canada and Air Canada Rouge conducted the IOSA audits in parallel with each other. Both airlines successfully completed the IOSA audits, comprising over 900 standards to be met using a structured audit methodology, including standardized checklists, with the following results; Air Canada received two findings, and two observations while Air Canada Rouge received zero findings, and two observations.

Privacy and Anti-Spam

As discussed in section 18 "Risk Factors" of Air Canada's 2018 MD&A, Air Canada is subject to applicable Canadian privacy laws and a growing number of increasingly complex foreign privacy laws regarding the collection, use, handling, disclosure and protection of passenger and employee data. Canada's federal private sector privacy legislation, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"), governs the collection, use and disclosure of personal information including employee personal information by federally regulated employers. With certain exceptions, PIPEDA also applies to the collection or disclosure of personal information across provincial or Canadian international borders and within provinces without substantially similar private sector privacy legislation. On November 1, 2018, new provisions to PIPEDA came into force imposing data-breach reporting obligations to notify affected persons, report to relevant authorities and keep records of all breaches of personal information.

As an international airline, Air Canada is also subject to privacy and data protection laws in other jurisdictions, including the European Union's *General Data Protection Regulation* ("GDPR") which came into force on May 25, 2018.

Air Canada is subject to Canadian federal legislation known as "*Canada's Anti-Spam Law*" or "CASL" which regulates if, when and how commercial electronic messages may be sent. This law also prohibits the installation of programs on a third-party computer without consent. A private right of action by individuals and organizations that claim to be affected by a violation of CASL was to come into effect in July 2017 but was postponed pending the outcome of the third anniversary parliamentary review mandated by the legislation.

Cybersecurity

As discussed in section 18 "Risk Factors" of Air Canada's 2018 MD&A, Air Canada faces risks relating to cyber-attacks. The cyber security threat landscape is highly dynamic and continually evolving; it is generally viewed that cyber-attacks have and will continue to increase in both prevalence and sophistication. The protection of Air Canada's systems, applications and information repositories are central to the secure and continuous operation of Air Canada's business. As part of its efforts to address the growing threat of cyber-attacks, Air Canada invests in security initiatives that include technology, processes, resourcing, training, disaster recovery plans and continually testing and benchmarking against best practices.

INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

General

The airline industry has traditionally been characterized by large established network carriers. Network carriers generally benefit from brand name recognition and a long operating history. They offer scheduled flights to major domestic and international cities while also serving smaller cities. They generally concentrate most of their operations in a limited number of hub cities, serving most other destinations in their network by providing one-stop or connecting service through their hubs.

Over the past four decades, governments gradually reduced economic regulation of commercial aviation. This has resulted in a more open and competitive environment for domestic, transborder and international airline services, for both scheduled and leisure charter operations. This deregulation transformed the airline industry and allowed the emergence of low-cost and ultra low-cost carriers, which resulted in a rapid shift in the competitive environment. With their relatively low unit costs largely resulting from lower labour costs and a simplified operational model and product offering, low-cost carriers are able to operate profitably while generally achieving lower yields than network carriers. By offering lower fares, these carriers have expanded and succeeded in gaining market share from network carriers. While the majority of low-cost carriers offer predominantly point-to-point services between designated cities, some utilize a "hub and spoke" strategy similar to the network carriers.

Domestic Market

The Canadian domestic market is characterized by a large geographic territory with a limited number of high-density markets accounting for the majority of passenger traffic and revenue. This leads to a concentration of routes in Canada around three major hubs: Toronto, Montréal and Vancouver.

Air Canada is the largest provider of scheduled passenger services in the Canadian market. Based on Official Airline Guide ("OAG") data, during the period from January 1, 2018 to December 31, 2018, Air Canada, together with its Contracted Carriers, led the Canadian airline industry's domestic scheduled capacity with an estimated market share of approximately 53% based on Available Seat Miles ("ASMs"). Air Canada is Canada's largest domestic airline. Jazz is the largest regional airline in Canada and operates regional services for Air Canada under the Jazz CPA. Air Canada, together with its Contracted Carriers, carries more passengers, serves more non-stop destinations and provides more flights in the domestic market than any other airline.

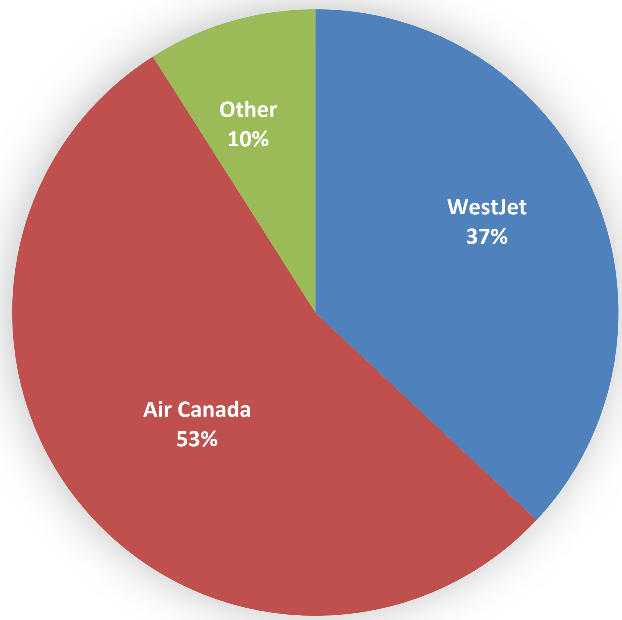
WestJet Airlines Ltd. ("WestJet") is the second largest carrier in Canada and operates flights to destinations in North America, Central America, the Caribbean and Europe. Competition in the domestic market is primarily from WestJet. As at December 31, 2018, Air Canada, together with its Contracted Carriers, provided service to 64 domestic destinations within Canada, while WestJet provided service to 43 domestic destinations.

Porter Airlines Inc. ("Porter") is a regional passenger carrier based at and operating primarily from Billy Bishop Toronto City Airport in the eastern triangle market to compete with Air Canada's Rapidair services at Toronto Pearson Airport. The airline serves primarily short-haul business markets such as Ottawa, Montréal, New York (Newark), Chicago (Midway), Washington (Dulles) and Boston (Logan) from Toronto.

Other airlines operating in the domestic market with whom Air Canada competes include: Air Creebec, Canadian North, Central Mountain Air, First Air, Flair Airlines, Pacific Coastal Airlines, Pascan Aviation, Provincial Airlines, and to a lesser extent: Air North, Air Inuit, and Bearskin Airlines. WestJet launched Swoop, a wholly-owned subsidiary, that WestJet designates as its ultra-low-cost carrier. Swoop introduced service, in mid-2018, between Abbotsford and Edmonton, Abbotsford and Hamilton, Hamilton and Halifax, Hamilton and Edmonton, and Hamilton and Winnipeg.

The following chart illustrates the estimated share of the overall domestic scheduled capacity provided by Air Canada, together with its Contracted Carriers, as measured by Available Seat Miles (ASMs) for the year 2018.

Estimated Domestic Scheduled Capacity Market Share



(1) Source: OAG data based on ASMs during the period from January 1, 2018 to December 31, 2018; represents the estimated share of the overall domestic scheduled capacity of Air Canada and its Contracted Carriers. The estimated share of the overall domestic scheduled capacity of the other carriers presented also includes the domestic scheduled capacity of their respective affiliated or contracted regional carrier(s), when applicable.

U.S. Transborder Market

In 2018, there were, on average, 1,096 daily scheduled transborder flights operated between Canada and the United States across the industry. Toronto Pearson Airport, Air Canada's largest hub, is the world's largest originator of flights into the United States.

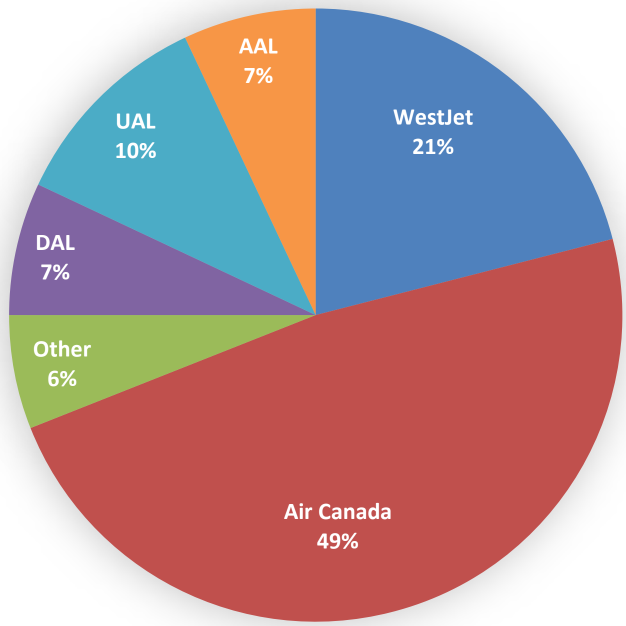
Air Canada is the largest provider of scheduled passenger services in the U.S. transborder market. Based on OAG data, during the period from January 1, 2018 to December 31, 2018, Air Canada, together with its Contracted Carriers, provided more U.S. transborder scheduled capacity than any other airline with an estimated market share of approximately 49% based on ASMs.

Air Canada, together with its Contracted Carriers, carries more passengers, serves more non-stop destinations and provides more flights in the U.S. transborder market than any other airline. Competition in the U.S. transborder market is primarily from U.S. network carriers and their regional affiliates and from WestJet. The U.S. network carriers tend to operate flights between the United States and Canada into their hubs, connecting to flights to other U.S. destinations. U.S. network carriers with U.S. transborder operations include Alaska Airlines, American Airlines, United Airlines and Delta Airlines. In 2018, Air Canada, together with its Contracted Carriers, provided service to 60 U.S. destinations from Canada while U.S. network carriers provided service to 23 U.S. destinations from Canada and WestJet provided service to 26 U.S. destinations.

Canadian low-cost carriers also operate U.S. transborder services and may further expand these operations in the future.

The following chart illustrates the estimated share of the overall U.S. transborder scheduled capacity of Air Canada, together with its Contracted Carriers, as measured by ASMs for the year 2018.

Estimated Transborder Scheduled Capacity Market Share



(1) Source: OAG data based on ASMs during the period from January 1, 2018 to December 31, 2018; represents the estimated share of the overall transborder scheduled capacity of Air Canada and its Contracted Carriers. The estimated share of the overall transborder scheduled capacity of the other carriers presented also includes the transborder scheduled capacity of their respective affiliated or contracted regional carrier(s), when applicable.

(2) AAL = American Airlines; DAL = Delta Air Lines; UAL = United Airlines.

International Market

Air Canada principally services the international market from three strategically-positioned airports, which are further described below:

- Toronto Pearson Airport, Canada's largest airport and one of the largest airports in North America, is located in Canada's largest city and offers regular non-stop flights to numerous destinations in Europe, Central and South America, Caribbean, Mexico, Middle East, Asia and Africa. Toronto Pearson Airport offers, on average, approximately 606 daily departures, of which 18% industry-wide are to international non-U.S. destinations;

- Montréal Trudeau Airport is located in Canada's second largest city, and offers regular non-stop service destinations in Europe, Central and South America, Caribbean, Mexico, Middle East, Asia and Africa. Montréal Trudeau Airport offers, on average, approximately 284 daily departures, of which 18% industry-wide are to international non-U.S. destinations; and

- Vancouver International Airport, located in Canada's third largest city, is strategically positioned on Canada's west coast and acts as a gateway to many Asian destinations, as well as flights to select destinations in Europe. Vancouver International Airport offers, on average, approximately 352 daily departures, of which 12% industry-wide are to international non-U.S. destinations.

Air Canada is Canada's largest provider of scheduled passenger services in the international market to and from Canada and has a broad portfolio of international route rights. Based on OAG data, during the period from January 1, 2018 to December 31, 2018, Air Canada provided more international scheduled capacity in the international market to and from Canada than any other airline with an estimated market share of approximately 41% based on ASMs.

Canadian low-cost carriers, as well as Canadian charter airlines and tour operators such as Transat A.T. Inc. ("Transat") and Sunwing Airlines ("Sunwing"), also operate services to Mexico and the Caribbean, and certain of them have expressed an intention to further expand these operations in the future. In 2018, WestJet, Sunwing and Transat provided service to 35, 29 and 34 destinations, respectively, to Mexico, Central America, South America and the Caribbean. Transat also provided service to 27 destinations to Europe and the Middle East while WestJet provided service to four destinations in Europe. WestJet has stated its intention to further expand internationally and has reported that it has commitments for 10 Boeing 787-9 aircraft to be delivered between the first quarter of 2019 and December 2021, with options for an additional 10 aircraft to be delivered between 2020 and 2024. WestJet also announced plans to introduce, in summer 2019, service from Calgary to Paris-De Gaulle, London-Gatwick and Dublin on Boeing 787-9 aircraft.

Air Canada Rouge enables Air Canada to compete more effectively against low-cost carriers serving international leisure destinations.

In the transatlantic and transpacific markets, Air Canada competes primarily with foreign network carriers and, to a lesser extent, with charter carriers on higher-density routes during peak travel seasons. In addition, U.S. network carriers compete by flying Canadian passengers through their hubs to destinations in international markets.

Air Canada has tools, processes and other competitive attributes which are increasingly effective in profitably pursuing international route opportunities. It has the ability to appreciably increase international-to-international traffic through its strategic international gateways in Toronto, Vancouver and Montréal.

Toronto Pearson Airport offers a strategic advantage due to its proximity to densely populated major U.S. markets and serves a large number of business and leisure travelers flying to and from Toronto. Air Canada's and its Star Alliance partners' operations are consolidated in one terminal at Toronto Pearson Airport, which also has efficient in-transit facilities that allow passengers and their bags to move seamlessly between Canadian and U.S. Customs and Immigration. For several years, Air Canada has worked closely with the Greater Toronto Airports Authority to transform Toronto Pearson Airport into the leading North American airport and grow its sixth freedom traffic.

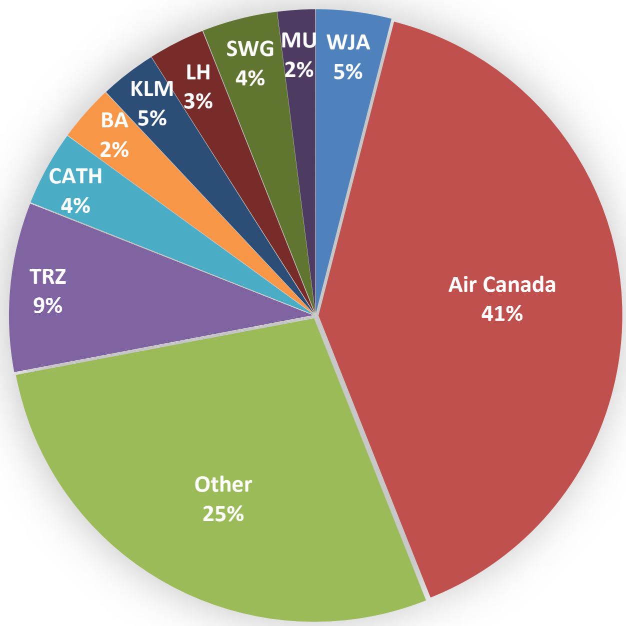
Air Canada is also growing its Vancouver hub into a premier gateway to Asia-Pacific markets and developing Montréal into a complementary trans-Atlantic hub. With the new flights being introduced between Vancouver and cities across North America, Air Canada is poised to offer some of the shortest elapsed travel time between continental North America and Pacific Asia, providing a better travel experience. The airline's Montréal hub is a premier gateway to the Atlantic, including key markets in Europe. With improvements to the Toronto, Vancouver and

Montréal airports, the airline is able to build its network from the U.S. to provide increased connection flows to its international flights. In Calgary, Air Canada has relocated its international and U.S. operations to the new state-of-the-art terminal which now includes connection processes comparable to Air Canada's other hubs.

Air Canada also broadens its network appeal through its membership in Star Alliance®, its revenue-sharing Atlantic joint venture and through numerous codeshare and interline agreements. Furthermore, Air Canada has access to Canada's wide portfolio of international route rights, and Canada's multi-ethnic demographic profile provides the airline with further opportunities to profitably capture demand for international travel. These attributes combined with Air Canada's powerful brand and industry-leading products and services, allow it to leverage its network and benefit from the higher margins generally available in international markets.

The following chart illustrates the estimated share of the overall international scheduled capacity provided by Air Canada and other airlines as measured by ASMs for the year 2018.

Estimated International Scheduled Capacity Market Share



(1) Source: OAG data based on ASMs during the period from January 1, 2018 to December 31, 2018; represents the estimated share of the overall international scheduled capacity of Air Canada. The estimated share of the overall international scheduled capacity of the other carriers presented also includes the international scheduled capacity of their respective affiliated or contracted regional carrier(s), when applicable.

(2) KLM = Air France KLM; LH = Lufthansa; BA = British Airways; CATH = Cathay Pacific Airways; MU = China Eastern Airlines; TRZ = Transat A.T. Inc.; WJA = WestJet Airlines; SWG = Sunwing Airlines.

RISK FACTORS

For a description of risk factors associated with Air Canada and its business, refer to section 18 "Risk Factors" of Air Canada's 2018 MD&A, which section is incorporated into the AIF by this reference.

MARKET FOR SECURITIES

Effective November 3, 2014, the Variable Voting Shares and the Voting Shares started trading on the TSX under a single trading symbol "AC". The following table sets forth the price range and trading volume, on a combined basis, of the Variable Voting Shares and the Voting Shares as reported by the TSX for the months of January to December 2018.

	Variable Voting Shares and Voting Shares (AC)			
2018	**High**	**Low**	**Average Daily Trading Volume**	**Total Monthly Volume**
January	$ 26.24	$ 22.52	1,379,540	30,349,879
February	$ 27.48	$ 22.05	1,521,043	28,899,818
March	$ 29.11	$ 25.80	1,143,607	24,015,746
April	$ 26.81	$ 24.60	961,336	20,188,059
May	$ 25.56	$ 22.55	1,111,637	24,456,008
June	$ 23.98	$ 20.33	1,122,011	23,562,229
July	$ 24.36	$ 20.63	1,227,294	25,773,175
August	$ 27.33	$ 23.12	1,088,261	23,941,743
September	$ 28.44	$ 25.98	1,120,796	21,295,117
October	$ 28.22	$ 22.57	1,746,442	38,421,728
November	$ 29.39	$ 24.18	1,253,461	27,576,136
December	$ 29.35	$ 23.50	1,267,951	24,091,077

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Variable Voting Shares and Voting Shares of Air Canada is AST Trust Company (Canada) with its principal offices in Montréal, Toronto, Vancouver and Calgary.

DIVIDEND RECORD

The Corporation has not declared or paid dividends on its Voting Shares and Variable Voting Shares for any of the financial years ended December 31, 2018, 2017 and 2016.

Air Canada's current policy is to reinvest earnings in order to finance the growth and development of its business and to improve liquidity levels, pay down debt and, when appropriate, buy back shares. Certain agreements described in the section entitled "Significant Financing Transactions" impose conditions with respect to Air Canada's ability to declare and pay dividends. In addition, certain other agreements Air Canada has or may enter into from time to time may include conditions with respect to the Corporation's ability to declare and pay dividends. Any future determination to declare and pay cash dividends is subject to legal restrictions applicable at the time to Air Canada and to the discretion of Air Canada's Board of Directors. It will also depend on Air Canada's financial condition, results of operations, capital requirements, restrictive covenants in contracts and such other factors as Air Canada's Board of Directors deems relevant.

As of the date of this AIF, Air Canada would satisfy conditions required in its agreements to be able to declare and pay dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Air Canada is comprised of an unlimited number of Variable Voting Shares and Voting Shares. As at December 31, 2018, 125,214,350 Variable Voting Shares and 145,515,561 Voting Shares were issued and outstanding for an aggregate amount of 270,729,911.

The following summary describes the rights, privileges, restrictions and conditions that are attached to the Variable Voting Shares and the Voting Shares. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, the terms of Air Canada's restated articles of incorporation.

Variable Voting Shares

Voting

The holders of the Variable Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of Air Canada, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA.

The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians, as such term is defined in the CTA ("Qualified Canadians") and are entitled to one vote per Variable Voting Share unless (i) the number of Variable Voting Shares, as a percentage of the total number of votes attaching to all issued and outstanding Voting Shares, exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding Voting Shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

In 2018, the Government of Canada passed *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts* (also known as the "Transportation Modernization Act"). This Act, among other things, amended the *Canada Transportation Act (*"CTA") by increasing, from 25% to 49%, the permitted level of foreign ownership of Canadian air carriers, while capping the voting rights of any single non-Canadian and of the aggregate of non-Canadian air carriers to 25%. Air Canada will seek shareholder approval at its 2019 annual and special meeting of shareholders to amend its articles of incorporation to increase the limits of foreign ownership and control of its voting shares to those permitted by these CTA amendments. The amendments to its articles are being undertaken by way of a court supervised and shareholder approved statutory plan of arrangement and will be subject to shareholder approval and approval of the Quebec Superior Court.

Dividends

Subject to the rights, privileges, restrictions and conditions attached to the shares of Air Canada of any other class ranking senior to the Variable Voting Shares, the holders of the Variable Voting Shares are, at the discretion of the directors, entitled to receive, out of monies, assets or property of Air Canada properly applicable to the payment of dividends, any dividends declared and payable by Air Canada on the Variable Voting Shares and the Variable Voting Shares rank equally as to dividends on a share-for-share basis with the Voting Shares participating on an as-converted basis. All dividends declared in any fiscal year of Air Canada are to be declared in equal or equivalent amounts per share on all Variable Voting Shares, and Voting Shares participating on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or the Voting Shares may occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada ranking prior to the Variable Voting Shares, upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of the Variable Voting Shares and Voting Shares are entitled to receive the remaining property of Air Canada and are entitled to share equally, share for share, in all distributions of such assets.

Conversion

Each issued and outstanding Variable Voting Share is converted into one Voting Share, automatically and without any further act of Air Canada or of the holder, if (i) such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Qualified Canadian.

In the event that an offer is made to purchase Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, be made to all or substantially all the holders of the Voting Shares in a province of Canada to which the requirement applies, each Variable Voting Share becomes convertible at the option of the holder into one Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares in response to the offer and the transfer agent is required to deposit the resulting Voting Shares on behalf of the shareholder.

If the Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Voting Shares resulting from the conversion are to be reconverted automatically and without further act from Air Canada or the holder, into Variable Voting Shares.

There is no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in Air Canada's restated articles of incorporation.

Constraints on Ownership of Shares

The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians. Air Canada's restated articles of incorporation, provide that: (i) the Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by persons who are Qualified Canadians; and (ii) the Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Qualified Canadians.

Voting Shares

Voting

The holders of the Voting Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of Air Canada (except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA), and each Voting Share confers the right to one vote in person or by proxy at all meetings of shareholders of Air Canada.

Dividends

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada of any other class ranking senior to the Voting Shares, the holders of the Voting Shares are, at the discretion of the directors, entitled to receive, out of monies, assets or property of Air Canada properly applicable to the payment of dividends, any dividends declared and payable by Air Canada on the Voting Shares. The Voting Shares rank equally as to dividends on a share-for-share basis with the Variable Voting Shares participating on an as-converted basis and all dividends declared in any fiscal year of Air Canada are to be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares on an as-converted basis at the time outstanding, without preference or distinction.

Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or the Variable Voting Shares may occur unless, simultaneously, the shares of the other class are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Rights upon Liquidation, Dissolution or Winding Up

Subject to the rights, privileges, restrictions and conditions attaching to the shares of Air Canada ranking senior to the Voting Shares, upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of the Voting Shares and Variable Voting Shares are to be entitled to receive the remaining property of Air Canada and are to be entitled to share equally, share for share, in all distributions of such assets.

Conversion

An issued and outstanding Voting Share is converted into one Variable Voting Share, automatically and without any further act of Air Canada or the holder, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Qualified Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which must, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then listed, be made to all or substantially all the holders of the Variable Voting Shares, each Voting Share becomes convertible at the option of the holder into one Variable Voting Share that is subject to the offer at any time while the offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares in response to the offer and the transfer agent is required to deposit the resulting Variable Voting Shares on behalf of the shareholder.

If the Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is abandoned or withdrawn, the Variable Voting Shares resulting from the conversion are reconverted automatically and without further act from Air Canada or the holder, into Voting Shares.

There is no right to convert the Variable Voting Shares into Voting Shares or to convert Voting Shares into Variable Voting Shares, except in accordance with the conversion procedure set forth in Air Canada's restated articles of incorporation.

Repurchase of Shares

Air Canada may be allowed, from time to time, to purchase shares for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase would constitute an "issuer bid" under Canadian provincial securities legislation and would be conducted in accordance with the applicable requirements thereof. Any future decision to purchase shares for cancellation will depend on Air Canada's financial condition, results of operations, capital requirements, restrictive covenants in contracts and such other factors as Air Canada's Board of Directors deems relevant. Agreements entered into in relation to the Senior Notes, Unsecured Notes and the Credit Facility described in the section entitled "Significant Financing Transactions" in this AIF include conditions with respect to Air Canada's ability to purchase shares for cancellation.

In May 2018, Air Canada received approval from the Toronto Stock Exchange ("TSX") for the renewal of its normal course issuer bid for its Variable Voting Shares and Voting Shares (collectively the "Shares"), authorizing, between May 31, 2018 and May 30, 2019, the purchase of up to 24,040,243 Shares, representing 10% of the public float as at May 17, 2018 ("Issuer Bid"). The renewal followed the conclusion of the 2017 normal course issuer bid which expired on May 30, 2018.

Effective October 27, 2017 Air Canada entered into an automatic share purchase plan (the "Plan"), which Plan was renewed effective on May 30, 2018 concurrently with the renewal of the Issuer Bid, with a designated broker to facilitate the purchase of Shares under the Issuer Bid at times when Air Canada would ordinarily not be permitted to purchase its Shares due to regulatory restrictions or self-imposed blackout periods. Air Canada self-imposes regular blackouts during the period commencing two weeks prior to the end of each fiscal quarter to and including two trading days after the public announcement of Air Canada's quarterly or annual financial results. Pursuant to the Plan, before entering a blackout period, Air Canada may, but is not required to, instruct the designated broker to make purchases under the Issuer Bid in accordance with the terms of the Plan. Such purchases will be determined by the designated broker based on parameters established by Air Canada prior to the blackout period in accordance with the rules of the TSX, applicable securities laws and the terms of the Plan. Outside of the pre-determined blackout periods, Shares may be purchased under the Issuer Bid at the discretion of Air Canada, in compliance with TSX rules and applicable securities laws. Any repurchases made under the Plan will count towards the number of Shares purchased under the Issuer Bid.

In 2018, Air Canada purchased, for cancellation, 3,013,822 Shares at an average cost of $24.11 per Share for aggregate consideration of $73 million. Subsequent to December 31, 2018, Air Canada purchased, for cancellation, 1,544,487 Shares at an average cost of $33.09 per Share for aggregate consideration of $51 million. As of the date of this AIF, a total of 20,396,152 Shares remain available for repurchase under the Issuer Bid.

Air Canada Shareholder Rights Plan

On March 24, 2017, the Board of Directors adopted a new shareholder rights plan (the "New Rights Plan") in order to amend and restate the then existing shareholder rights Plan which was set to expire the day after the 2017 annual meeting of shareholders which was held May 5, 2017. The New Rights Plan was ratified at the 2017 annual meeting of shareholders held May 5, 2017 and therefore, is in effect until the close of business on the date on which the annual meeting of the shareholders of the Corporation is held in 2020, and can be renewed in accordance with its terms for an additional period of three years (from 2020 to 2023) provided that the shareholders ratify such renewal at or prior to the annual meeting of shareholders to be held in 2020.

In adopting the New Rights Plan, the Board of Directors considered the existing legislative framework governing take-over bids in Canada, as amended as of May 9, 2016. As such legislative amendments do not apply to exempt take-over bids, the Board of Directors considered that there continued to be a role for rights plans in protecting issuers and preventing the unequal treatment of shareholders. As a result, the New Rights Plan also addresses the following:

- protecting against "creeping bids" (the accumulation of more than 20% of the Variable Voting Shares and Voting Shares on a combined basis) through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of shareholders under private agreements at a premium to the market price not available to all shareholders, (ii) acquiring control through the slow accumulation of shares not available to all shareholders, (iii) acquiring control through the slow accumulation of shares over a stock exchange without paying a control premium, or (iv) through other transactions outside of Canada (that may not be formally subject to Canadian take-over bid rules), and requiring the bid to be made to all shareholders; and

- preventing a potential acquirer from entering into lock-up agreements with existing shareholders prior to launching a take-over bid, except for permitted lock-up agreements as specified in the New Rights Plan.

The New Rights Plan is available on SEDAR at **www.sedar.com.**

Air Canada Long-Term Incentive Plan

Certain of the Corporation's employees participate in the Air Canada Long-term Incentive Plan (the "Long-term Incentive Plan"). The Long-term Incentive Plan provides for the grant of options, performance share units and restricted share units to senior management and officers of Air Canada. 19,381,792 Shares are authorized for issuance under the Long-term Incentive Plan of which 9,046,974 currently remain available for future issuance after taking into account the issued and outstanding stock options, and after deducting stock options which have been exercised. The outstanding performance share units and restricted share units will not result in the issuance of new Shares as these share units will be redeemed for Shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

DIRECTORS AND OFFICERS

Directors

The name, municipality of residence and principal occupation of each of the directors are, as of the date hereof, as set forth below. Such individuals have served as directors of Air Canada since the dates set forth opposite their respective names.

Name and Municipality of Residence	Principal Occupation	Director Since
Christie J.B. Clark (1)(2) Toronto, Ontario	Corporate Director	June 27, 2013
Gary A. Doer (2)(4) Winnipeg, Manitoba	Corporate Director	April 30, 2018
Rob Fyfe (3)(4) Auckland, New Zealand	Corporate Director	September 30, 2017
Michael M. Green (3)(4) New York, New York	Chief Executive Officer and Managing Director, Tenex Capital Management	March 30, 2009
Jean Marc Huot (3)(4) Montréal, Québec	Partner, Stikeman Elliott LLP	May 8, 2009
Madeleine Paquin (1)(3) Montréal, Québec	President and Chief Executive Officer, Logistec Corporation	May 12, 2015
Calin Rovinescu Montréal, Québec	President and Chief Executive Officer, Air Canada	April 1, 2009
Vagn Sørensen (1)(2)(5) London, United Kingdom	Corporate Director	November 15, 2006
Kathleen Taylor (1)(2)(4) Toronto, Ontario	Corporate Director	May 10, 2016

Name and Municipality of Residence	Principal Occupation	Director Since
Annette Verschuren (1)(2) Toronto, Ontario	Chair and Chief Executive Officer, NRStor Inc.	November 12, 2012
Michael M. Wilson (2)(3)(4)(6) Bragg Creek, Alberta	Corporate Director	October 1, 2014

(1) Member of the Governance and Nominating Committee.
(2) Member of the Audit, Finance and Risk Committee.
(3) Member of the Safety, Health, Environment and Security Committee.
(4) Member of the Human Resources and Compensation Committee.
(5) Mr. Sørensen became the Chairman of the Board of Air Canada on May 5, 2017.
(6) Mr. Wilson also served on the Board of Air Canada from May 21, 2008 to May 8, 2009.

Unless otherwise indicated below, each of the directors has held the occupation listed above for more than five years. Mr. Doer served as the Canadian Ambassador to the United States from 2009 to 2016. Mr. Fyfe was Chief Executive Officer of Icebreaker from 2014 to 2017.

Officers

The Board of Directors of Air Canada may from time to time appoint one or more officers of Air Canada.

The name, municipality of residence and position held with Air Canada of each of the officers are, as of the date hereof, as set forth below:

Name and Municipality of Residence	Position with Air Canada	Officer since
Vagn Sørensen (1) London, United Kingdom	Chairman of the Board	May 5, 2017
Calin Rovinescu (2) Montréal, Québec	President and Chief Executive Officer	April 1, 2009
Michael Rousseau Saint-Lambert, Québec	Deputy Chief Executive Officer and Chief Financial Officer	October 22, 2007
Lucie Guillemette Beaconsfield, Québec	Executive Vice President and Chief Commercial Officer	February 6, 2008
Craig Landry Montréal, Québec	Executive Vice President, Operations	August 1, 2010
Catherine Dyer Beaconsfield, Québec	Senior Vice President and Chief Information Officer	August 15, 2017

Name and Municipality of Residence	Position with Air Canada	Officer since
Amos Kazzaz Saint-Laurent, Québec	Senior Vice President, Finance	May 3, 2010
Arielle Meloul-Wechsler Montréal, Québec	Senior Vice President, People, Culture and Communications	September 18, 2013
Ferio Pugliese Mississauga, Ontario	Senior Vice President, Government Relations and Air Canada Express	August 20, 2018
David J. Shapiro Hampstead, Québec	Senior Vice President, International and Regulatory Affairs and Chief Legal Officer	November 12, 2004
Richard Steer Georgetown, Ontario	Senior Vice President, Operations	January 1, 2015
Duncan Bureau Oakville, Ontario	President, Air Canada Rouge	June 9, 2014
Samuel Elfassy North York, Ontario	Vice President, Safety	July 18, 2017
Mark Galardo Mont-Royal, Québec	Vice President, Network Planning	January 1, 2017
Carolyn M. Hadrovic Beaconsfield, Québec	Vice President and Corporate Secretary	February 16, 2006
Chris Isford Winnipeg, Manitoba	Vice President and Controller	November 1, 2006
John MacLeod Toronto, Ontario	Vice President, Global Sales and Alliances	March 6, 2017
Mark Nasr Toronto, Ontario	Vice President, Loyalty and eCommerce	July 11, 2017
Kevin O’Connor Burlington, Ontario	Vice President, System Operations Control	October 31, 2017
Al Read Mississauga, Ontario	Vice President, Airports - North America	March 1, 2018
Renee Smith-Valade Victoria, British Columbia	Vice President, In-Flight Service	April 1, 2015
Tim Strauss Lachine, Québec	Vice President, Cargo	April 3, 2017

Name and Municipality of Residence	Position with Air Canada	Officer since
Murray Strom Burlington, Ontario	Vice President, Flight Operations	March 6, 2018
Jon Turner Toronto, Ontario	Vice President, Maintenance	February 1, 2018
Andrew Yiu Richmond Hill, Ontario	Vice President, Product	October 31, 2017

(1) Mr. Sørensen is a non-executive officer of Air Canada. Mr. Sørensen's principal occupation is a corporate director.
(2) Mr. Rovinescu was also an executive officer of Air Canada from 2000 to 2004.

Unless otherwise indicated below, each of the officers has held a position with Air Canada similar to that listed above for more than five years. Mr. Bureau was Senior Vice President, Global Sales of Malaysia Airlines from 2012 to 2014 and Vice President, Global Sales of Air Canada from 2014 to 2018. Ms. Dyer was Vice President, Information Technology Business Solutions of Enbridge Inc. from 2013 to 2015 and Chief Information Officer from 2015 to 2017. Mr. Elfassy was Senior Director, Corporate Safety, Environment and Quality of Air Canada from 2013 to 2015 and Managing Director, Corporate Safety Environment and Quality from 2015 to 2017. Ms. Guillemette was Vice President, Revenue Management of Air Canada from 2008 to 2015 and Senior Vice President, Revenue Optimization from 2015 to 2016. Mr. Landry was Vice President, Marketing of Air Canada from 2010 to 2016, President, Air Canada Leisure Group from 2016 to 2017 and Senior Vice President, Revenue Optimization from 2017 to 2018. Mr. Galardo was Director, Network Planning of Air Canada from 2012 to 2014 and Senior Director, Network Planning from 2014 to 2016. Mr. MacLeod was Senior Vice President, Planning, Sales, Revenue Management and eCommerce of Virgin America from 2012 to 2017. Ms. Meloul-Wechsler was Vice President, Human Resources from 2013 to 2017. Mr. Nasr was Managing Director, eCommerce of United Airlines from 2012 to 2015, Managing Director, Corporate Strategy and Development from 2015 to 2016 and Managing Director, Loyalty, eCommerce and Ancillary Revenues of Air Canada from 2016 to 2017. Mr. O'Connor was Director, Operation Center Transition of Air Canada from 2013 to 2014, Director, System Operations Control from 2014 to 2015, Senior Director, System Operations Control from 2015 to 2017 and Managing Director, System Operations Control from April 2017 to November 2017. Mr. Pugliese was President and Executive Vice President of WestJet Encore from 2012 to 2016 and Executive Vice President, Customer Care and Corporate Affairs of Hydro One from 2016 to 2018. Mr. Read was Vice President, Operations of Air Canada Rouge from 2012 to 2017 and Managing Director of Air Canada Rouge from 2017 to 2018. Ms. Smith-Valade was Vice President, Customer Experience of Air Canada Rouge from 2013 to 2015 and Vice President, Customer Experience of Air Canada in 2015. Mr. Steer was Managing Director, Maintenance Operations of Air Canada from 2013 to 2014 and Vice President, Maintenance and Engineering from 2015 to 2017. Mr. Strauss was Vice President, Cargo of Hawaiian Airlines from 2012 to 2017. Mr. Strom was Chief Pilot, Boeing 777 from 2013 to 2016 and Captain, Boeing 777 from 2016 to 2018. Mr. Turner was Executive Vice President of Air Transat from 2008 to 2015 and Chief Executive Officer and President of Sky Regional Airlines from 2015 to 2018. Mr. Yiu was Director, Product Specifications of Air Canada from 2013 to 2015, Director, Product Design-Airports and In-Flight Services in 2015, Senior Director, Product Design from 2015 to 2016 and Managing Director, Product Design from 2016 to 2017.

As at December 31, 2018, the directors and officers mentioned above, as a group, owned, or had control or direction over, directly or indirectly, 921,545 Voting Shares representing approximately 0.6333% of the outstanding Voting Shares and 24,254 Variable Voting Shares representing approximately 0.0194% of the outstanding Variable Voting Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Air Canada, no director or executive officer of Air Canada is, as at the date of this AIF, or was, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer of Air Canada was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the director or executive officer of Air Canada ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Air Canada, no director or executive officer of Air Canada, or a shareholder holding a sufficient number of securities of Air Canada to affect materially the control of Air Canada, (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder of Air Canada.

To the knowledge of Air Canada, no director or executive officer of Air Canada or a shareholder holding a sufficient number of securities of Air Canada to affect materially the control of Air Canada, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT, FINANCE AND RISK COMMITTEE

Audit Committee Charter

The charter of the Audit, Finance and Risk Committee ("Audit Committee") is attached as Appendix A to this AIF.

Composition of Audit Committee

As of the date hereof, the Audit Committee of Air Canada consists of Christie J.B. Clark (Chair), Gary A. Doer, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson. Each member of the Audit Committee is independent and financially literate as defined under National Instrument 52-110 - *Audit Committees*.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

(i) Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm’s Executive Committee from 2001 to 2005. Mr. Clark is also a member of the Board of the Canadian Olympic Committee, Own The Podium and the Sunnybrook Hospital Foundation and a member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen’s University. Mr. Clark has served as a director of Hydro One Limited, Hydro One Inc., Brookfield Office Properties Inc. and IGM Financial Inc. Mr. Clark graduated from Queen’s University with a Bachelor of Commerce degree and the University of Toronto with a Master of Business Administration degree. He is a Fellow Chartered Accountant. Mr. Clark is currently the National Academic Director for the Institute of Corporate Directors’ course entitled Audit Committee Effectiveness.

(ii) Gary Doer is a corporate director. Mr. Doer is a director of IGM Financial Inc., Great-West Lifeco Inc., Power Corporation of Canada and Power Financial Corporation. He is also Senior Business Advisor to the law firm Dentons Canada LLP. Previously, Mr. Doer served as the Canadian Ambassador to the United States from 2009 to 2016 and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement. Mr. Doer also served as the 20^{th} Premier of Manitoba from 1999 to 2009. He was elected a member of the Legislative Assembly of Manitoba in 1986 and, during his tenure, he served as Minister of Urban Affairs and Minister of Crown Investments. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees’ Association. Mr. Doer is a Canadian member of the Trilateral Commission and serves as Co-Chair of the Wilson Centre’s Canada Institute, a non-partisan public policy forum focused on Canada-U.S. relations. In 2010, he became a Member of the Order of Manitoba and, in 2011, he received a distinguished diplomatic service award from the World Affairs Council.

(iii) Vagn Sørensen is a corporate director. Mr. Sørensen is Chairman of FLSmidth & Co. A/S and SSP Group plc, and serves as a director of Royal Caribbean Cruises Ltd. He also represents the private equity fund EQT in some of their portfolio companies. Mr. Sørensen was previously President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System, including Deputy Chief Executive Officer. Mr. Sørensen is the former Chairman of British Midland Ltd. and a former director of Lufthansa Cargo AG. He has also served as Chairman of the Association of European Airlines and a member of the IATA Board of Governors. Mr. Sørensen holds a Master of Science degree in Economics and Business Administration from Aarhus Business School of Business, University of Aarhus, Denmark.

(iv) Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada, Vice-Chair of the Adecco Group and a director of the Canada Pension Plan Investment Board. She is also Chair of the Board of the SickKids Foundation, a member of the Board of Trustees for the Hospital for Sick Children and a Co-Chair of the SickKids Capital Campaign. Ms. Taylor is the former President and Chief Executive

Officer of Four Seasons Hotels and Resorts. During her 24-year career, she held a number of senior leadership roles and was instrumental in building the firm's global brand and its international portfolio of luxury properties. Ms. Taylor is also a member of the C.D. Howe Institute's National Council and serves on the Dean's Advisory Council of the Schulich School of Business and on the Principal's International Advisory Board of McGill University. Ms. Taylor is a member of the Order of Canada and has received Honorary Doctorates of Laws from McGill University, York University and Trent University, and an Honorary Doctorate of Humane Letters from Mount Saint Vincent University. Ms. Taylor holds a Masters of Business Administration from the Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) from the University of Toronto.

(v) Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc., an energy storage development company. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth from 19 to 179 Canadian stores and led its entry into China. Prior to joining The Home Depot, Ms. Verschuren was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco Ltd. and Executive Vice President of Canada Development Investment Corporation. Ms. Verschuren is a director of Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc., and is Chair of MaRS Discovery District. She serves as Chancellor of Cape Breton University and is a board member of numerous non-profit organizations including the CAMH Foundation. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility. At the request of the Federal Government, Ms. Verschuren sits on the NAFTA Advisory Council and the Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders. Ms. Verschuren holds honorary doctorate degrees from eight universities including St. Francis Xavier University where she also earned a Bachelor of Business Administration degree.

(vi) Michael M. Wilson is a corporate director. Mr. Wilson is the former President and Chief Executive Officer of Agrium Inc., a position he held from 2003 until his retirement in 2013. He previously served as Executive Vice President and Chief Operating Officer. Mr. Wilson has significant experience in the petrochemical industry, serving as President of Methanex Corporation and holding various positions with increasing responsibility in North America and Asia with Dow Chemical Company. Mr. Wilson is Chair of Suncor Energy Inc. and a director of Celestica Inc. Mr. Wilson holds a Bachelor of Science degree in Chemical Engineering from the University of Waterloo.

Pre-approval Policies and Procedures

The Audit Committee reviews and approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such work. In this regard, the Audit Committee will prepare a report for presentation to the shareholders of the Corporation annually, as required, regarding the Audit Committee's approval of such non-audit services in the period.

The Audit Committee will also review a report from the external auditor that describes any relationship between the external auditor and the Corporation and states that, in the external auditor's professional judgment, it is independent of the Corporation and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor.

Auditors' Fees

PricewaterhouseCoopers LLP has served as Air Canada's auditing firm since April 26, 1990. Fees payable for the years ended December 31, 2018 and December 31, 2017 to PricewaterhouseCoopers LLP and its affiliates are $3,423,761 and $3,228,566, respectively, as detailed below.

	2018	2017
Audit fees	$ 2,110,000	$ 1,950,000
Audit-related fees	699,588	684,171
Tax fees	190,115	346,365
All other fees	424,058	248,030
Total	**$ 3,423,761**	**$ 3,228,566**

The nature of each category of fees is described below:

Audit fees

Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada. The audit fee increase year-over-year was largely due to work performed for the adoption of the IFRS 16 Lease standard.

Audit-related fees

Audit-related fees were paid for professional services related to the audit of the non-consolidated financial statements of Air Canada, pension plan audits, audits of subsidiary companies, where required, specified procedures reports and other audit engagements not related to the consolidated financial statements of Air Canada.

Tax fees

Tax fees were paid for professional services for tax compliance and tax advice.

All other fees

Other fees were paid for translation services, advisory services and fees related to the auditors' involvement with offering documents, if any. The other fee increase year-over-year relates to work performed to support internal control assessments over new project implementations and regulatory matters.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the (i) directors or executive officers of Air Canada, (ii) shareholders of Air Canada, that, to the knowledge of Air Canada, beneficially own, or control, directly or indirectly, more than 10% of any class of shares of Air Canada, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or the current financial year that has materially affected or is reasonably expected to materially affect Air Canada or any of its subsidiaries.

LEGAL PROCEEDINGS

A description of certain legal proceedings to which Air Canada is a party appears under the heading "Current Legal Proceedings" in section 18 entitled "Risk Factors" in Air Canada's 2018 MD&A, which section is incorporated into the AIF by this reference.

MATERIAL CONTRACTS

The contracts that are material to the Corporation and that were entered into within the year ended December 31, 2018, or before such year but which are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 - Continuous Disclosure Obligations, are as follows:

(i) the Indenture dated October 6, 2016 governing the 2016 Senior Notes, and the Collateral Trust Agreement dated October 6, 2016 governing the holding of collateral securing the 2016 Senior Notes, all as amended;

(ii) the Loan Agreement dated October 6, 2016 governing the 2016 Credit Facility, as amended;

(iii) the Amended and Restated Capacity Purchase Agreement between Air Canada and Jazz dated January 1, 2015, as amended; and

(iv) Share Purchase Agreement among Aimia Inc., Air Canada and Aeroplan Inc. (formerly Aimia Canada Inc.) dated as of November 26, 2018.

EXPERTS

The Corporation's independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the standards of the Code of Ethics of the Chartered Professional Accountants of Canada.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Air Canada's securities and securities authorized for issuance under equity compensation plans is contained in Air Canada's management proxy circular for its 2018 annual meeting of shareholders held on April 30, 2018 and will be contained in Air Canada's management proxy circular for its 2019 annual and special meeting of shareholders to be held on May 6, 2019.

Additional financial information is provided in Air Canada's consolidated financial statements for the year ended December 31, 2018 and Air Canada's 2018 MD&A. These documents and additional information related to Air Canada are available on Air Canada's website at **aircanada.com** or on SEDAR at **www.sedar.com**.

The following documents can be obtained by sending your request to the Vice President and Corporate Secretary of Air Canada, at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec H4Y 1H4:

(i) this AIF, together with any document incorporated herein by reference;

(ii) the Consolidated Financial Statements of Air Canada as at and for the year ended December 31, 2018, including the Independent auditor's report and notes related thereto, Air Canada's 2018 MD&A, and any interim financial statements filed after the audited financial statements for Air Canada's most recently completed financial year; and

(iii) any other documents that are incorporated by reference into a short form prospectus pursuant to which securities of Air Canada are in the course of a distribution.

GLOSSARY OF TERMS

"Accessible Transportation Regulations" *means the Accessible Transportation for Persons with Disabilities Regulations;*

"ACE" means the ACE Aviation Holdings Inc., a corporation incorporated under the CBCA;

"ACPA" means the Air Canada Pilots Association;

"ACPPA" means the *Air Canada Public Participation Act,* as amended;

"AE" means the Accountable Executive;

"Aeroplan" means Aeroplan Inc. (formerly Aimia Canada Inc.), Air Canada's wholly owned subsidiary;

"AIF" means this Annual Information Form;

"Air Canada's 2018 MD&A" means Air Canada's 2018 Management's Discussion and Analysis of Results of Operations and Financial Condition dated February 15, 2019;

"Air Canada Cargo" means the cargo services division of Air Canada;

"Air Canada Vacations" means Touram Limited Partnership (doing business as Air Canada Vacations®), a limited partnership established under the laws of the Province of Québec;

"Air Canada Rouge" means Air Canada Rouge LP (doing business as Air Canada Rouge), a limited partnership established under the laws of the Province of Québec;

"Air Georgian" means Air Georgian Limited;

"AMEX" means Amex Bank of Canada;

"Anti-Terrorism Act" means The *Act to enact the Security of Canada Information Sharing Act and the Secure Air Travel Act, to amend the Criminal Code, the Canadian Security Intelligence Service Act and the Immigration and Refugee Protection Act and to make related and consequential amendments to other Acts;*

"ASMs" means the Available Seat Miles which refers to a measure of passenger capacity calculated by multiplying the total number of seats available for passengers by the mile flown;

"Audit Committee" means the Audit, Finance and Risk Committee of Air Canada;

"**Benchmark Pricing**" shall have the meaning ascribed thereto under "Carbon Emissions";

"**Bill C-49**" or "**Transportation Modernization Act**" means *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts*;

"**Bill C-59**" or "**National Security Matters Act**" means *An Act respecting national security matters*;

"Boeing" means The Boeing Company;

"CALDA" means the Canadian Airline Dispatchers Association;

"Canadian Airlines" means Canadian Airlines International LTD;

"CARS" means Canadian Aviation Regulations;

"CASM" means the operating expense per ASM;

"CBCA" means the *Canada Business Corporations Act*, as amended;

"CCAA" means the *Companies' Creditors Arrangement Act*, as amended;

"Chorus" means Chorus Aviation Inc., Jazz's parent corporation;

"CIBC" means Canadian Imperial Bank of Commerce;

"**Contracted Carriers**" means Jazz, Sky Regional, Air Georgian and other airlines operating flights on behalf of Air Canada under commercial agreements with Air Canada;

"Corporation" shall have the meaning ascribed thereto under "Explanatory Notes";

"CORSIA" means Carbon Offsetting and Reduction Scheme for International Aviation;

"CPAs" means Capacity Purchase Agreements;

"CTA" means the Canada Transportation Act, as amended;

"CUPE" means the Canadian Union of Public Employees;

"EEA" means the European Economic Area;

"EETCs" means Enhanced Equipment Trust Certificates;

"Embraer" means EMBRAER - Empresa Brasileira de Aeronautica S.A.;

"EU" means the European Union;

"ETS" means emission trading system;

"EU ETS" means the European Emission Trading System;

"EVAS" means Exploits Valley Air Services Limited;

"Fitch" means Fitch Ratings, Inc.;

"FTE" shall have the meaning ascribed thereto under the section of this AIF entitled Employees and Arrangements with Unions;

"GAAP" means generally accepted accounting principles in Canada as set out in the CPA Canada Handbook - Accounting which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB");

"GDPR" means the *General Data Protection Regulation*;

"GMBM" means global market-based measure;

"IAMAW" means the International Association of Machinists and Aerospace Workers;

"IASB" means International Accounting Standards Board;

"**IATA**" means the International Air Transport Association;

"IBT" means the International Brotherhood of Teamsters;

"ICAO" means the International Civil Aviation Organization;

"IEnvA" means the IATA Environmental Assessment;

"IFRS" means International Financial Reporting Standards;

"Independent" means independent as defined in National Policy 58-201 — Corporate Governance Guidelines;

"Initial Public Offering" shall have the meaning ascribed thereto under "Corporate Structure - Name, Address and Incorporation";

"Issuer Bid" shall have the meaning ascribed thereto under "Repurchase of Shares";

"IOSA" means IATA Operational Safety Audit;

"Jazz" means Jazz Aviation LP;

"Jazz CPA" means the Amended and Restated Capacity Purchase Agreement between Air Canada and Jazz dated January 1, 2015, as amended;

"JOLCO" means Japanese operating leases with a call option;

"Lufthansa" means Deutsche Lufthansa AG**;**

"MD&A" means Management's Discussion and Analysis;

"Montréal Trudeau Airport" means Montréal's Pierre Elliott Trudeau International Airport;

"Moody's" means Moody's Investors service, Inc.

"OAG" means the Official Airline Guide;

"OLA" means the *Official Languages Act* (Canada), as amended;

"Open Skies Agreement" means the agreement negotiated between the governments of Canada and the United States which came into force on March 12, 2007;

"PIPEDA" means the *Personal Information Protection and Electronic Documents Act* (Canada), as amended;

"Porter" means Porter Airlines Inc.;

“Qualified Canadians” shall have the meaning ascribed thereto under "Variable Voting Shares";

“Shares” means both Variable Voting Shares and Voting Shares;

“Sky Regional” means Sky Regional Airlines Inc.;

“SMS” means the Safety Management System;

“SOC” means the System Operations Centre;

“Standard & Poor’s” means Standard & Poor’s Rating Services;

“Sunwing” means Sunwing Airlines;

"TD” means The Toronto-Dominion Bank;

“Toronto Pearson Airport” means Toronto Pearson International Airport;

“Transat” means Transat A.T. Inc.;

“*Transportation Modernization Act*” *or* **“*Bill C-49*” means** *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts;*

“TSX” means the Toronto Stock Exchange;

“Unifor” refers to a trade union in Canada, launched in 2013, as a merger of the Canadian Auto Workers and Communications, Energy and Paperworkers unions.

“United Airlines” means United Airlines Inc.

“Variable Voting Shares” means the Class A Variable Voting Shares in the capital of Air Canada;

“**Visa**” means Visa Canada Corporation;

“Voting Shares” means the Class B Voting Shares in the capital of Air Canada;

“WestJet” means WestJet Airlines Ltd.

SCHEDULE A

CHARTER OF THE
AUDIT, FINANCE AND RISK COMMITTEE
(the "Audit Committee")
OF THE BOARD OF DIRECTORS
OF AIR CANADA
(the "Corporation")

1. GENERAL PURPOSE

The purpose of the Audit Committee is as follows:

(a) To assist the Board of Directors (the "Board") in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.

(b) To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.

(c) To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.

(d) To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.

(e) To provide independent communication among the Board, the head of corporate audit and advisory, and the external auditor.

(f) To facilitate in-depth and candid discussions among the Audit Committee, management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

(g) To assist the Board in the discharge of its oversight responsibility in relation to the Corporation's enterprise risk management process, except in regard to risks for which the Human Resources and Compensation Committee and the Safety, Health, Environment and Security Committee have been delegated responsibility by the Board.

2. COMPOSITION AND QUALIFICATION

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

Corporation or any of its related entities, parties or subsidiaries. The members of the Audit Committee shall possess the mix of characteristics, experiences and skills to provide an appropriate balance for the performance of the duties of the Audit Committee and in particular each member of the Audit Committee shall be "financially literate" and at least one member shall be a "financial expert" as defined by relevant securities legislation or regulations.

(b) The members of the Audit Committee shall be appointed by the Board to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are appointed. Unless a Chair and a Secretary are appointed by the Board, the members of the Audit Committee may designate a Chair and a Secretary by a majority vote of all the Audit Committee members.

(c) The Audit Committee may invite, from time to time, such person as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Audit Committee. However, any such persons invited may not vote at any meeting of the Audit Committee.

(d) The Board, may, at any time, remove any member of the Audit Committee at its discretion and may accept the resignation of any member of the Audit Committee. Vacancies at any time occurring on the Audit Committee shall be filled by the Board.

3. MEETINGS AND PROCEDURE

(a) The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings may be held by telephone or by any other means which enables all participants to communicate with each other simultaneously.

(b) The Audit Committee may fix its own procedure at meetings and for the calling of meetings except as may be otherwise provided by the Board.

(c) A quorum for the transaction of business at an Audit Committee meeting shall be a majority of the Audit Committee members. All decisions and recommendations made by the Audit Committee shall be made by a majority vote of the members present at the meeting.

(d) An "*in*-camera" session of the members of the Audit Committee shall be held as part of each meeting of the Audit Committee.

(e) Notice of meetings shall be given by letter, facsimile, email or telephone not less than 24 hours before the time fixed for the meeting. Notice of meetings shall state the date, the place and the hour at which such meetings shall be held. Members may waive notice of any meeting.

(f) The minutes of the Audit Committee meetings shall accurately record the significant discussions of, and decisions made by, the Audit Committee, including all recommendations to be made by the Audit Committee to the Board and shall be distributed to Audit Committee members as well as to all the directors of the Corporation, with copies to the Chief Executive Officer.

(g) The Audit Committee shall report to the Board on all proceedings and deliberations of the Audit Committee at the first subsequent meeting of the Board, and at such other times and in such manner as the Board may require or as the Audit Committee in its discretion may consider advisable.

4. RESPONSIBILITIES AND DUTIES

To achieve its objectives, the Audit Committee shall:

(a) Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the head of corporate audit and advisory. This will include a review of the annual and quarterly financial statements and Management's Discussion and Analysis ("MD&A") to be filed with regulatory authorities and provided to shareholders, and financial statements and other financial disclosure included in prospectuses, earnings press releases and other similar documents. The Audit Committee shall also review the Corporation's annual information form and other similar documents. These reviews include:

(i) discussions with management and the external auditor and a consideration of the report by the external auditor to the Audit Committee of matters related to the conduct of an audit;

(ii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements including the critical accounting policies and practices used by management in their preparation, alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, the effect of significant accounting policies in controversial or emerging areas, the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the Corporation, the process used by management in formulating particularly significant accounting estimates and the basis for the external auditor's conclusions regarding the reasonableness of those estimates;

(iii) a review of significant adjustments arising from an audit;

(iv) a review of disagreements with management over the application of accounting policies as well as any disclosure in the financial statements. The Audit Committee is responsible for the resolution of disagreements between management and the external auditor regarding financial reporting;

(v) a review of all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements;

(vi) a review of the external auditor's suggestions for improvements to the Corporation's operations and internal controls;

(vii) a review of the nature and size of unadjusted errors of a non-trivial amount;

(viii) a review to ascertain that various covenants are complied with; and

(ix) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes.

(b) Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related MD&A, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.

(c) Review with management, the external auditor and legal counsel, the Corporation's procedures to be satisfied that it complies with applicable laws and regulations, and any significant litigation, claim or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements. The Audit Committee should be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and must periodically assess the adequacy of those procedures.

(d) Meet with the Corporation's external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the corporate audit and advisory department. The Audit Committee is responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.

(e) Review and approve estimated audit and audit-related fees and expenses for the current year. Pre-approve any significant additional audit and audit-related fees over the estimated amount. Review and approve audit and audit-related fees and expenses for the prior year. The authority for the determination and payment of fees to the external auditor rests solely and exclusively with the Audit Committee. The Corporation shall ensure that funding is available to the Audit Committee for payment of compensation to the external auditor.

(f) Review and approve, or delegate to a member of the Audit Committee the responsibility to review and approve, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation’s external auditor prior to the commencement of such work. In this regard the Audit Committee will prepare a report for presentation to the shareholders of the Corporation quarterly or annually, as required, regarding the Audit Committee’s approval of such non-audit services in the period. The pre-approval of non-audit services by a member of the Audit Committee to whom such authority is delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval.

(g) Review a report from the external auditor that describes any relationship between the external auditor and the Corporation and states that in the external auditor's professional judgment it is independent of the Corporation and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee should specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations and to confirm that it is not the subject of any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm.

(h) Receive reports on any consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements, and on any incidents involving fraud or illegal acts of which management, the corporate audit and advisory department or the external auditor become aware. In this regard, review the relevant control procedures with management to satisfy itself that such matters are adequately guarded against.

(i) At each quarterly meeting of the Audit Committee, meet privately with the external auditor, amongst other things, to understand any restrictions placed on them or other difficulties encountered in the course of the audit or review, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems.

(j) In conjunction with management, on an annual basis, evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders.

(k) Regarding the services provided by the corporate audit and advisory department, the Audit Committee will:

  (i) meet privately with the head of corporate audit and advisory at least quarterly to, amongst other things, understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work;

  (ii) periodically review and approve the mandate, reporting relationships and resources of the corporate audit and advisory department to ensure that it is independent of management and has sufficient resources to carry out its mandate;

  (iii) review the objectivity, qualifications, adequacy and experience of the corporate audit and advisory staff and approve the appointment, dismissal or replacement of the head of the corporate audit and advisory department;

  (iv) review and approve annually the planned scope for the corporate audit and advisory program, its objectives, its budget, and the resources required to attain these objectives;

  (v) at each quarterly meeting, review the reports of the corporate audit and advisory department which describe the activities of the corporate audit and advisory department for the preceding period, except those reports that have been requested directly by the Human Resources and Compensation Committee or the Safety, Health, Environment and Security Committee; and

  (vi) review the working relationship between the corporate audit and advisory department and the external auditor, and between the corporate audit and advisory department and management.

(l) Obtain from both the corporate audit and advisory department and the Corporation's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the corporate audit and advisory department in order to monitor whether management has implemented an effective system of internal accounting control.

(m) Review significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Corporation's financial statements.

(n) Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters. The Audit Committee should be satisfied that sufficient controls are in place with the objective that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place. The Audit Committee should also be satisfied that processes are in place with the objective that a summary of all complaints, regardless of significance, are presented to the Audit Committee.

(o) Review policies for approval of senior management expenses.

(p) Review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses.

(q) Receive regular reports from the Corporation's Disclosure Committee and Internal Control Compliance group with respect to the Corporation's system of disclosure controls and procedures and internal controls over financial reporting.

(r) Review and approve all related party transactions as such term is defined from time to time in *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* of the Autorité des marchés financiers and Multilateral Instrument 61-101 issued by the Ontario Securities Commission, as may be amended from time to time.

(s) Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Audit Committee as the Audit Committee may consider appropriate. The Corporation shall ensure that funding is available to the Audit Committee in respect of the aforementioned activities.

(t) Report regularly to the Board on the activities, findings and conclusions of the Audit Committee.

(u) Review this Charter on an annual basis and recommend to the Board any changes to it that the Audit Committee considers advisable.

(v) Complete a self-assessment annually to determine how effectively the Audit Committee is meeting its responsibilities.

(w) Perform such other functions as may be delegated from time to time by the Board.

(x) Review and confirm the selection of the lead audit partner and any other audit engagement team partner of the external auditor of the Corporation.

(y) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

5. <u>OTHER RESPONSIBILITIES AND DUTIES</u>

(a) **Public Disclosure**

The Audit Committee shall:

(i) Review and approve the Corporation’s Public Disclosure Policy and any changes related thereto and satisfy itself that such policy is consistent with current developments and best practices;

(ii) Where practicable, management will review with the Audit Committee or the Chair of the Audit Committee draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting by the Corporation which are expected by management to be material in relation to the market price of any of the Corporation’s securities.

(b) **Enterprise Risk Management**

The Audit Committee shall:

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

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

(c) **Contingent Liabilities**

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

(d) **Corporate Authorizations Policies**

The Audit Committee shall:

(i) Periodically review and approve policies relative to the financial control, conduct, regulation and administration of subsidiary companies as required;

(ii) Periodically review any administrative resolutions adopted from time to time pursuant to the Corporation's By-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof;

(iii) Review, monitor and approve the Corporate Donations Policy and any changes thereto and the annual Corporate Donations Budget; and

(iv) Review, monitor and approve any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

(e) **Performance to Budget**

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

(f) **Responsibilities**

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

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

Approved by the Board of Directors effective as of April 29, 2018