



Notice of Annual Meeting of Shareholders

May 12, 2023

Management Proxy Circular



AIR CANADA

A STAR ALLIANCE MEMBER



What's inside

Message from the Chair of the Board and the President and Chief Executive Officer...4

Management proxy circular summary 5

Notice of 2023 annual meeting of shareholders 9

Management proxy circular

Attending the virtual only meeting.....	10
Voting your shares.....	11
Proxy solicitation.....	15
Revoking your proxy, changing your vote.....	15
Voting requirements.....	15
Voting shares.....	16
Questions.....	16
Restrictions on voting securities.....	16
Principal shareholders.....	17

Business of the meeting

Receiving our financial statements.....	18
Electing directors.....	18
Appointing our auditors.....	18
Having a say on our executive compensation.....	19
Ratifying a renewed shareholder rights plan.....	20
Consideration of other business and report on business highlights and strategic initiatives.....	21
2022 Highlights.....	22
Strategic initiatives.....	23

Our nominated directors

Board nominees at a glance.....	25
Our nominees.....	26
Trust arrangement in connection with pension MOU.....	33
Certain proceedings.....	33
Remuneration of directors.....	33
Share ownership requirements for directors.....	34

Statement of governance practices

Board of Directors.....	36
Board mandate.....	37
Independent directors' meetings.....	37
Board and Committee meeting attendance.....	37
Position descriptions.....	37
Mechanisms of Board renewal.....	38
Director term limits and retirement policy.....	38
Assessment of directors.....	38
Nomination of directors.....	39
Competencies and skills.....	39
Board diversity policy.....	39
Code of conduct.....	41
Related-party transactions.....	42
Shareholder and stakeholder engagement.....	42
Board committees.....	43

Sustainability and social impact

Overview of ESG practices and strategies.....	45
ESG reporting.....	47
Climate action.....	48
Approach to diversity, equity and inclusion.....	50
Official languages.....	51
Privacy and cybersecurity.....	52
Safety.....	53
Employee wellbeing.....	53

Executive Compensation

Message from the Human Resources, Compensation and Pension Committee.....	55
Compensation discussion and analysis.....	60
Named executive officers.....	60
Executive compensation philosophy.....	60
Composition and responsibilities of the HRCPC.....	61
Compensation factors and governance.....	62
Role of the compensation consultant.....	62
Evaluation of compensation risk.....	63
Clawback policy.....	63
Executive succession planning.....	63
Shareholder input and engagement.....	63
Air Canada compensation comparator group.....	64
Supporting our pay-for-performance philosophy.....	66
Components of our President and Chief Executive Officer's total target direct compensation.....	66
Analysis of 2022 compensation.....	68
2022 base salary decisions.....	68
Short-term incentives — Annual incentive plan.....	68
2022 key accomplishments for annual short-term incentive award (CEO and NEOs).....	69
2022 annual incentive plan range of opportunity.....	70
2022 annual incentive plan.....	71
Long-Term Incentive Plan.....	71
Components of LTI Grants.....	71
Stock options.....	72
Share units.....	72
Long-Term Incentive Plan.....	73
Special circumstances.....	74
2022 LTIP vesting and grants.....	75
Securities authorized for issuance under equity compensation plans.....	76
Management deferred share unit plan.....	77
Pension plan.....	77
Share ownership requirements for executives.....	77
Cost of management ratio.....	78
Share performance graphs.....	78
Five-year total shareholder return comparison (S&P/TSX Composite Index).....	78
Five-year total shareholder return comparison (international airline peers).....	79
Compensation Tables.....	80
Summary compensation table.....	80
Long-term incentive plan awards and incentive plan awards tables.....	81
PSU and RSU tables.....	82
Incentive plan awards – Value vested or earned during the year.....	83
Retirement plan benefits.....	84
Termination of employment and change of control benefits.....	86

Other important information

How to request more information.....	87
Schedule "A" Non-binding advisory resolution on executive compensation.....	89
Schedule "B" Ordinary resolution regarding renewal of the shareholder rights plan.....	90
Schedule "C" Summary of principal terms of the shareholder rights plan.....	91
Schedule "D" Charter of the Board of Directors.....	95

Message from the Chair of the Board and the President and Chief Executive Officer

March 21, 2023

Dear shareholders,

On behalf of the Board of Directors, we are pleased to welcome shareholders to participate in and vote at our annual meeting on May 12, 2023, at 10:30 a.m. (Eastern time), through live webcast, by joining us at <https://aircanada.com/AGM> and entering the control number included in your proxy or voting instruction form.

Our meeting is about looking ahead to our future. In addition to the proposals to be put before you for a vote, we want to present management's report for 2022, discuss our priorities for 2023, and answer your questions. The management information circular contains information about the business of the meeting.

We value your vote and encourage you to use any one of the options laid out in our circular to vote your shares whether or not you plan to join us for the meeting. We urge you to promptly vote and submit your proxy in advance of the meeting.

Our meeting will be held virtually to give all shareholders an equal opportunity to participate, vote and submit questions, no matter where they may physically be located on May 12, 2023. We will welcome opportunities to engage with you in 2023 as we describe in the circular.

2022 | A year of transition

This was a year of transition for us and for our industry. Even before 2022, we began to prepare for it. We continued to do so as we faced renewed travel restrictions, geopolitical issues such as the war in Ukraine, and other uncertainties. We were determined to restore our operational depth in advance of the travel demand we foresaw when travel restrictions would be lifted. That moment came late in the spring of 2022, and with it a surge in demand never seen before. We deeply appreciate our customers' understanding and patience, most of all those who experienced disruptions in their travels, as we and our industry fully transitioned to meet that demand. In 2022, largely thanks to the stability that was restored, we operated significantly more flights than we did in 2021, and carried over 37 million customers, as compared to about 13.7 million in all of 2021.

We take pride in our achievements in 2022 and in how we strengthened our business, our operational depth, and our financial position. Each quarter, our results improved, even exceeding some pre-pandemic metrics in the fourth quarter. Our share price too, even though buffeted by industry headwinds, outperformed the NYSE ARCA Airlines Index for the year.

Rising higher

Everyone at Air Canada has come together and once again shown agility, skill and mettle, further strengthening our culture. Our recovery is in full motion, allowing us to meet sustained demand for travel, bridging Canada with the world.

Advancing our priorities in 2023 in the face of global challenges will take deliberate and thoughtful action. Here are the ways our Board and executive leadership are working closely to rise higher:

- We continue to reinstate routes and frequencies and add destinations to our network, building traffic through our hubs and opening avenues for newcomers to Canada. We expanded our joint venture with United Airlines and launched a new strategic partnership with Emirates.
- We are acting on our diversification. Air Canada Cargo has grown its global footprint, and our transformed Aeroplan continues to excel and perform strongly, with record numbers across all major metrics.
- We are funding our future by investing in new technologies, focusing on customer service, learning from experience in 2022, and looking to excel and innovate.
- We want to reflect all of Canada, at its best, and to continue to nurture diversity at all levels of Air Canada, to foster a welcoming, inclusive culture where everyone belongs, and to proudly promote our official languages.
- We are partnering with others in more sustainable aviation, leading by renewing our fleet and investing in electric aircraft and carbon capture technologies. We began exploring biofuels more than a decade ago and are now helping accelerate the availability of sustainable aviation fuels. Each one of us in the climate action chain must play its role for our collective ambitions to be met.
- We are also proud of the work of the Air Canada Foundation with which we support communities through in-kind contributions, donations, and the actions of our employees.

In short, even in a complex global environment, we are pushing forward on our aim to deliver long-term sustainable value.

We remain grateful to our employees for the work they do every day and for their commitment to safety first, always, to customers for their patience and loyalty, and to our shareholders for their trust and investment in Air Canada.

Sincerely,



Vagn Sørensen
Chairman



Michael Rousseau
President and
Chief Executive Officer

Management proxy circular summary

This summary highlights information contained elsewhere in this management proxy circular. These highlights do not contain all the information that you should consider. You should read the circular carefully before voting.

FULL YEAR 2022

Employees	Operating revenues	Rebuilt network	Welcomed customers	Adjusted EBITDA ⁽¹⁾
CLOSE TO 36,000 (December 31, 2022) Compared to approximately 21,000 in 2020 and approximately 30,000 in 2021	\$16.6B 	945 DAILY FLIGHTS 185 DIRECT DESTINATIONS 6 CONTINENTS	OVER 37M increasing from an average of about 60,000 daily customers in Q1 2022 to about 110,000 daily customers welcomed onboard in Q4 2022.	\$1.46B an improvement of close to \$3B from 2021 Operating loss \$187M an improvement of close to \$2.9B from 2021

CLIMATE ACTION PLAN — NET-ZERO GHG BY 2050

Fleet and Operations	Technology and Innovation	SAF and Renewable Energy	Carbon reductions and removals
AGREED TO PURCHASE 30 ES-30 Electric-hybrid regional aircraft	TO INVEST \$7M in Heart Aerospace of Sweden	INVESTED \$6.75M in Carbon Engineering (CE)	Leave Less Travel Program  100% electric shuttle service – YVR CHOOOSE, new carbon offset partner program



UKRAINE TO CANADA TRAVEL PROGRAM

Enabled travel to Canada for approximately 2,500 Ukrainians

BUSINESS DIVERSIFICATION

Cargo	Aeroplan
OVER 3,600 CARGO-ONLY FLIGHTS 3 FREIGHTERS IN OPERATIONS \$1.3B 2022 REVENUES	ALMOST AT 7M MEMBERS Expanded Aeroplan program, record levels of membership 

KEY AWARDS

- ✓ Best Airline in North America for the fourth straight year by the readers of *Global Traveler*
- ✓ Best Airline Cabin Cleanliness for a third straight year in the 19th edition of the GT Tested Reader Survey
- ✓ Five honours in *Global Traveler's Leisure Lifestyle Awards* and *Wherever Family's Wherever Awards* for Family Travel
- ✓ One of the *World's Best Employers* by Forbes
- ✓ Best Corporate Social Responsibility Strategy at Canadian HR Awards
- ✓ Roberta Bondar Award for Innovation and Creativity (in recognition of our long-term commitment to environmental protection)
- ✓ The first airline to receive IATA recertification for the safe transportation of Live Animals



(1) Adjusted EBITDA is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under generally accepted accounting principles in Canada (GAAP), does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer to the section 20 "Non-GAAP Financial Measures" of Air Canada's 2022 MD&A (which section is incorporated by reference herein), which is available under the Corporation's profile on SEDAR at www.sedar.com, for an explanation of the composition of this non-GAAP measure, an explanation of how this non-GAAP financial measure provides useful information to investors and the additional purposes for which management uses this non-GAAP financial measure, as well as a reconciliation to the most directly comparable GAAP measure.

Shareholder voting matters

	Where to find out more	Board recommends
Electing 13 directors	Page 18	Vote FOR
Appointing our auditors	Page 18	Vote FOR
Having your say on our approach to executive compensation	Page 19	Vote FOR
Ratifying a renewed shareholder rights plan	Page 20	Vote FOR

We urge you to promptly vote and submit your proxy in advance of the meeting, as we describe at [page 11](#) of the circular.

Our director nominees

Our Board of Directors (the Board or the Board of Directors) believes that having a mix of directors with diverse and complementary qualifications, expertise and attributes is essential to meeting its oversight responsibility. We are also pleased that Claudette McGowan, a leader in global information technology, has agreed to stand as nominee for election to the Board.

Name	Age	Independence	Director since	AFRC	GNC	HRCPC	SHESC	Board Committee Attendance 2022	Region	Other public boards	Major competencies and experience ⁽⁴⁾
A. Chande	49	•	2020	M			M	100%	British Columbia	1	• Digital transformation and technology • Finance • Global business • Operational experience • Related industry experience
C.J.B. Clark	69	•	2013	C	M			100%	Ontario	3	• Finance • Global business • Human resources Labour • Risk management
G.A. Doer, O.M.	74	•	2018			M	M	100%	Manitoba	3	• Global business • Government affairs and public policy • Human resources Labour • Legal and regulatory • Risk management
R. Fyfe, CNZM	61	•	2017			M	C	100%	New Zealand	1	• Airline industry • Digital transformation and technology • Global business • Human resources Labour • Operational experience • Safety, health and environment
M. M. Green	64	•	2009			M	M	85% ⁽¹⁾	USA	-	• Finance • Global business • Operational experience • Related industry experience • Risk management
J.M. Huot	61	•	2009		M		M	100%	Québec	-	• Finance • Government affairs and public policy • Legal and regulatory • Risk management • Safety, health and environment
C. McGowan	51	•	- ⁽²⁾					- ⁽²⁾	Ontario	-	• Digital transformation and technology • Human resources Labour • Operational experience • Risk management
M. Paquin, C.M., FSCMA	60	•	2015		M		M	100%	Québec	1	• Global business • Government affairs and public policy • Human resources Labour • Related industry experience
M. Rousseau	65		2021					100%	Québec	-	• Airline industry • Finance • Global business • Human resources Labour • Operational experience • Safety, health and environment • Retail industry • Risk management
V. Sørensen (C)	63	•	2006					100%	UK	3	• Airline industry • Digital transformation and technology • Finance • Global business • Related industry experience
K. Taylor, C.M.	65	•	2016	M	M	M		100%	Ontario	2	• Finance • Global business • Human resources Labour • Legal and regulatory • Operational experience • Related industry experience
A. Verschuren, O.C.	66	•	2012	M	C			100%	Ontario	2	• Digital transformation and technology • Finance • Global business • Government affairs and public policy • Operational experience • Risk management
M.M. Wilson	71	•	2014 ⁽³⁾	M		C		100%	Alberta	2	• Finance • Global business • Human resources Labour • Related industry experience • Operational experience • Risk management

(1) Mr. Green was unable to attend one meeting of each of the Board and the committees he is a member of due to exceptional circumstances on the day those meetings were held.

(2) Ms. McGowan is a new candidate nominated for election as a director.

(3) Mr. Wilson also served from 2008 until 2009.

(4) For these purposes, digital transformation and technology includes information security, finance includes accounting, and related industries include cruise, distribution, hotel, freight forwarding, logistics, and transportation businesses.

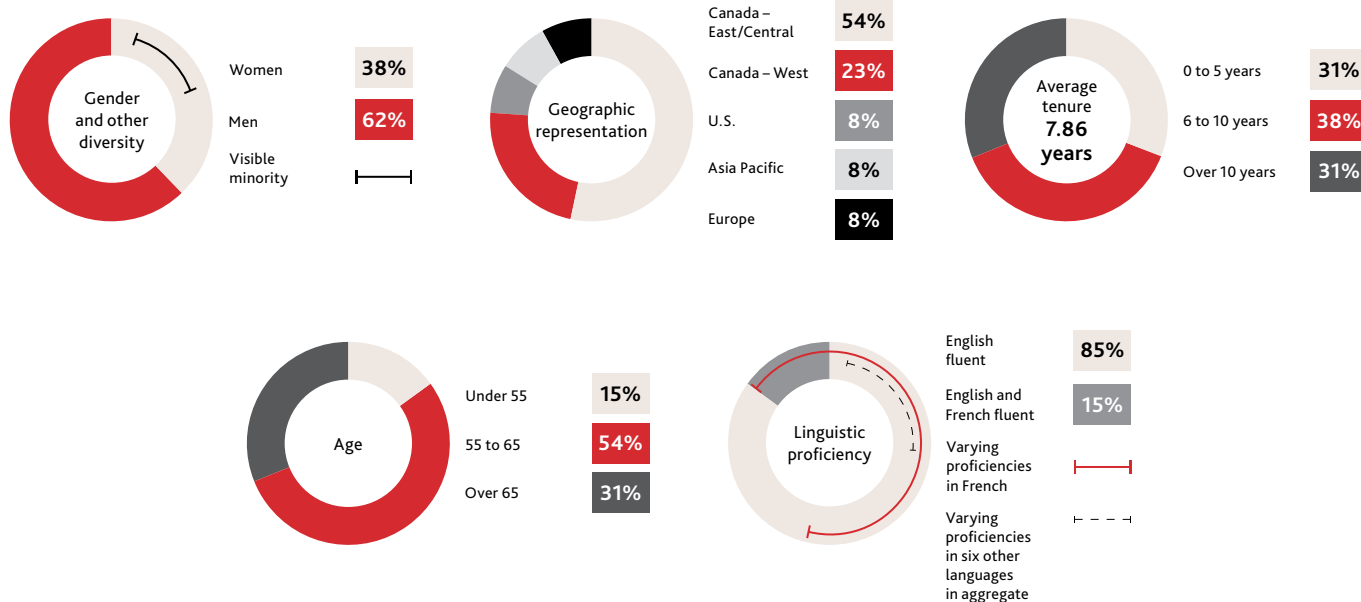
Legend: AFRC means Audit, Finance and Risk Committee; GNC means Governance and Nominating Committee; HRCPC means Human Resources, Compensation and Pension Committee; SHESC means Safety, Health, Environment and Security Committee; C refers to Board or Committee Chair; M refers to Committee member.

2022 governance and ESG highlights

12	Size of the Board, increasing to 13 in 2023
11	Independent directors (increasing to 12 in 2023), or 100% of our director nominees, other than our CEO
100%	All Board Committee members are independent
99%	2022 Board and Committee director attendance record
50%	Minimum of Board retainer and Committee fees paid in DSUs or shares
0	No other interlocking directorships among our director nominees
7.86	Average tenure of our director nominees in years
40%	Raised target for representation of women on the Board
38% 15%	Director nominees who identify as women and as members of a visible minority

- ✓ Directors elected individually
- ✓ Separate Chair and CEO
- ✓ Annual Board and director evaluations and peer reviews
- ✓ Implemented Linguistic Action Plan initiatives
- ✓ Active engagement with shareholders and other stakeholders
- ✓ Both Chair and CEO attended all Committee meetings as an observer except in camera sessions
- ✓ Robust Board and executive succession planning
- ✓ Annual advisory vote on executive compensation
- ✓ Share ownership guidelines for directors and executives
- ✓ Reported updates on our Climate Action Plan initiatives
- ✓ Annual election of all directors
- ✓ Board Diversity Policy
- ✓ Framework to further advance representation of women and other designated groups
- ✓ ESG strategy and climate action plan overseen by the Board and Board Committees
- ✓ Updated governance documents to reflect our oversight of ESG and cybersecurity matters
- ✓ Broadened the scope of our ESG initiatives

Board nominees at a glance²

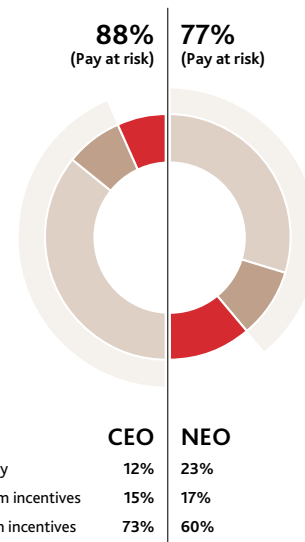


² Numbers may not sum due to rounding.

Our approach to executive compensation

You have a say on what we pay our executives. Our Board recommends that you vote to approve our approach to executive compensation for the reasons below.

What we do about executive compensation in general	• Market-competitive design to enable us to attract and retain talent, also supporting our recovery plan • Emphasis on at risk pay – meaningful part tied to performance goals and share price • Stretch goals for short- and long-term performance; cap payouts for short-term plans • Use long-term incentives • Market level share ownership requirements • Maintain a clawback policy • Independent compensation consultant reports directly to the HRCPC
2021 compensation, what we said about 2022, and how you voted in 2022	• NEO compensation limited to \$1 million under Government of Canada facilities (never accessed before cancelled in 2021) • We said that we would realign executive compensation to market practices in 2022 • You voted 78.82% in support of our compensation approach — 2022 vote largely turned on the negative vote of one shareholder — Shareholder support for our approach to executive compensation was 93.96% of the votes cast by all other shareholders at the 2022 meeting
How we have engaged since the 2022 vote	• We engage with shareholders year-round, and deeply appreciate hearing your views • We also do so in the lead-up to our annual meeting • We have heard support for our approach and concern that we should remain market-competitive. We have also heard that we should take ESG factors into account
Our shareholders' relative return	• Relative to six peer international airlines, total shareholder return (TSR) ranked second in 2022, and first for the period from 2018 to 2022
Our 2022 compensation decisions	• Total compensation opportunities restored to market levels and practices, towards 50th percentile (that is, market median) of comparator group • Focus on significantly increased weighting of at-risk incentive and performance driven compensation • Increased weighting of non-financial objectives such as strategic and ESG initiatives
How we determined 2022 CEO compensation	• Total target direct compensation (base salary and target short-term and long-term incentive plans) was \$10,725,000, of which \$9,425,000 is at risk • Total CEO compensation in 2022 is aligned to market median of comparator group, 88% of CEO's total target direct compensation is at risk (77% for other NEOs), 94% of increase in compensation from 2021 is at risk • Total CEO compensation for Mr. Rousseau in 2022, as President and CEO, was below President and CEO total compensation for 2019
CEO leadership	• Demonstrated leadership, foresight, and resiliency in the face of industry-wide challenges throughout 2022 • Led recovery plan to meaningfully better financial results in 2022, including significant year-over-year improvements • Decisive and judicious longterm strategic decisions in face of unprecedented scope and complexity • Advanced ESG priorities and initiatives, maintaining focus on Safety First, Always • Met CEO 5x base salary share ownership guideline well ahead of the February 2027 deadline



More information on our advisory vote can be found on [page 19](#). More details on our executive compensation approach and practices can be found on [pages 54 to 86](#).

Notice of 2023 annual meeting of shareholders

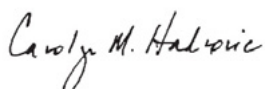
Your vote is important to us. This circular tells you how to exercise your right to vote and about the matters to be brought before the meeting. Please read this material carefully and vote your shares.

When	Friday, May 12, 2023, 10:30 a.m. (Eastern time)
Where	Virtual meeting via live webcast available by joining us at https://aircanada.com/AGM and entering the control number included in your voting instruction form or proxy card.

		Where to find out more	Board recommends
What the meeting is about	1. Placing the consolidated financial statements of Air Canada for the year ended December 31, 2022, including the auditors' report, before shareholders	See page 18	
	2. Electing 13 directors who will serve until the end of the next annual shareholder meeting	See page 18	Vote FOR
	3. Appointing our auditors	See page 18	Vote FOR
	4. Having your say on our approach to executive compensation	See page 19	Vote FOR
	5. Ratifying the shareholder rights plan adopted by the Board of Directors to amend and renew the current shareholder rights plan	See page 20	Vote FOR
The meeting may also consider such other business, if any, that may properly come before it.			
Your right to vote	You are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof if you were a shareholder on March 14, 2023. You have the right to vote your shares on the items indicated above and on any other matters that may properly come before the meeting or any adjournment thereof. See page 11 of the circular for how to vote.		

Approval of the notice and circular

The contents and the sending of the notice of meeting and the circular have been approved by the Board of Directors.



Carolyn Hadrovic
Vice President and Corporate Secretary



Marc Barbeau
Executive Vice President and Chief Legal Officer

Montréal, Québec

March 21, 2023

Management proxy circular

This management proxy circular (the circular) is intended to help you make informed decisions about the matters to be dealt with at our annual shareholder meeting to be held virtually on May 12, 2023 (the meeting).

Our virtual annual meeting of shareholders will allow all shareholders an equal opportunity to attend, vote and submit questions, no matter where they may physically be located on May 12, 2023. We will welcome opportunities to connect with you directly and personally in 2023, as we further describe in the circular.

Information in the circular

The circular is current as at March 21, 2023, unless otherwise indicated. The financial information we provide about Air Canada and our subsidiaries is consistent with our consolidated financial statements and the related management discussion and analysis of results of operations and financial condition (MD&A) for the year ended December 31, 2022. Our annual report for the year ended December 31, 2022 (our 2022 annual report), which you can access on investors.aircanada.com, and on SEDAR at www.sedar.com, reviews our activities for the past year and includes a copy of these financial statements and the MD&A. This circular does not incorporate the information found on our website or any information not expressly stated to be incorporated, even if we occasionally refer to it; we, therefore, disclaim any such incorporation by reference. For our caution regarding forward-looking statements, see [page 88](#) of this circular. When we use you and your, this is in reference to our shareholders in that capacity. We, us, our, Air Canada and the Corporation refer to Air Canada. Unless otherwise stated, all dollar figures are in Canadian dollars.

Notice-and-access

We are using notice-and-access to deliver this circular to both our registered and non-registered shareholders. This means that the circular is being posted online for you to access, rather than being mailed out. Notice-and-access gives shareholders more choice and reduces our printing and mailing costs. You will still receive a form of proxy or a voting instruction form in the mail so you can vote your shares, but, instead of receiving a paper copy of the circular, you will receive a notice with information about how you can access the meeting materials electronically and how to request a paper copy.

If you have any questions or need assistance with voting, please contact Kingsdale Advisors at [1-888-211-5159](tel:1-888-211-5159) (toll-free in North America) or [+1-416-867-2272](tel:+1-416-867-2272) (collect call from other countries) or by email at contactus@kingsdaleadvisors.com.

Availability of circular

The circular is available at www.meetingdocuments.com/TSXT/AC, on our website at investors.aircanada.com and on SEDAR at www.sedar.com. You may request a paper copy of the meeting materials at no cost up to one year from the date the circular is filed on SEDAR. You may also make such a request at any time prior to the meeting at www.meetingdocuments.com/TSXT/AC or by contacting our transfer agent, TSX Trust Company, at [1-888-433-6443](tel:1-888-433-6443) (toll free in Canada and in the United States) or [+1-416-682-3801](tel:+1-416-682-3801) (other countries) and following the instructions. After the meeting, requests may be made by calling [1-888-433-6443](tel:1-888-433-6443) (toll free in Canada and in the United States) or [+1-416-682-3801](tel:+1-416-682-3801) (other countries).

Attending the virtual only meeting

Our meeting will be held in a virtual-only format, which will be conducted by live webcast. Shareholders will not be able to physically attend the meeting but will be able to do so online as we explain below.

Participating as a shareholder, proxyholder or guest

Registered shareholders, and properly appointed proxyholders will be able to attend, participate and vote at the meeting online at <https://aircanada.com/AGM>. They may enter the meeting by clicking "I have a control number" and entering a valid control number and the password "AC2023" (case sensitive) before the start of the meeting.

Guests, including non-registered (beneficial) shareholders who have not properly appointed themselves as a proxyholder, can join the meeting as a guest by clicking "I am a guest" and completing the online form. Guests will be able to listen to the meeting but will not be able to ask questions or vote at the meeting.

If you attend the meeting, it is important that you remain connected to the internet at all times in order to vote when balloting commences. You should ensure you have a strong, preferably high-speed, internet connection at the place from which you intend to participate in the meeting.

Checking in early

The meeting will begin promptly at 10:30 a.m. (Eastern time) on May 12, 2023, unless otherwise adjourned or postponed. Online check-in will begin one hour prior to the meeting, at 9:30 a.m. (Eastern time). You should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the meeting, please contact TSX Trust Company at [1-800-387-0825](tel:1-800-387-0825) (toll free in Canada and in the United States) or collect call [+1-416-682-3860](tel:+1-416-682-3860) (other countries).

Voting your shares

Your vote is important. As a shareholder of Air Canada, it is important that you read the following information on how to vote your shares and then vote your shares, either by proxy or online at the meeting.

Voting

You can attend the online meeting or you can appoint someone else to vote for you as your proxyholder.

A shareholder entitled to vote online may appoint a proxyholder and one or more alternates, who are not required to be shareholders, to attend and act at the meeting as authorized by them. Voting by proxy means that you are giving the person named on your form of proxy or your voting instruction form (proxyholder) the authority to vote your shares for you at the meeting or any adjournment thereof. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at their discretion, without notice.

The persons who are named on the form of proxy or voting instruction form are directors or officers of Air Canada and will vote your shares for you. You have the right to appoint someone else to be your proxyholder to represent you at the meeting (third-party proxyholder). If you appoint someone else, they must attend the meeting online to vote your shares.

General

Registered shareholders who wish to appoint a third-party proxyholder to represent them at the online meeting, and non-registered shareholders who wish to appoint themselves as proxyholder, must follow the instructions below applicable to them to register that proxyholder with TSX Trust Company.

If you are not sure whether you are a registered or non-registered shareholder, please contact TSX Trust Company at [1-800-387-0825](tel:1-800-387-0825) (toll free in Canada and in the United States) or collect call [+1-416-682-3860](tel:+1-416-682-3860) (other countries).

Option 1 | Voting your shares in advance of the meeting

Registered shareholder

You are a registered shareholder if your name appears on your share certificate.

Non-registered shareholder

You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution (your nominee) holds your shares for you.

Your nominee must ask for your voting instructions before the meeting. Please contact them if you did not receive a request for these with the Notice-and-Access Letter.

Vote by form of proxy

If you wish to exercise your voting rights before the meeting, you may give your instructions using one of the methods below.

Your vote must be received by 4:00 p.m. (Eastern time) on May 10, 2023, regardless of the means by which you choose to vote before the meeting.

Vote by voting instruction form

If you wish to exercise your voting rights before the meeting, you may give your instructions using one of the methods below.

You must comply with your intermediary's instructions if you want your vote to be exercised, including the date by which your voting instructions must be received for your vote to be exercised.



On the internet

Go to the website at www.tsxtrust.com/vote-proxy and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the internet.

You will need the 16-digit Control Number found on your form of proxy.



On the internet

Go to the website at www.proxyvote.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the internet.

You will need the 16-digit Control Number found on your voting instruction form.



By facsimile or by mail

Complete your form of proxy and return it

- by facsimile at [+1-416-595-9593](tel:+14165959593), or
- by mail in the business reply envelope we have provided, or
- by delivering it to one of TSX Trust Company's principal offices in Montréal, Toronto, Calgary, or Vancouver, a list of which is set forth on [page 87](#) of this circular.

Please see the section titled "Completing the form of proxy" for more information.



By mail

Complete your voting instruction form and return it by mail in the business reply envelope we have provided.

For assistance, call [1-800-474-7493](tel:18004747493) (for service in English) or [1-800-474-7501](tel:18004747501) (for service in French).



By telephone

Using any touch-tone phone, call [1-888-489-7352](tel:18884897352) (toll-free in Canada and in the United States) and follow the voice instructions.

You will need the 16-digit Control Number found on your form of proxy. If you choose to vote by telephone, do not return your form of proxy.



By telephone

Using any touch-tone phone, call the number indicated on your voting instruction form and follow the voice instructions.

You will need the 16-digit Control Number found on your voting instruction form. If you choose to vote by telephone, do not return your voting instruction form.



By e-mail

Complete your form of proxy and return it to proxyvote@tmx.com.

You have the right to appoint a person other than the directors or officers named as your proxyholder in the forms we provide. The person you choose does not have to be a shareholder.

Fill in the name of the person you are appointing in the space provided on the form of proxy, the voting instruction form, or on the website. Complete your voting instructions, date and sign the form, and register that proxyholder with TSX Trust Company by calling [1-866-751-6315](tel:18667516315) (toll free in Canada and in the United States) or [+1-647-252-9650](tel:16472529650) (other countries), or by completing the online form at <https://www.tsxtrust.com/control-number-request> not later than 4:00 p.m. (Eastern time) on May 10, 2023. Registering your proxyholder is an additional step to be completed after you have submitted your form of proxy or voting instruction form so that TSX Trust Company may provide the proxyholder with a control number via email.

If a proxyholder is not registered they will not receive a control number serving as their sign in credentials and allowing them to vote at the meeting. They would then only be able to attend the meeting online as a guest. Make sure that the person you appoint is aware that they have been appointed and attends the online meeting. If you do not specify how you want your shares voted, your proxyholder will vote your shares as they see fit on each item scheduled to come before the meeting and on any other matter that may properly come before the meeting.

Option 2 | Voting your shares online at the meeting

Registered shareholder

If you want to vote your shares during the online meeting, do not complete or return this form of proxy. Simply log in to the meeting and complete a ballot online during the meeting. The control number located on the proxy form or in the email notification you received is your control number for purposes of logging in to the meeting.

Non-registered shareholder

You can vote your shares online at the meeting if you have instructed your nominee to appoint you as proxyholder. To do this, write your name in the space provided on the voting instruction form or on the website.

If you are a non-registered shareholder and wish to vote online at the meeting, you must insert your own name in the space provided on the voting instruction form sent to you by your intermediary, follow all of the applicable instructions provided by your intermediary and register yourself with TSX Trust Company. By doing so, you are instructing your intermediary to appoint you as proxyholder. TSX Trust Company will provide you with a control number by email after the proxy voting deadline has passed, if you have been duly appointed and registered with TSX Trust Company. This control number is your username for purposes of logging in to the meeting. You must comply with the signature and return instructions provided by your intermediary.

Voting your shares | Non-registered United States shareholders

If you are a non-registered shareholder located in the United States and wish to vote online at the meeting or, if permitted, appoint a third-party as your proxyholder, you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you, or contact your intermediary to request a voting instruction form if you have not received one. After obtaining a valid voting instruction form from your intermediary, you must then submit it to TSX Trust Company to: TSX Trust Company, 301-100 Adelaide St. West, Toronto, Ontario, M5H 4H1, labeled "Legal Proxy" and received not later than the voting deadline of 4:00 p.m. (Eastern time) on May 10, 2023.

Employee plans | Voting your shares

Shares purchased or received, as the case may be, by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan or Employee Recognition Share Award Plan (collectively, Employee Shares) are registered in the name of Computershare Trust Company of Canada (Computershare), as administrative agent under such plans unless the employees have withdrawn their shares from them.

If you hold any shares in addition to Employee Shares, you must complete a form of proxy or voting instruction form with respect to them as indicated above for registered shareholders or non-registered shareholders, as applicable.

If you are uncertain whether you are an employee holding your shares through Computershare, please contact Computershare at [1-877-982-8766](tel:1-877-982-8766) (toll free in Canada and in the United States) or [+1-514-982-8705](tel:+1-514-982-8705) (other countries).

Employee plans**Vote in advance by voting instruction form**

A voting instruction form is enclosed with the Notice-and-Access Letter which allows you to appoint a proxyholder and provide your voting instructions on the internet or by mail.

Proxyholder appointment

If you wish to appoint a proxyholder other than Computershare on the voting instruction form to represent you at the meeting, you must submit your voting instruction form appointing that proxyholder by the voting deadline and register that proxyholder with TSX Trust Company by calling 1-866-751-6315 (toll free in Canada and in the United States) or +1-647-252-9650 (other countries) or complete the online form at tsxtrust.com/control-number-request not later than 4:00 p.m. (Eastern time) on May 10, 2023.

Registering your proxyholder is an additional step to be completed after you have submitted your voting instruction form so that TSX Trust Company may provide the proxyholder with a control number via email. Failure to register the proxyholder will result in the proxyholder not receiving a control number that will act as their online sign-in credentials and is required for them to vote at the meeting and, consequently, they will only be able to attend the meeting online as a guest.

Voting your shares

If you wish to exercise your voting rights before the meeting is held, you may give your instructions using one of the following methods:

**On the internet**

Go to the website at www.investorvote.com and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the internet. You will need the 15 digit Control Number found on your voting instruction form.

The cut-off time for voting over the internet is 11:59 p.m. (Eastern time) on May 9, 2023.

If you are submitting your voting instructions via the internet, you can appoint a person other than Computershare as your proxyholder. This person does not have to be a shareholder. Indicate the name of the person you are appointing in the space provided on the website. Make sure that the person you appoint is aware that they have been appointed and attends the online meeting. If you do not specify how you want your shares voted, your proxyholder will vote your shares as they see fit on each item scheduled to come before the meeting and on any other matter that may properly come before the meeting.

**By mail**

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided for receipt before 4:00 p.m. (Eastern time) on May 9, 2023.

Employee plans**Voting online at the meeting**

You can vote your shares online at the meeting if you have instructed Computershare to appoint you as proxyholder. To do this, enter your name in the appropriate box on the website or write your name in the space provided on the voting instruction form and follow the instructions provided on the voting instruction form or on the website.

Completing the form of proxy

You can choose to vote “For” or “Withhold” with respect to the appointment of the auditors and “For” or “Against” with respect to the election of the directors, the approval of an advisory, non-binding resolution in respect of Air Canada’s approach to executive compensation and the renewal of the Corporation’s shareholder rights plan. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares, please follow the instructions provided in the voting instruction form.

When you complete the form of proxy without appointing an alternate proxyholder, you authorize Vagn Sørensen, Michael Rousseau, Carolyn Hadrovic or Marc Barbeau, who are directors or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. If you return your proxy without specifying how you want to vote your shares, your vote will be counted **FOR** electing the director nominees named in this circular, **FOR** appointing PricewaterhouseCoopers LLP as auditors of the Corporation, **FOR** approving an advisory, non-binding resolution in respect of Air Canada’s approach to executive compensation and **FOR** ratifying the shareholder rights plan.

If you have any questions regarding the voting procedures or need assistance completing your form of proxy or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at [1-888-211-5159](tel:1-888-211-5159) or collect call from other countries at [+1-416-867-2272](tel:+1-416-867-2272).

Certain beneficial owners may be contacted by Kingsdale and receive assistance to conveniently exercise their voting rights directly by telephone using the QuickVote™ service of Broadridge Investor Communications Corporation

Management is not aware of any other matters that will be presented for action at the meeting. If, however, other matters properly come before the meeting, the persons designated in the form of proxy enclosed with the Notice-and-Access Letter will vote in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy with respect to such matters.

If you are an individual shareholder, you or your authorized attorney must sign the form of proxy. If you are a corporation or another legal entity, an authorized officer or attorney must sign the form of proxy.

Proxy solicitation

Your proxy is solicited by or on behalf of the management of Air Canada for use at the meeting. Our employees or agents may solicit proxies by mail or other means. The Corporation will pay the cost of any such solicitation and may also reimburse brokers and other persons holding shares in their names or in the names of nominees, for their costs incurred in sending proxy materials to beneficial owners and obtaining their proxies or voting instructions.

Air Canada has retained Kingsdale Advisors as its shareholder advisor and to solicit proxies from shareholders as its agent. They will be paid a fee of \$56,000 for proxy solicitation services plus additional fees for other services.

Revoking your proxy, changing your vote

You can revoke your proxy or change your vote in any manner permitted by law, including if it was submitted by mail, by an instrument in writing executed by you or your attorney authorized in writing and deposited either at the Montréal office of Air Canada’s transfer agent, TSX Trust Company, 1190 Avenue des Canadiens-de-Montréal, Suite 1700, Montréal, Québec, or at Air Canada’s registered office, 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used. If the voting instructions were conveyed over the internet, conveying new voting instructions by internet or by mail within the applicable cut-off times will revoke the prior instructions.

Voting requirements

The election of directors, the appointment of auditors, the approval of an advisory non-binding resolution on executive compensation and the ratification of the Corporation’s shareholder rights plan will each be determined by a majority of votes cast at the meeting by proxy or online. If there is a tie, the Chair of the meeting is not entitled to a second or casting vote.

The Corporation’s transfer agent, TSX Trust Company, counts and tabulates the votes.

Voting shares

As of March 14, 2023, the record date for the meeting, there were 293,036,670 Class B voting shares and 65,387,550 Class A variable voting shares outstanding. Shareholders of record on March 14, 2023 are entitled to receive notice of and vote online at the meeting. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montréal office of the Corporation's transfer agent, TSX Trust Company, 1190 Avenue des Canadiens-de-Montréal, Suite 1700, Montréal, Québec.

Questions

Shareholders and duly appointed proxyholders may submit questions during the meeting online when a question period is opened. It is recommended that shareholders and duly appointed proxyholders attending the meeting online submit their questions as soon as possible during the meeting so that they can be addressed at the appropriate time.

Shareholders and duly appointed proxyholders may also submit questions at any point in advance of the meeting by contacting: shareholders.actionnaires@aircanada.ca. Questions submitted in advance must be received by 9:30 a.m. (Eastern time) on May 11, 2023 to be included in the meeting.

Questions related to the matters of business will be addressed at the time such matter is being discussed. Other questions will be addressed during the question period after the business of the meeting has been completed. Questions on the same topic or otherwise related will be grouped, summarized and addressed at the same time. If you duly submit a question that is not answered during the meeting, we will communicate with you after the meeting if you have provided your contact information.

Restrictions on voting securities

The Canada Transportation Act requires that national holders of domestic, scheduled international and non-scheduled international licenses, such as Air Canada, be "Canadian" as provided in that law. Foreign ownership of Canadian air carriers is allowed up to 49%, provided that no single non-Canadian holds more than 25% of the voting interests, and that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests, in a Canadian air carrier.

The Corporation's restated articles of incorporation are aligned with the foreign ownership restrictions prescribed by the Canada Transportation Act.

Air Canada has two classes of shares: Class B voting shares and Class A variable voting shares. The Class B voting shares and the Class A variable voting shares are traded on the Toronto Stock Exchange (TSX) under the single ticker "AC" and are also traded on OTCQX International Premier platform in the United States under the single ticker symbol "ACDVF".

The Class B voting shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. A Class B voting share shall be converted into one Class A variable voting share automatically if such Class B 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 Canadian. Each Class B voting share confers the right to one vote.

The Class A variable voting shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. A Class A variable voting share shall be converted into one Class B voting share automatically if such Class A variable voting share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

The holders of Class A variable voting shares and Class B voting shares will vote together as a single class at the meeting, and no separate meeting is being held for any such Class A variable voting shares or Class B voting shares. Each Class A variable voting share confers the right to one vote unless:

- (i) the number thereof held by any single non-Canadian as a percentage of the total number of voting shares of Air Canada, or the total number of votes that would be cast by any single non-Canadian holder thereof at any meeting in relation to the total number of votes cast at such meeting, exceeds 25% (or any different percentage that may be prescribed by Canadian law and approved or adopted by the directors of Air Canada (a prescribed percentage));

Declaration of Canadian status

We have adopted various procedures and processes to ensure that the non-Canadian ownership restrictions of voting shares under our articles are respected. For example, shareholders who vote or attend the meeting will be required to complete a Declaration of Canadian Status in order to enable Air Canada to comply with the restrictions on the ownership and voting of its voting securities, failing which they will be deemed to be a non-Canadian holder authorized to provide air service for purposes of voting at the meeting. The form of declaration is contained in the forms of proxy, voting instruction forms and internet voting instructions which have been sent to you, as the case may be.

- (ii) the number thereof held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction (Non-Canadian Air Carrier), as a percentage of the total number of voting shares of Air Canada, or the total number of votes that would be cast by one or more Non-Canadian Air Carrier holders thereof, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different prescribed percentage); or
- (iii) the number thereof as a percentage of the total number of voting shares of Air Canada, or the total number of votes that would be cast by holders thereof at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different prescribed percentage).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each Class A variable voting share held by such single non-Canadian holder or by all Non-Canadian Air Carriers, as applicable, will decrease proportionately and automatically such that the Class A variable voting shares held, and the total number of votes attached to all voting shares of Air Canada or cast at any meeting, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, do not exceed 25% (or any different prescribed percentage) of the total number of voting shares or votes cast at such meeting, as the case may be. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Class A variable voting share will decrease proportionately and automatically such that the Class A variable voting shares do not carry more than 49% (or any different prescribed percentage) of the aggregate votes attached to all voting shares of Air Canada and the total number of votes cast by holders of Class A variable voting shares at any meeting do not exceed 49% (or any different prescribed percentage) of the total number of votes cast at such meeting.

Principal shareholders

As of March 21, 2023, to the knowledge of the directors and officers of the Corporation, no entity beneficially owns or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

In 2012, pursuant to an application by Air Canada, the *Autorité des marchés financiers*, as principal regulator, the Ontario Securities Commission and the securities regulatory authorities in the other provinces of Canada granted exemptive relief (the Decision) from (i) applicable formal take-over bid requirements, as contained under Canadian securities laws, such that those requirements would only apply to an offer to acquire 20% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis, and (ii) applicable early warning reporting requirements, as contained under Canadian securities laws, such that those requirements would only apply to an acquirer that acquires or holds beneficial ownership of, or control or direction over, 10% or more of the outstanding Class A variable voting shares and Class B voting shares of Air Canada on a combined basis (or 5% in the case of acquisitions during a take-over bid). The Decision remains in effect.

Business of the meeting

The following items are planned to be brought before the meeting:

1. Receiving our consolidated financial statements for the year ended December 31, 2022, including the auditors' report thereon,
2. Electing 13 directors who will serve until the end of the next annual shareholder meeting,
3. Appointing our auditors until the end of the next annual shareholder meeting,
4. Having your say on our approach to executive compensation, and
5. Ratifying the shareholder rights plan adopted by the Board of Directors to amend and renew the current shareholder rights plan.

The meeting may consider such other business, if any, that may properly come before it or any adjournment thereof. Management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting.

Receiving our financial statements

The consolidated financial statements for the year ended December 31, 2022, including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at investors.aircanada.com.

Electing directors

Thirteen directors are to be elected to the Board, to serve until the end of the next annual shareholder meeting. Except for Claudette McGowan, all of the individuals nominated as directors were previously elected to the Board by the shareholders of the Corporation. We set out more information about our nominees in the "Our nominated directors" section of this circular.

If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the election of the director nominees who are named in this circular.

The election of directors at the meeting will be governed by the new majority voting requirements under the *Canada Business Corporations Act* (the CBCA), which took effect in August 2022. These require that in an uncontested election of directors, such as the one planned for the meeting, a nominee must receive a majority of the total votes cast in favour of their election in order to be elected as a director. If a nominee fails to receive that level of support, they will not be elected, though they may continue to serve up to 90 days after the election. In light of these new CBCA statutory majority voting requirements, the Board resolved to revoke Air Canada's Majority Voting Policy, such that this policy will not apply at the meeting.

Appointing our auditors

The Board of Directors, on the advice of the Audit, Finance and Risk Committee, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors to serve until the end of the next annual shareholder meeting or until their successors are appointed. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990. At our annual meeting of shareholders held on March 28, 2022, shares representing 92.49% of the votes cast at such meeting were voted in favour of the appointment of PricewaterhouseCoopers LLP as our auditors, and Air Canada votes were withheld in respect of shares representing 7.51% of the votes cast at such meeting.

Fees payable for the years ended December 31, 2022, and December 31, 2021, to PricewaterhouseCoopers LLP and its affiliates are \$4,881,515 and \$4,509,873 respectively, as detailed in the following table:

	Year ended December 31, 2022	Year ended December 31, 2021
Audit fees	\$3,170,000	\$2,722,500
Audit-related fees	\$1,309,822	\$1,106,294
Tax fees	\$96,417	\$233,595
All other fees	\$305,276	\$447,484
Total fees	\$4,881,515	\$4,509,873

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.
- **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.

More information on Air Canada's Audit, Finance and Risk Committee is contained in the "Audit, Finance and Risk Committee" section of Air Canada's Annual Information Form, which is available on SEDAR at www.sedar.com and on the Corporation's website at investors.aircanada.com.

If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the appointment of PricewaterhouseCoopers LLP as auditors.

Having a say on our executive compensation

We will present our annual non-binding advisory resolution on executive compensation at the meeting. This is the 10th year that Air Canada has included such a vote as part of its ongoing process of shareholder engagement about the objectives and principles underlying its executive compensation decisions. The Board has over that time considered the outcomes of advisory votes and used them as opportunities to follow up with enhanced disclosure and communications or dialogue with shareholders.

At the 2022 annual meeting, shareholders were called upon to vote on an advisory resolution relating to the approach to executive compensation in 2021. In respect of that year, Air Canada had limited total annual compensation (excluding pension plans) for named executive officers at \$1 million, as required under certain credit agreements with the Government of Canada that remained undrawn until Air Canada chose to cancel them at the end of 2021. In our 2022 message on compensation matters, we said we intended to benchmark and realign executive compensation to market practices.

The advisory resolution on Air Canada's approach to executive compensation received 78.82% support from shareholders at the 2022 meeting, even though this followed a year in which executive compensation was contractually capped below the level that market comparables and Air Canada's compensation philosophy would otherwise have justified.

After this vote, the Board reflected on the results. Importantly, based on the information available to it, the Board understood that the outcome of the vote largely turned on the negative vote of one shareholder. Shareholder support for Air Canada's approach to executive compensation was 93.96% of the votes cast by all other shareholders who were present or represented at the meeting. Accordingly, the Board sought to confirm the reasons why the dissenting shareholder had voted against the advisory resolution. The Board understood from this that the relevant shareholder's reasons for its vote included its view of executive compensation in the context of the pandemic and having sought government support.

It is with this context that the Human Resources, Compensation and Pension Committee (formerly the Human Resources and Compensation Committee) reviewed the results of the 2022 say-on-pay vote. The Committee also considered other factors used in assessing the Corporation's executive compensation policies and programs, such as the alignment of executive compensation policies and programs with the long-term interests of shareholders and the relationship between risk-taking and incentive compensation. The Committee also considered the need for Air Canada to restore its ability to attract and retain our world-class executives and to attract others by setting compensation at competitive levels relative to companies of comparable size, scope and complexity and from a broad spectrum of industries. The Committee has taken all of these factors and developments into account in reaffirming the components of Air Canada's executive compensation policies and programs going forward and returning them within market levels and practices with total compensation opportunities realigned towards the 50th percentile of Air Canada's comparator group but with significantly increased weighting on at-risk incentive and performance driven compensation. This restored compensation approach will allow Air Canada to attract, incentivize and retain executives as we continue our efforts to rebuild ourselves fully. For further information concerning Air Canada's approach to executive compensation, please refer to the sections under the heading "*Compensation discussion and analysis*".

The Board recommends that the shareholders vote in favour of the approval of the following advisory resolution, the text of which is also attached as Schedule "A" of this circular:

"BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2023 annual meeting of shareholders of Air Canada."

As this is an advisory vote, the results will not be binding upon the Board. However, the members of the Board and the Human Resources, Compensation and Pension Committee will review and analyze the results of the vote and, as appropriate, take into account such results when reviewing, in the future, executive compensation philosophy, policies, programs or arrangements.

If you do not specify how you want your shares voted, the persons named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the advisory, non-binding resolution supporting Air Canada's approach to executive compensation.

Ratifying a renewed shareholder rights plan

Shareholders are asked to approve an ordinary resolution ratifying the shareholder rights plan adopted by the Board of Directors on March 21, 2023, (the Rights Plan) in order to renew the shareholder rights plan last approved at the Corporation's shareholder meeting held in 2020 (the Existing Plan). A copy of the ordinary resolution ratifying the Rights Plan is reproduced at Schedule "B" to this circular,

Effective March 21, 2023, the Board of Directors approved the Rights Plan, renewing the Existing Plan for a three-year period. The Rights Plan will come into force on the day immediately following the meeting, provided that the Rights Plan ratification resolution is approved by a majority of the votes cast by the holders of Class A variable voting shares and Class B voting shares of Air Canada, voting together as a single class, online or by proxy, at the meeting, other than holders who do not qualify as Independent Shareholders. To the knowledge of management, all of the Corporation's shareholders currently qualify as Independent Shareholders. If the resolution is not approved by shareholders at the meeting, the Rights Plan and the rights thereunder will terminate on the day immediately following the meeting.

If approved, the Rights Plan will be in effect until the day immediately following our 2026 annual meeting of shareholders. It could then be further renewed for an additional period of three years from 2026 to 2029 if the shareholders so choose at or prior to their 2026 annual meeting.

A summary of the principal terms of the Rights Plan and the defined terms we use is included as Schedule "C" to this circular. This summary is qualified in its entirety by reference to the terms of the Rights Plan. The Rights Plan is available on SEDAR at www.sedar.com under the name of Air Canada as a filing made on March 21, 2023.

Objectives and background of the Rights Plan

In approving the Rights Plan, the Board of Directors considered the existing legislative framework governing take-over bids in Canada. In May 2016 the Canadian Securities Administrators (the CSA) adopted amendments to the take-over bid regime. The amendments lengthen the minimum bid period to up to 105 days, require that all non-exempt take-over bids meet a minimum tender requirement of more than 50% of the outstanding securities held by Independent Shareholders, and require a 10-day extension after the minimum tender requirement is met. The minimum bid period may be reduced in certain circumstances. The only substantive differences between the Rights Plan and the Existing Rights Plan, each of which is consistent with market practice, are to include a renewal feature for an additional period of three years if shareholders ratify such renewal by 2026, and clarify that the vote of persons who are not Independent Shareholders shall not be considered in any vote on proposed amendments to the Rights Plan.

The existing legislative framework governing take-over bids in Canada does not apply to exempt take-over bids. This explains why there continues to be a role for rights plans in protecting issuers and preventing the unequal treatment of shareholders. Some remaining areas of concern include:

- protecting against "creeping bids" (the accumulation of more than 20% of our shares on a combined basis) through purchases exempt from Canadian take-over bid rules, and requiring the bid to be made to all shareholders;
- 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 Rights Plan;
- there may be circumstances where bidders request lock-up agreements that are not in the best interest of the Corporation or its shareholders;
- shareholders feeling compelled to tender their shares to a take-over bid, even if they consider such bid to be inadequate, out of a concern that failing to do so may result in a shareholder being left with illiquid or minority discounted shares in the Corporation, particularly in the case of a partial bid for less than all the Class A variable voting shares and Class B voting shares.

After careful consideration, the Board of Directors determined that it is in the best interests of Air Canada and its shareholders that a shareholder rights plan be in place that is designed to ensure that all shareholders receive equal treatment by applying to all acquisitions of 20% or more of Class A variable voting shares and Class B voting shares on a combined basis, except in limited circumstances. In arriving at its decision to adopt the Rights Plan, the Board of Directors has also considered the fact that the Rights Plan:

- does not preclude a bid for control of the Corporation, but rather allows shareholders to tender their shares to a take-over bid as long as the bid is a "Permitted Bid" under the Rights Plan;
- is not a substitute for the Board of Directors' duty to consider a take-over bid, even one that does not meet the Permitted Bid criteria, which the Board would be required to do honestly and in good faith with a view to the best interests of the Corporation, taking into account the interests of shareholders;
- is designed to encourage a potential acquirer to proceed either by way of a Permitted Bid or with the concurrence of the Board of Directors;
- is not being adopted in response to any proposal to acquire control of the Corporation, nor is the Board currently aware of any pending or potential take-over bid for it;
- does not preclude any shareholder from using the proxy mechanism of the CBCA to promote a change in the Corporation's management or in its Board, and it will have no effect on the rights of shareholders to requisition a meeting of shareholders;
- is not expected to interfere with our day-to-day operations, nor will the issuance of rights thereunder in any way alter our financial condition, impede our business plans, or alter our financial statements;
- is neither initially nor in the ordinary course of our business dilutive, although, as described in Schedule "C" to this circular, holders of rights not exercising their rights after a Flip-in Event may suffer substantial dilution.

A Permitted Bid is a take-over bid that meets certain minimum fairness standards failing which holders of rights under the Rights Plan, other than the acquirer, will be able to purchase additional shares at a significant discount to market, thus exposing the acquirer to substantial dilution.

The Board recommends that the shareholders vote in favour of the resolution set out in Schedule "B" of this circular.

Canadian federal income tax consequences

The Corporation will not be required to include any amount in computing the Corporation's income for the purposes of the Income Tax Act (Canada) (the ITA) as a result of the issuance of the rights. Generally, under the ITA, the value of a right, if any, to acquire additional shares of a company is not a taxable benefit includable in income and is not subject to non-resident withholding tax if an identical right is conferred on all shareholders. While such rights are conferred on all shareholders, they may become void in the hands of certain shareholders upon the occurrence of certain triggering events. Whether the issuance of the rights is a taxable event is not therefore free of doubt. In any event, no amount in respect of the value of the rights is required to be included in computing income, or subject to withholding tax, if the rights do not have any value at the date of issue. The Corporation considers that the rights have negligible value when issued, there being only a remote possibility that the rights will ever be exercised. If the rights have no value, the issue of the rights will not give rise to a taxable benefit and will not be subject to non-resident withholding tax.

The foregoing does not address the Canadian income tax consequences of other events such as the separation of the rights from the shares, the occurrence of a Flip-in Event or the redemption of rights. The holder of rights may have income or be subject to withholding tax under the ITA if the rights become exercisable or are exercised or are otherwise disposed of.

This statement is of a general nature only and is not intended to constitute nor should it be construed to constitute legal or tax advice to any particular holder of shares. Such shareholders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their rights, taking into account their own particular circumstances and any applicable federal, provincial, territorial or foreign legislation.

If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders in the form of proxy or voting instruction form will cast the votes represented by proxy at the meeting FOR the ratification of the Rights Plan.

Consideration of other business and report on business highlights and strategic initiatives

The meeting may consider such other business, if any, that may properly come before it or any adjournment thereof.

We will also report on other items that are significant to our business and invite questions from shareholders.

2022 Highlights

FULL YEAR 2022

Employees	Operating revenues	Rebuilt network	Welcomed customers	Adjusted EBITDA ⁽¹⁾
CLOSE TO 36,000 (December 31, 2022) Compared to approximately 21,000 in 2020 and approximately 30,000 in 2021	\$16.6B 	945 DAILY FLIGHTS 185 DIRECT DESTINATIONS 6 CONTINENTS	OVER 37M increasing from an average of about 60,000 daily customers in Q1 2022 to about 110,000 daily customers welcomed onboard in Q4 2022.	\$1.46B an improvement of close to \$3B from 2021 Operating loss \$187M an improvement of close to \$2.9B from 2021

CLIMATE ACTION PLAN — NET-ZERO GHG BY 2050

Fleet and Operations	Technology and Innovation	SAF and Renewable Energy	Carbon reductions and removals
AGREED TO PURCHASE 30 ES-30 Electric-hybrid regional aircraft	TO INVEST \$7M in Heart Aerospace of Sweden	INVESTED \$6.75M in Carbon Engineering (CE)	Leave Less Travel Program  100% electric shuttle service – YVR CHOOOSE, new carbon offset partner program



UKRAINE TO CANADA TRAVEL PROGRAM

Enabled travel to Canada for approximately 2,500 Ukrainians

BUSINESS DIVERSIFICATION

Cargo	Aeroplan
OVER 3,600 CARGO-ONLY FLIGHTS 3 FREIGHTERS IN OPERATIONS \$1.3B 2022 REVENUES	ALMOST AT 7M MEMBERS Expanded Aeroplan program, record levels of membership 

KEY AWARDS

- ✓ Best Airline in North America for the fourth straight year by the readers of *Global Traveler*
- ✓ Best Airline Cabin Cleanliness for a third straight year in the 19th edition of the GT Tested Reader Survey
- ✓ Five honours in *Global Traveler's* Leisure Lifestyle Awards and Wherever Family's Wherever Awards for Family Travel
- ✓ One of the World's Best Employers by Forbes
- ✓ Best Corporate Social Responsibility Strategy at Canadian HR Awards
- ✓ Roberta Bondar Award for Innovation and Creativity (in recognition of our long-term commitment to environmental protection)
- ✓ The first airline to receive IATA recertification for the safe transportation of Live Animals



(1) Adjusted EBITDA is a non-GAAP financial measure. Such measure is not a recognized measure for financial statement presentation under generally accepted accounting principles in Canada (GAAP), does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer to the section 20 "Non-GAAP Financial Measures" of Air Canada's 2022 MD&A (which section is incorporated by reference herein), which is available under the Corporation's profile on SEDAR at www.sedar.com, for an explanation of the composition of this non-GAAP measure, an explanation of how this non-GAAP financial measure provides useful information to investors and the additional purposes for which management uses this non-GAAP financial measure, as well as a reconciliation to the most directly comparable GAAP measure.

Strategic initiatives

In 2022, we were able to significantly advance and deliver on the execution of our strategic initiatives towards recovery, as illustrated by the achievements described below.

Aeroplan

The Corporation's award-winning loyalty program, Aeroplan, has performed strongly in 2022:

- The spend on Aeroplan credit cards increased significantly from 2021.
- With over 1 million new members enrolled, total membership is at an all-time high, and the program continues to grow.
- In addition to partnerships with prominent brands like Uber and Starbucks, as well as credit card options in Canada and the United States, Aeroplan continued to enhance its award-winning travel programs.



Cargo

Air Canada Cargo, a division of Air Canada, is Canada's largest provider of air cargo services as measured by cargo capacity. It leverages operational expertise to diversify streams of income and strategically grow capacity to maximize revenue potential.

In 2022, Air Canada Cargo:

- Saw revenues of about \$1.27 billion exceeding those of 2019 by 77%, but declining by \$229 million or about 15% from 2021, primarily due to lower year-over-year traffic in the Pacific market. This reflected reduced cargo-only flights as temporarily converted passenger aircraft gradually returned to passenger operations and, to a lesser extent, yield normalization, mainly in the U.S. transborder, Domestic and Atlantic markets.
- Saw its first 767 Cargo freighter complete its first full year of service. As at December 31, 2022, three Boeing 767 dedicated freighters were in service and more will enter the fleet in 2023.
- Operated over 3,600 freighter and cargo-only flights to over a dozen destinations, including Toronto, Halifax, St-John's, Miami, Atlanta, Dallas, Quito, Lima, Bogota, San Juan, Mexico City, Guadalajara, Madrid and Frankfurt.

Cost efficiency

The Corporation's cost reduction initiatives were achieved during the year through a combination of executing and realizing on prior initiatives, identifying new initiatives in the year and deferring certain avoidable costs into the future. However, adjusted CASM⁽¹⁾ (Cost Per Available Seat Mile) was higher than forecast due to the impact of higher passenger traffic, higher average fares which increases selling costs, higher staffing levels to continuously improve operational performance and customer service levels, and general inflationary pressures.

(1) Adjusted CASM is a non-GAAP financial measure, which is not a recognized measure for financial statement presentation under GAAP, does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results.

Elevating the Customer Experience

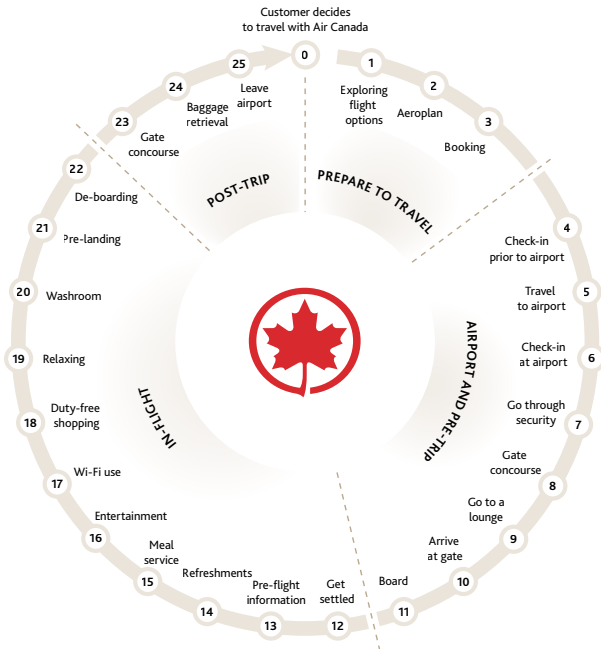
We are committed to customer care and service throughout their entire journey with us. We have launched a multi-year program to drive excellence in customer service, with investments in areas such as technology, business process redesign and new employee training programs. The focus is on inter-departmental collaboration and cross-functional problem-solving in order to deliver a world-class service experience that complements our award-winning product offering.

The planning phase of the program involved breaking down the customer journey into its constituent parts and featured extensive employee customer listening, incorporating feedback from over 250,000 customer surveys and from focus groups held with over 1,000 employees.

The ECX program features nine strategic areas of focus, each supported with a set of key project initiatives grouped as follows: on-time performance; disruption handling; customer recovery; CX 2030: airport experience of the future; service excellence; customer communications; alliance experience; measurement and performance indicators; and employee engagement.

In 2022, this initiative has involved the following actions:

- Completed digital enhancements to the Air Canada app for more efficient and customer-friendly self-serve options during disruption handling and initiatives to improve our on-time performance.
- Through trials, incentivized Aeroplan members to reduce their carry-on baggage, and introduced biometric self-boarding gates as an industry first in Canada.
- Ensured that both customers and employees have been and continue to be engaged throughout the process, informing the planning and areas of focus.
- Surveyed customers on an ongoing basis about key aspects of their journey and involved employees in advisory panels, an internal social media platform for idea sharing and a series of focus groups that engaged over 1,000 unionized and management employees.



A DIGITAL IDENTIFICATION GATE IS LOCATED AT VANCOUVER AIRPORT.



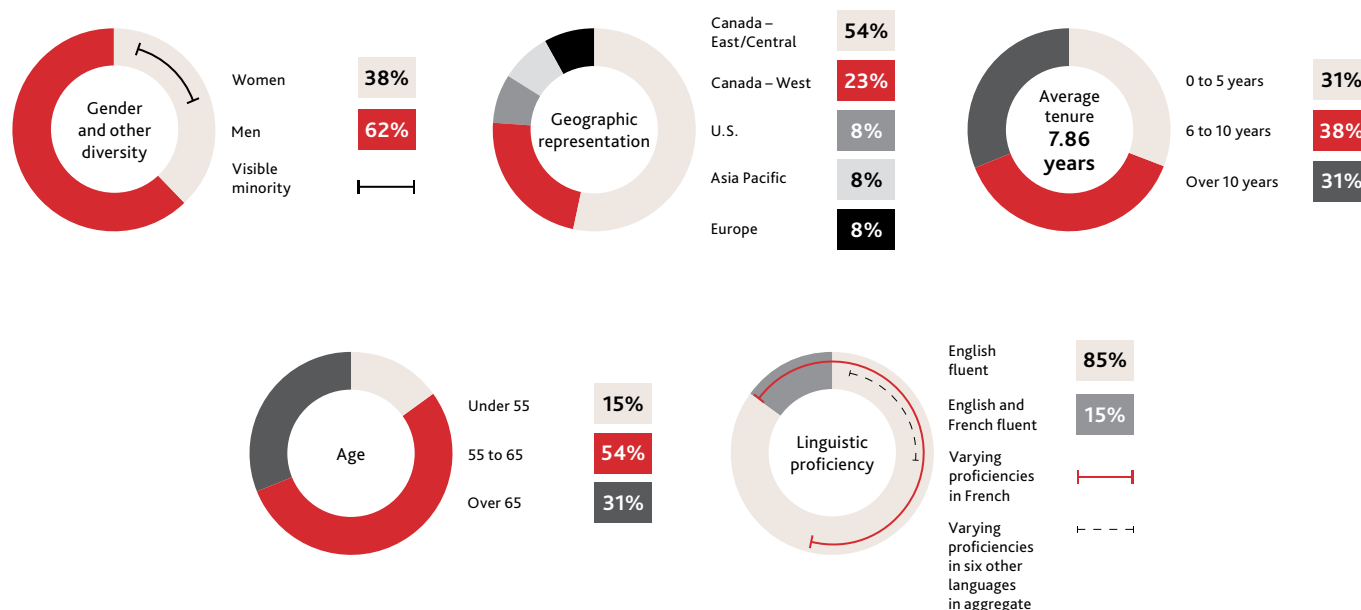
Our nominated directors

The Board of Directors has resolved that there should be 13 directors effective upon the election of the directors at the meeting. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable to serve, proxies will be voted for any other nominee or nominees at the discretion of the proxyholder.

This section sets out certain information relating to the proposed nominees for election as directors, to hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed. The nominee profiles include an overview of each nominee's major competencies and experience⁽¹⁾, current Board committee memberships, and directorships at other public companies over the past five years.

This section also includes each nominee's equity ownership in the Corporation as of March 21, 2023 and February 7, 2022, consisting of shares and deferred share units (DSUs). The value of shares and DSUs was calculated using the closing price of Class A variable voting shares and Class B voting shares on the TSX on March 21, 2023, which was \$18.74 per share, and on February 7, 2022, which was \$23.68 per share.

Board nominees at a glance⁽¹⁾



(1) Numbers may not sum due to rounding.

Our nominees

Amee Chande



Corporate director
Director since June 2020

Age: 49

Status: Independent

West Vancouver, British Columbia, Canada

Major competencies and experience:

- Digital transformation and technology
- Finance
- Global business
- Operational experience
- Related industry experience

2022 annual meeting votes in favour: **99.74%**

Amee Chande is a corporate director and strategy consultant. Ms. Chande sits on the board of Thumbtack, Inc. and serves on the Advisory Board of Livingbridge Private Equity. She is also a senior advisor to leading companies in the mobility sector such as ChargePoint Holdings Inc.

In 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google's self-driving car project, where she was responsible for defining the overall strategy and laying the foundation for a strong commercial business. From 2015 to 2018, she was a Managing Director at Alibaba Group Holding Limited where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco PLC, Staples and Walmart Inc. in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company.

Ms. Chande is an active volunteer with the World Association of Girl Guides and Girl Scouts where she served as a member of the World Board.

Ms. Chande holds a bachelor of business administration degree from Simon Fraser University, a master of science degree from the London School of Economics and a master of business administration degree from Harvard Business School.

Board and Committee attendance during 2022

Board of Directors	10
Audit, Finance and Risk Committee	6
Safety, Health, Environment and Security Committee	5
Total Board and Committee attendance	100%

Other public board directorships

Present

Algonquin Power & Utilities Corp.	2022 – present
-----------------------------------	----------------

Past five years

Signature Aviation plc	2018 – 2021
------------------------	-------------

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	14,508	14,508
DSUs	2,480.83	9,504.32
Total Shares/DSUs	16,988.83	24,012.32
Total Value	\$402,295	\$449,991

Share ownership guidelines met or target date to meet:

Five-year target to be met by June 25, 2025.

Christie J.B. Clark



Corporate director
Director since June 2013

Age: 69

Status: Independent

Toronto, Ontario, Canada

Major competencies and experience:

- Finance
- Global business
- Human Resources | Labour
- Risk management

2022 annual meeting votes in favour: **95.01%**

Christie J.B. Clark is a corporate director. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP.

Mr. Clark is also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and an Emeritus member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen's University. Mr. Clark has also served as a director of 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 a former National Academic Director for the Institute of Corporate Directors' course entitled Audit Committee Effectiveness.

Board and Committee attendance during 2022

Board of Directors	10
Audit, Finance and Risk Committee (Chair)	6
Governance and Nominating Committee	5
Total Board and Committee attendance	100%

Other public board directorships

Present

Loblaw Companies Limited	2011 – present
Choice Properties Real Estate Investment Trust ⁽¹⁾	2013 – present
SNC-Lavalin Group Inc.	2020 – present

Past five years

Hydro One Limited	2015 – 2018
-------------------	-------------

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares ⁽²⁾	73,010	73,010
DSUs	31,188.19	37,350.72
Total Shares/DSUs	104,198.19	110,360.72
Total Value	\$2,467,413	\$2,068,160

Share ownership guidelines met or target date to meet:

Five-year target: Met.

(1) Mr. Clark will retire as trustee of Choice Properties Real Estate Investment Trust on April 25, 2023.

(2) Mr. Clark holds 69,310 Class B voting shares indirectly through his spouse as permitted under Air Canada's share ownership requirements.

Gary A. Doer, O.M.

Corporate director
Director since April 2018
Age: 74
Status: Independent
 Winnipeg, Manitoba, Canada

Major competencies and experience:

- Global business
- Government affairs and public policy
- Human Resources | Labour
- Legal and regulatory
- Risk management

2022 annual meeting votes in favour: **98.79%**

Gary A. Doer is a corporate director. He is also Senior Business Advisor to the law firm Dentons Canada LLP. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees' Association. He was elected a member of the Legislative Assembly of Manitoba in 1986 and served as the 20th Premier of Manitoba from 1999 to 2009. In 2005, Premier Doer was named by Business Week magazine as one of the top 20 international leaders on climate change. From 2009 to 2016, he served as the Canadian Ambassador to the United States and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement.

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.

Board and Committee attendance during 2022

Board of Directors	10
Human Resources, Compensation and Pension Committee	4
Safety, Health, Environment and Security Committee	5
Total Board and Committee attendance	100%

Other public board directorships**Present**

Great-West Lifeco Inc. (a subsidiary of Power Corporation of Canada)	2016 – present
IGM Financial Inc. (a subsidiary of Power Corporation of Canada)	2016 – present
Power Corporation of Canada	2016 – present

Past five years

Barrick Gold Corporation	2016 – 2018
Power Financial Corporation	2016 – 2020

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	Nil	Nil
DSUs	17,831.09	29,352.34
Total Shares/DSUs	17,831.09	29,352.34
Total Value	\$422,240	\$550,063

Share ownership guidelines met or target date to meet:

Five-year target to be met by May 2023. ⁽¹⁾

(1) Mr. Doer is expected to satisfy the share ownership guidelines in April 2023.

Rob Fyfe, CNZM

Corporate director
Director since September 2017
Age: 61
Status: Independent
 Auckland, New Zealand

Major competencies and experience:

- Airline industry
- Digital transformation and technology
- Global business
- Human Resources | Labour
- Operational experience
- Safety, health and environment

2022 annual meeting votes in favour: **99.61%**

Rob Fyfe is a corporate director. Mr. Fyfe is Chair of Michael Hill International Limited. He has acted as a Special Advisor to the Prime Minister of New Zealand on New Zealand's COVID-19 response and recovery plan and an honorary advisor to the Asia New Zealand Foundation. Mr. Fyfe is the former Chief Executive Officer of Air New Zealand where he was credited with driving an historic turnaround in the airline's strategy and culture and maintaining profitability during economic downturns. During his tenure from 2005 to 2012, the airline was named Airline of the Year by Air Transport World, as well as New Zealand's most attractive employer and most reputable company.

Mr. Fyfe has served as Chair of the Star Alliance Chief Executive Board and as a member of the Board of Governors of the International Air Transport Association. He has been recognized as New Zealand's Executive of the Year and Airline Chief Executive of the Year for the Asia Pacific region, amongst numerous awards.

Mr. Fyfe holds a bachelor of engineering (mechanical) honours degree and an honorary doctorate of commerce degree from Canterbury University in Christchurch, New Zealand. He is a Distinguished Fellow of Engineering New Zealand. In January 2021, Mr. Fyfe was appointed a Companion of the New Zealand Order of Merit.

Board and Committee attendance during 2022

Board of Directors	10
Safety, Health, Environment and Security Committee (Chair)	5
Human Resources, Compensation and Pension Committee	4
Total Board and Committee attendance	100%

Other public board directorships**Present**

Michael Hill International Limited	2016 – present
------------------------------------	----------------

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class A Variable Voting Shares	Nil	Nil
DSUs	32,626.42	44,683.55
Total Shares/DSUs	32,626.42	44,683.55
Total Value	\$772,594	\$837,369.73

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Michael M. Green

Chief Executive Officer and Managing Director, Tenex Capital Management
Director since March 2009
Age: 64
Status: Independent
 East Hampton, New York, USA

Major competencies and experience:

- Finance
- Global business
- Operational experience
- Related industry experience
- Risk management

2022 annual meeting votes in favour: **98.31%**

Michael M. Green is Chief Executive Officer and Managing Director of Tenex Capital Management, a private investment firm. Mr. Green has a multi-industry investment and operations background in aerospace, transportation, telecommunications and software systems. Mr. Green was a Managing Director of Cerberus Capital Management, L.P. from 2004 to 2009. From 1999 to 2004, Mr. Green was the Managing Partner of TenX Capital Partners and joined Cerberus in 2004 when Cerberus acquired certain portfolio companies from TenX. Previously, Mr. Green was Chief Executive Officer of Trispan Solutions and Naviant Technology. Mr. Green began his career at General Electric Company where he worked in several operating departments and held positions in engineering, manufacturing, sales, marketing and general management.

Mr. Green holds a dual bachelor of science degree in electrical engineering and physics from State University of New York, Buffalo and a Master of Science degree in Electrical Engineering from Villanova University.

Board and Committee attendance during 2022

Board of Directors	9
Human Resources, Compensation and Pension Committee	3
Safety, Health, Environment and Security Committee	4
Total Board and Committee attendance	84%

Other public board directorships

Present

-

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	88,771	88,771
DSUs	42,204.64	53,725.89
Total Shares/DSUs	130,975.64	142,496.89
Total Value	\$3,101,503	\$2,670,392

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Jean Marc Huot

Partner, Stikeman Elliott LLP
Director since May 2009
Age: 61
Status: Independent
 Montréal, Québec, Canada

Major competencies and experience:

- Finance
- Government affairs and public policy
- Legal and regulatory
- Risk management
- Safety, health and environment

2022 annual meeting votes in favour: **98.32%**

Jean Marc Huot is a partner with the Canadian law firm Stikeman Elliott LLP. His practice is focused primarily in the areas of corporate finance, mergers and acquisitions, corporate governance and securities law matters. From 2001 to 2011, Mr. Huot was a member of the Advisory Committee of the Autorité des marchés financiers and, from 1998 to 2014, co-chair of Stikeman Elliott LLP's national Securities Law Group.

Mr. Huot holds a bachelor of arts degree and a bachelor of law degree from Laval University.

Board and Committee attendance during 2022

Board of Directors	10
Governance and Nominating Committee	5
Safety, Health, Environment and Security Committee	5
Total Board and Committee attendance	100%

Other public board directorships

Present

-

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	31,098	31,098
DSUs	223,984.66	229,745.29
Total Shares/DSUs	255,082.66	260,843.29
Total Value	\$6,040,357	\$4,888,203

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Claudette McGowan

**Chief Executive Officer,
Protexxa Inc.**
**First nomination for election as
director of Air Canada**
Age: 51
Status: Independent
Aurora, Ontario, Canada

Major competencies and experience:

- Digital transformation and technology
- Human Resources | Labour
- Operational experience
- Risk management

2022 annual meeting votes in favour:**N/A⁽¹⁾**

Claudette McGowan is Chief Executive Officer for Protexxa Inc., a Canadian-based cybersecurity software and services company. Ms. McGowan is a global information technology leader who has worked in the technology industry for several organizations such as Deloitte, Metropolitan Police Services, North York General Hospital, Bank of Montreal (BMO) and The Toronto-Dominion Bank (TD).

At BMO, Ms. McGowan served as the Chief Information Officer, Enterprise Technology Employee Experience, and at TD, she was the Global Executive Officer for Protect Fusion & Cyber Experience.

Ms. McGowan is the Chair of the Coalition of Innovation Leaders Against Racism (CILAR), a group of senior business leaders committed to fighting systemic racism within the innovation economy. She recently co-led the launch of Phoenix Fire & The Firehood, a women-focused angel fund and network for women in technology. She serves on the board/council of the SickKids Hospital Foundation, CILAR, Elevate Technology Festival, Women in the Economy Task Force, and the U.S. Consulate General of Toronto U.S. & Canada Innovation Council.

Ms. McGowan completed her studies in Canada and graduated with bachelor of arts (Lakehead University) and master of business administration (Athabasca University) degrees. In 2022, she was awarded an honorary doctor of laws degree from Carleton University in recognition of her distinguished 20-year career as a global information technology leader.

Board and Committee attendance during 2022**Not applicable⁽¹⁾****Other public board directorships****Present**

-

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	-	-
DSUs	-	-
Total Shares/DSUs	-	-
Total Value	-	-

Share ownership guidelines met or target date to meet:

Five-year target to be met by May 12, 2028.

(1) Ms. McGowan is a new candidate nominated for election as a director.

Madeleine Paquin, C.M., FSCMA

**President and Chief Executive
Officer, Logistec Corporation**
Director since May 2015
Age: 60
Status: Independent
Montréal, Québec, Canada

Major competencies and experience:

- Global business
- Government affairs and public policy
- Human Resources | Labour
- Related industry experience

2022 annual meeting votes in favour:**99.64%**

Madeleine Paquin is President and Chief Executive Officer of Logistec Corporation, a North American marine and environmental services provider. She has held that position since January 1996. Ms. Paquin is a member of the Marine Industry Forum, and the Marine Transportation Advisory Council. Ms. Paquin currently holds a directorship in CargoM, the Logistics and Transportation Cluster of Montréal, and is Co-Chair of its Working Group I – L&T Development Opportunities.

Ms. Paquin has served as a director of Canadian Pacific Railway Limited, Sun Life Financial Inc., Aéroports de Montréal, the Chamber of Marine Commerce, and the Board of Trade of Metropolitan Montréal.

Ms. Paquin graduated from the Richard Ivey School of Business at the University of Western Ontario with an honors in business administration and from the École des Hautes Études Commerciales, Université de Montréal, with a graduate diploma in administrative sciences. In 2017, Ms. Paquin was appointed a Member of the Order of Canada for her role in leading innovation in supply chain practices and environmental protection, two major drivers of change in the Canadian economy.

Board and Committee attendance during 2022

Board of Directors	10
Governance and Nominating Committee	5
Safety, Health, Environment and Security Committee	5
Total Board and Committee attendance	100%

Other public board directorships**Present**

Logistec Corporation 1987-present

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	6,500	6,500
DSUs	51,367.65	58,280.40
Total Shares/DSUs	57,867.65	64,780.40
Total Value	\$1,370,306	\$1,213,985

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Michael Rousseau

President and Chief Executive Officer, Air Canada

Director since February 2021

Age: 65

Status: Not Independent

Saint-Lambert, Québec, Canada

Major competencies and experience:

- Airline industry
- Finance
- Global business
- Human Resources | Labour
- Operational expertise
- Retail industry
- Risk management
- Safety, health and environment

2022 annual meeting votes in favour: 99.36%

Michael Rousseau was appointed President and Chief Executive Officer in February 2021. He had served since January 2019 as Deputy Chief Executive Officer and Chief Financial Officer, adding oversight over several significant corporate initiatives and businesses, including Air Canada Rouge, to his continuing responsibilities for the airline's overall financial strategic direction and related functions since 2007 when he became Executive Vice President and Chief Financial Officer. In these prior roles, Mr. Rousseau played a significant and highly strategic role in Air Canada's successful transformation over more than a decade.

Prior to Air Canada, Mr. Rousseau held executive positions, including that of President, at Canada's largest diversified general merchandise retailer, Hudson's Bay Company (HBC). He also held senior executive financial positions at other large, international corporations, including Moore Corporation, Silcorp Limited, and the UCS Group (a division of Imasco Limited). Mr. Rousseau has been a director of several public companies. He is also a member of the Board of Governors of the International Air Transport Association.

A graduate of York University, Mr. Rousseau has been a member of the Ontario Institute of Chartered Accountants since 1983. He holds the FCA and FCPA designations, conferred by CPA Ontario in recognition of his professional achievements and contributions. He was named Canada's CFO of the Year™ for 2017 by Financial Executives International Canada, PwC Canada and Robert Half.

Board and Committee attendance during 2022

Board of Directors	10
Total Board and Committee attendance	100%

Other public board directorships**Present**

-

Past five years

Resolute Forest Products Inc.	2010-2023
Chorus Aviation Inc.	2019-2020
Enercare Inc.	2011-2018

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares ⁽¹⁾	108,171	166,805
RSUs	37,351	163,403
Total Shares/RSUs	145,522	330,208
Total Value	\$3,445,961⁽²⁾	\$6,188,098⁽³⁾

Share ownership guidelines met or target date to meet:

Five-year target: Met.

(1) Mr. Rousseau holds 8,500 Class B voting shares indirectly through his spouse as permitted under Air Canada's share ownership requirements.

(2) This amount represents the sum of the market value of the shares underlying restricted share units and the market value of the shares as at February 7, 2022, which is comprised as follows: \$884,472 (restricted share units); and \$2,561,489 (shares).

(3) This amount represents the sum of the market value of the shares underlying restricted share units and the market value of the shares as at March 21, 2023, which is comprised as follows: \$3,062,172 (restricted share units); and \$3,125,926 (shares).

Vagn Sørensen

Corporate director

Director since November 2006

Chair since May 2017

Age: 63

Status: Independent

London, United Kingdom

Major competencies and experience:

- Airline industry
- Digital transformation and technology
- Finance
- Global business
- Related industry experience

2022 annual meeting votes in favour: 96.74%

Vagn Sørensen is a corporate director. Mr. Sørensen serves as Chair of Pantheon Infrastructure PLC. He also represents various private equity funds in some of their portfolio companies. Mr. Sørensen was 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 Chair of British Midland Ltd. and of FLSmidth & Co. A/S and a former director of Lufthansa Cargo AG. He has also served as Chair of the Association of European Airlines and a member of the Board of Governors of the International Air Transport Association (IATA).

Mr. Sørensen holds a master of science degree in economics and in business administration from Aarhus School of Business, University of Aarhus, Denmark.

Board and Committee attendance during 2022

Board of Directors (Chair)	10
Total Board and Committee attendance	100%

Other public board directorships**Present**

Pantheon Infrastructure PLC	2021-present
CNH Industrial N.V.	2020-present
Royal Caribbean Cruises Ltd.	2011-present

Past five years

FLSmidth & Co. A/S	2009-2022
Scandic Hotels Group AB	2007-2018
SSP Group plc	2014-2020

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	19,300	19,300
DSUs	162,112.80	173,434.71
Total Shares/DSUs	181,412.80	192,734.71
Total Value	\$4,295,855	\$3,611,848

Share ownership guidelines met or target date to meet:⁽¹⁾

Five-year target: Met.

(1) The Chair of the Board is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee. Mr. Sørensen meets Air Canada's share ownership requirements.

Kathleen Taylor, C.M.

Corporate director
Director since May 2016
 Age: 65
Status: Independent
 Toronto, Ontario, Canada

Major competencies and experience:

- Finance
- Global business
- Human Resources | Labour
- Legal and regulatory
- Operational experience
- Related industry experience

2022 annual meeting votes in favour: 99.26%

Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada⁽¹⁾, Vice Chair of the Adecco Group AG, and a director of the Canada Pension Plan Investment Board⁽²⁾ and Mattamy Asset Management. She serves as Chair of Altas Partners, a Toronto-based private equity investment firm and Chair of the Advisory Board of The Cabot Collection, a developer and operator of golf resorts and residential properties. Effective January 1, 2023, Ms. Taylor was appointed Chancellor of York University. Ms. Taylor is also Chair of the Board of Trustees for the Hospital for Sick Children and the immediate past Chair and member of the Board of the SickKids Foundation. Ms. Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts.

Ms. Taylor is a member of the C.D. Howe Institute's National Council, Chair of their Human Capital Policy Council and a member of the Task Force on the Digital Economy. She also serves on the Dean's Advisory Council of the Schulich School of Business.

Ms. Taylor holds an MBA 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. She has also received an honorary doctorate of laws from the University of Toronto, McGill University, York University, and Trent University, an honorary doctorate of Humane Letters from Mount Saint Vincent University and an honorary doctorate of Divinity from Huron University.

Board and Committee attendance during 2022

Board of Directors	10
Audit, Finance and Risk Committee	6
Governance and Nominating Committee	5
Human Resources, Compensation and Pension Committee	4
Total Board and Committee attendance	100%

Other public board directorships**Present**

Royal Bank of Canada ⁽¹⁾	2001-present
Adecco Group AG	2015-present

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	10,000	10,000
DSUs	46,209.48	55,453.28
Total Shares/DSUs	56,209.48	65,453.28
Total Value	\$1,331,040	\$1,226,594

Share ownership guidelines met or target date to meet:

Five-year target: Met.

(1) Ms. Taylor will retire from the Board of the Royal Bank of Canada following their meeting of shareholders in 2023.

(2) Ms. Taylor will retire from the Canada Pension Plan Investment Board in 2023.

Annette Verschuren, O.C.

Chair and Chief Executive Officer, NRStor Inc.
Director since November 2012
 Age: 66
Status: Independent
 Toronto, Ontario, Canada

Major competencies and experience:

- Digital transformation and technology
- Finance
- Global business
- Government affairs and public policy
- Operational experience
- Risk management

2022 annual meeting votes in favour: 99.19%

Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops, builds and manages energy storage projects. 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 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 Chair of the boards of the Ontario Energy Association, Sustainable Development Technology Canada (SDTC) and MaRS Discovery District. In addition, she is a director of Liberty Mutual Insurance Group, serves as Chancellor of Cape Breton University, and is a director of the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton. She supports numerous non-profit organizations. She is a founding member of the Rideau Hall Foundation. In 2011, Ms. Verschuren was made an Officer of the Order of Canada and, in 2019 became a companion in the Canadian Business Hall of Fame.

Ms. Verschuren holds honorary doctorate degrees from many Canadian universities including St. Francis Xavier University where she also earned a bachelor of business administration degree.

Board and Committee attendance during 2022

Board of Directors	10
Governance and Nominating Committee (Chair)	5
Audit, Finance and Risk Committee	6
Total Board and Committee attendance	100%

Other public board directorships**Present**

Saputo Inc.	2013-present
Canadian Natural Resources Limited	2014-present

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	62,168	62,168
DSUs	59,217.60	65,380.13
Total Shares/DSUs	121,385.60	127,548.13
Total Value	\$2,874,411	\$2,390,252

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Michael M. Wilson**Corporate director**

Director from May 2008 to May 2009, and since October 2014

Age: 71

Status: Independent

Bragg Creek, Alberta, Canada

Major competencies and experience:

- Finance
- Global business
- Human Resources | Labour
- Operational experience
- Related industry experience
- Risk management

2022 annual meeting votes in favour:**98.93%**

Michael M. Wilson is a corporate director. Mr. Wilson is Chair of Celestica Inc. and Suncor Energy Inc. 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 holds a bachelor of science degree in chemical engineering from the University of Waterloo.

Board and Committee attendance during 2022

Board of Directors	10
Human Resources, Compensation and Pension Committee (Chair)	4
Audit, Finance and Risk Committee	6
Total Board and Committee attendance	100%

Other public board directorships**Present**

Celestica Inc.	2011-present
Suncor Energy Inc.	2014-present

Past five years

-

Ownership and total value of equity

	February 7, 2022	March 21, 2023
Class B Voting Shares	7,468	7,468
DSUs	89,466.55	101,791.61
Total Shares/DSUs	96,934.55	109,259.61
Total Value	\$2,295,410	\$2,047,525

Share ownership guidelines met or target date to meet:

Five-year target: Met.

Trust arrangement in connection with pension MOU

Air Canada maintains several defined benefit pension plans. In 2009, the Government of Canada approved pension funding relief under regulations adopted in co-ordination with pension funding agreements (the Pension MOUs) reached with Air Canada's Canadian-based unions and a consultation process with its retirees and non-unionized workforce, pursuant to which Air Canada issued 17,647,059 Class B voting shares to a trust (the Trust). The terms of the Trust require that the net proceeds of any sales of such shares be contributed to the pension plans. They also require that as long as the Trust holds at least 2% of Air Canada's outstanding shares, the trustee may designate one nominee to the Board of Directors who is not a member or an officer of any of Air Canada's Canadian-based unions, subject to Air Canada's usual governance process for selection and confirmation of director nominees.

In late 2021, Air Canada and its Canadian-based unions signed a letter of intent to permit certain other uses of proceeds of share sales by the Trust. If certain conditions are met, the Trust would gradually sell shares over a period of up to 15 years, and the net proceeds from these sales would be used to make lump sum payments to Canadian pensioners and to fund voluntary separation packages for senior unionized employees and non-executive employees. The right to designate one nominee for election to our Board of Directors would continue until the earlier of January 2030, or when shares held by the Trust represent 2% or less of our outstanding shares.

Certain proceedings

To the knowledge of Air Canada, none of the proposed nominees for election as directors of Air Canada: (a) is, as at the date hereof, or has been, within 10 years before the date of this circular, a director, chief executive officer or chief financial officer of any company that, (i) 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 proposed nominee was acting in that capacity or (ii) was subject to an Order that was issued after the proposed nominee ceased to act in that capacity and which resulted from an event that occurred while that person was acting in such capacity; (b) is, as at the date of this circular, or has been within 10 years before the date of this circular, 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 (c) has, within the 10 years before the date of this circular, 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 proposed nominee.

Remuneration of directors

The Board's compensation is designed to attract and retain experienced directors, leading to the long-term success of the Corporation by offering adequate and competitive compensation.

Each non-executive director is paid a flat annual fee to cover all of their responsibilities, attendance and work performed during the year. Directors are also reimbursed for expenses incurred for attendance at Board and committee meetings and for other meetings or business at the request of Air Canada. Non-executive directors do not receive stock options and do not participate in the Corporation's pension plans. Transportation privileges are provided to directors of Air Canada in line with airline industry practice.

The table below lists the annual retainer fees payable to non-executive directors of Air Canada.

ANNUAL RETAINERS	FEES
Board	\$195,000
Chair (additional retainer)	\$220,000
Audit, Finance and Risk Committee Chair	\$25,000
Other Committees – Chair	\$20,000
Audit, Finance and Risk Committee Member	\$15,000
Other Committees – Member	\$10,000

The annual fees are payable in cash, DSUs under the Deferred Share Unit Plan for Non-Employee Directors or shares (acquired on the open market), or a combination thereof. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. Such DSUs are vested on the date of grant. Non-executive directors of Air Canada are required to receive a minimum of 50% of their annual Board retainer fee and Committee fees in DSUs and/or in shares of the Corporation.

At least 50% of board retainer and committee fees paid in DSUS or shares.

DSUS must be held until directors leave the board.

The table below shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2022, in respect of their memberships on the Board and its committees:

Name	Fees Earned			All other Compensation ⁽²⁾	Total	Allocation of Total Fees		
	Board retainer	Board or Committee Chair retainer	Committee member retainer			In cash	In DSUs	In shares
Ameé Chande	\$195,000	Nil	\$25,000	Nil	\$220,000	\$55,000	\$165,000	Nil
Christie J.B. Clark	\$195,000	\$25,000	\$10,000	Nil	\$230,000	\$115,000	\$115,000	Nil
Gary A. Doer	\$195,000	Nil	\$20,000	Nil	\$215,000	\$24,187.50	\$190,812.50	Nil
Rob Fyfe	\$195,000	\$20,000	\$10,000	Nil	\$225,000	Nil	\$225,000	Nil
Michael M. Green	\$195,000	Nil	\$20,000	Nil	\$215,000	Nil	\$215,000	Nil
Jean Marc Huot	\$195,000	Nil	\$20,000	Nil	\$215,000	\$107,500	\$107,500	Nil
Madeleine Paquin	\$195,000	Nil	\$20,000	Nil	\$215,000	\$86,000	\$129,000	Nil
Michael Rousseau ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen	\$195,000	\$220,000	\$10,000	Nil	\$425,000	\$212,500	\$212,500	Nil
Kathleen Taylor	\$195,000	Nil	\$35,000	Nil	\$230,000	\$57,500	\$172,500	Nil
Annette Verschuren	\$195,000	\$20,000	\$15,000	Nil	\$230,000	\$115,000	\$115,000	Nil
Michael M. Wilson	\$195,000	\$20,000	\$15,000	Nil	\$230,000	Nil	\$230,000	Nil

(1) President and Chief Executive Officer of Air Canada. Mr. Rousseau receives no compensation in his capacity as a director of Air Canada or any of its subsidiaries.

(2) Share-based awards, option-based awards, non-equity incentive plan compensation, pension value, and all other compensation.

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries. In those cases where the directors of the Corporation's subsidiaries are also executive officers or members of senior management, they receive no compensation as directors of any such subsidiary.

Share ownership requirements for directors

Under the Corporation's share ownership guidelines, non-executive directors are required to own securities of Air Canada having a value equivalent to at least three times their annual Board retainer fee, through shares or DSUs, except in the case of the Chair of the Board for whom the multiple is five times the annual Board retainer fee. Such ownership must be achieved within five years of the date of the director's initial appointment or election.

The President and Chief Executive Officer is required to own securities of the Corporation having a value equivalent to at least five times their annual base salary, through shares, vested DSUs or restricted share units (options and performance share units not being included for these purposes). Our share ownership guidelines require that such share ownership be achieved within five years of the date of appointment, subject to exceptional circumstances, as further referenced in the table outlining director share ownership below.

The value of the securities is based on the sum of the market value of shares, including those underlying any DSUs and RSUs.

The following table shows the number of securities of Air Canada owned by individual directors and the market value of such securities as of the date indicated:

Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Market Value of DSUs and RSUs as at December 31, 2022 ⁽¹⁾	Total Market Value of Shares, DSUs and RSUs under Guidelines ⁽²⁾	Value of Shares, DSUs and RSUs Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Share Ownership Requirements
A. Chande	14,508	9,504.32 DSUs	\$156,400	\$449,991	\$585,000	June 25, 2025	By June 2025
C.J.B. Clark	73,010 ⁽³⁾	37,350.72 DSUs	\$695,073	\$2,068,160	\$585,000	June 27, 2018	Met
G.A. Doer	Nil	29,352.34 DSUs	\$514,630	\$550,063 ⁽⁴⁾	\$585,000	April 30, 2023	By May 2023 ⁽⁴⁾
R. Fyfe	Nil	44,683.55 DSUs	\$809,377	\$837,369	\$585,000	September 30, 2022	Met
M.M. Green	88,771	53,725.89 DSUs	\$987,242	\$2,670,392	\$585,000	August 6, 2014	Met
J.M. Huot	31,098	229,745.29 DSUs	\$4,427,513	\$4,888,203	\$585,000	August 6, 2014	Met
M. Paquin	6,500	58,280.40 DSUs	\$1,097,358	\$1,213,985	\$585,000	May 12, 2020	Met
M. Rousseau	166,805 ⁽⁵⁾	163,403 RSUs	\$1,786,943	\$6,188,098 ⁽⁶⁾	N/A ⁽⁷⁾	February 15, 2027 ⁽⁷⁾	Met ⁽⁷⁾
V. Sørensen	19,300	173,434.71 DSUs	\$3,310,300	\$3,611,848	\$975,000 ⁽⁸⁾	May 5, 2022	Met
K. Taylor	10,000	55,453.28 DSUs	\$1,031,509	\$1,226,594	\$585,000	May 10, 2021	Met
A.Verschuren	62,168	65,380.13 DSUs	\$1,238,556	\$2,390,252	\$585,000	November 12, 2017	Met
M.M. Wilson	7,468	101,791.61 DSUs	\$1,915,422	\$2,047,525	\$585,000	October 1, 2019	Met

(1) The amounts reported in this column represent the market value of the shares, including the shares underlying DSUs or RSUs, as applicable, based on the December 31, 2022, Toronto Stock Exchange closing price of Air Canada shares (\$19.39).

(2) The amounts reported in this column represent the market value of the shares, including the shares underlying DSUs or RSUs, as applicable, based on the March 21, 2023, Toronto Stock Exchange closing price of Air Canada shares (\$18.74).

(3) Includes 69,310 Class B voting shares held by Mr. Clark's spouse as permitted under the Corporation's share ownership guidelines.

(4) Mr. Doer is expected to satisfy the share ownership guidelines in April 2023.

(5) Includes 8,500 Class B voting shares held by Mr. Rousseau's spouse as permitted under the Corporation's share ownership guidelines.

(6) Represents the sum of the market value of the shares underlying restricted share units and the market value of the shares as at March 21, 2023, which is comprised as follows: \$3,062,172 (restricted share units); and \$3,125,926 (shares).

(7) As described in "Share Ownership Requirements for Executives", the share ownership requirements for senior executives were suspended for the period during which the Executive Compensation Restriction applied (which limited compensation (excluding pension) to \$1 million while government financing support remained in place during 2021). After giving effect to such suspension, Mr. Rousseau has until February 15, 2027, to meet a share ownership requirement of five times his salary (which Mr. Rousseau has satisfied).

(8) Mr. Sørensen, who assumed the chair of the Board on May 5, 2017, is subject to a share ownership requirement of five times the annual Board retainer fee, which he already meets based on the value of the Air Canada shares and DSUs he owned as of March 21, 2023.

Statement of governance practices

We believe that a strong, effective, independent board plays a crucial role in advancing the interests of Air Canada and maximizing the long-term value thereof. The Board is committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs.

The Board is responsible for the stewardship of the Corporation through the management of its business and affairs. The Board works with management through oversight, review and counsel to establish the Corporation's fundamental policies and overall strategic direction and to advance its business objectives and priorities. Directors act in the best interests of Air Canada, with a view to create sustainable long-term value for the Corporation and its investors, thereby benefiting stakeholders generally.

The Board focuses on five areas in carrying out its stewardship role: (1) strategy and enterprise risk management, (2) business and financial performance, and internal controls, (3) environmental, social and governance matters, (4) succession planning and talent, and (5) culture and integrity.

Air Canada has adopted a Corporate Policy and Guidelines on Business Conduct, as further described below in the section entitled "Code of conduct". A copy of this document can be obtained on SEDAR at www.sedar.com and on the Corporation's website at investors.aircanada.com.

Our practices described in this section comply with the Canadian Securities Administrators' (CSAs) corporate governance guidelines as well as the CSAs' rules relating to audit committees and certification of financial information. We periodically review our governance practices for opportunities to update them.

Board of Directors

Director independence

Our Governance Code and Organizational Guidelines provide that the Board shall at all times be constituted of a majority of directors who must be determined to have no material relationship with the Corporation and who, in the reasonable opinion of the Board, must be unrelated and independent under applicable requirements. Based on the information received from each director nominee and having taken into account these independence criteria, the Board concluded that all director nominees standing for election to the Board are independent, other than Mr. Rousseau, who is not independent because he is an officer of Air Canada.

Directorships of other reporting issuers

Some of our director nominees are also directors of other public entities, as indicated in the "Our nominated directors" section of this circular. None of our nominees sit with another nominee on the board of another public entity.

Chair of the Board

The Chair of the Board is appointed by resolution of the Board. The Chair of the Board is Vagn Sørensen who is an independent director of Air Canada. The responsibilities of the Chair of the Board are set out in a position description, which is described below under "Position descriptions – Chair of the Board".

Board size

Air Canada's articles permit the Corporation to have between seven and 21 directors, with the actual number of directors determined by the Board of Directors. The Board will comprise 13 directors in the event all of the director nominees are elected. The Board is of the view that this size and its composition are adequate and allow for the efficient functioning of the Board as a decision-making body.

Board mandate

The Board has adopted a written charter that sets out its roles and responsibilities, which we reproduce in Schedule “D” to this circular.

Independent directors’ meetings

Consistent with our Governance Code and Organizational Guidelines, the practice of the independent directors of the Board is that at every meeting thereof the Chair leads a session without the presence of Mr. Rousseau and other members of management. In 2022, the Board held in camera sessions without the presence of management at every Board meeting.

Board and Committee meeting attendance

The table below shows the record of attendance by directors at meetings of the Board and its committees during 2022.

Name	Board	Audit, Finance and Risk Committee	Governance and Nominating Committee	Human Resources, Compensation and Pension Committee	Safety, Health, Environment and Security Committee	Overall Attendance ⁽¹⁾
Amee Chande	10/10	6/6			5/5	21/21 (100%)
Christie J.B. Clark	10/10	6/6 ^(C)	5/5			21/21 (100%)
Gary A. Doer	10/10			4/4	5/5	19/19 (100%)
Rob Fyfe	10/10			4/4	5/5 ^(C)	19/19 (100%)
Michael M. Green ⁽²⁾	9/10	–	–	3/4	4/5	16/19 (84%)
Jean Marc Huot	10/10		5/5		5/5	20/20 (100%)
Madeleine Paquin	10/10		5/5		5/5	20/20 (100%)
Michael Rousseau	10/10					10/10 (100%)
Vagn Sørensen	10/10 ^(C)					10/10 (100%)
Kathleen Taylor	10/10	6/6	5/5	4/4		25/25 (100%)
Annette Verschuren	10/10	6/6	5/5 ^(C)			21/21 (100%)
Michael M. Wilson	10/10	6/6		4/4 ^(C)		20/20 (100%)

(1) Overall attendance does not reflect attendance by Board members as observers at meetings of Board committees of which they are not members.

(2) Mr. Green was unable to attend one meeting of each of the Board, Human Resources, Compensation and Pension Committee and Safety, Health, Environment and Security Committee due to exceptional circumstances on the day of those meetings.

Legend: C denotes Board or Committee Chair.

Directors are expected to make all reasonable efforts to attend all meetings of the Board and of the committees of which they are a member. Non-attendance at Board and Committee meetings is rare and is usually attributed to unexpected or exceptional circumstances. If directors are unable to attend Board or committee meetings, they are nonetheless provided with the relevant meeting materials ahead of time and are given the opportunity to provide feedback or comments on such materials to, or to be briefed separately after the meeting by, the Chair of the Board, the Chair of the relevant Board committee, or the Corporate Secretary.

Directors are also encouraged to attend other committee meetings, regardless of membership, on a non-voting basis. The Chair of the Board and our President and Chief Executive Officer are not members of any Board committees, but are entitled to, and regularly do attend and participate in, meetings of our Board committees as ex-officio members thereof and on a non-voting basis (except, with respect to our President and Chief Executive Officer, for in camera meetings or in camera portions of meetings). In 2022, independent directors attended 32 meetings in total that were held by committees of which they are not members, and the Chair of the Board and our President and Chief Executive Officer attended all Board committee meetings on a non-voting observer basis.

Position descriptions

President and Chief Executive Officer

The Board has adopted a position description for the President and Chief Executive Officer. As President and Chief Executive Officer (CEO), the CEO has responsibility for management of the Corporation’s business in accordance with its strategic plan and business plans as approved by the Board, including in respect of its ESG priorities. He provides the leadership and vision for effective management of the Corporation. The primary responsibilities of the CEO include managing the business and day-to-day operations, creating and maintaining a culture and tone of engagement, ethical conduct and performance that drives the achievement of strategic and operational objectives and long-term success in an inclusive, sustainable and responsible manner, fostering and promoting a corporate culture that promotes customer focus and service excellence, including through our official languages action plan, working with the

Chair of the Board to ensure an effective relationship between management and members of the Board, and ensuring, in cooperation with the Board, that there is an effective succession plan in place for the CEO position.

Chair of the Board

The Board has adopted a position description for the Chair of the Board. The Chair leads the work of the Board including by chairing its meetings. The primary responsibilities of the Chair of the Board include taking steps to ensure that the Board has a strategic focus, a strong corporate tone and culture, and effectively represents the long-term best interests of the Corporation and its investors, overseeing and guiding the activities and work of the Board, providing leadership to the Board, as well as counsel and mentorship, to promote a spirit of respect, trust and collegiality, adopting practices and procedures to enable the Board to conduct its work effectively and efficiently, overseeing the Board's shareholder engagement policy and practices, and chairing Board meetings and encouraging free and open communication, as well as active and effective participation, at such meetings.

Chairs of standing committees

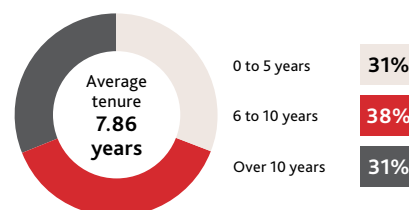
The Chairs of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources, Compensation and Pension Committee and the Safety, Health, Environment and Security Committee are respectively, Christie J.B. Clark, Annette Verschuren, Michael M. Wilson and Rob Fyfe.

Position descriptions have been adopted by the Board for the Chair of each of its four standing committees. These position descriptions provide that the Chair of each committee establishes procedures to govern the committee's work and the discharge by the committee of its objectives, duties and responsibilities, takes steps to ensure that enough time and attention is given to each aspect of the committee's mandate, takes steps to ensure that the members of the committee have the required skills, experience and talents on an ongoing basis and maintain the required level of independence, oversees the flow and adequacy of information to committee members, and leads an annual review of the adequacy of the committee charter.

Mechanisms of Board renewal

The Board's goal is to be a balanced board comprising members with diverse backgrounds, experience and tenure. To that end, the Board has implemented three primary mechanisms of Board renewal, namely, director term limits, a retirement policy and an annual evaluation process, each of which is described below.

Over the past five years, three new directors have joined the Board and two directors have retired. In addition, a new director nominee is being proposed for election at this year's meeting. The average tenure of the director nominees standing for election to the Board is 7.86 years. The following chart shows the number of completed years of Board service of the director nominees:



Director term limits and retirement policy

Board members are elected annually by the shareholders of the Corporation, together with any other directors that are appointed to fill vacancies or as additional directors. The Board's Governance Code and Organizational Guidelines reflect its policy that (a) a director shall not stand for re-election after having served for 15 years from the later of the date of the 2019 shareholder meeting and the date on which the director first began serving on the Board; and (b) no person shall be appointed or elected as a director of the Corporation after having reached 75 years of age; in each case except where the Board determines it is in the interest of the Corporation to request a director to extend their term beyond the regular retirement age, provided, however, that such extension is requested in one-year increments.

Assessment of directors

The Chair of the Board in co-ordination with the Chair of the Governance and Nominating Committee assesses, on an annual basis, the effectiveness of the Board, of its committees and of individual directors. For this purpose, the Chair of the Board oversees the evaluation process described below.

Each year directors are asked to complete a survey on the effectiveness of the Board and its committees, as well as the effectiveness of the Chair of the Board and the Chair of each committee. The survey provides for quantitative ratings in key areas and seeks subjective comments in each of those areas. The survey is administered by the Office of the Corporate Secretary and responses are reviewed by the Chair of the Governance and Nominating Committee, the Chair of the Board, and the Office of the Corporate Secretary. The results of the survey are evaluated with the objective of identifying areas in which the Board and its committees may improve.

After the completion of the annual evaluation process, a summary report is prepared and is presented to the Board. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. In addition, the

Chair of the Governance and Nominating Committee meets with the Chair of each committee and the Chair of the Board to discuss the results of the survey on their effectiveness.

Each year the directors are also asked to complete a peer evaluation survey that provides for quantitative ratings on key characteristics and behaviours essential for Air Canada directors and seeks subjective comments on peer performance. The results are compiled by an independent third party and reported to the Chair of the Board. The Chair conducts individual sessions with each director to discuss the director's peer feedback and contribution as a member of the Board.

Nomination of directors

The Governance and Nominating Committee recommends to the Board criteria for the composition of the Board, annually assesses the overall composition of the Board by considering factors such as diversity and gender balance, competencies, skills, qualities and other attributes the Board believes it needs to possess, as a whole, to fulfill its responsibilities, and identifies individuals qualified to become director nominees. The Committee also reviews board composition and any anticipated board vacancies through the lens of the Board diversity policy discussed below even when the Board does not have an immediate vacancy. In so doing, it invites suggestions from other directors and management draws on other organizations and may seek advice from experienced and independent search consultants, where necessary. The Chair of the Governance and Nominating Committee leads the process, and a candidate will also meet other directors and the President and Chief Executive Officer.

Competencies and skills

The Governance and Nominating Committee determines the expected competencies and skill-set of new candidates by taking into account the existing strengths of the Board and the needs of the Corporation. The Governance and Nominating Committee also considers potential conflicts of interest and interlocking directorships of potential candidates.

Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which the Corporation operates. For more information concerning the competencies possessed by the director nominees, please refer to the matrix contained in the summary at the beginning of this circular. For purposes of the competency matrix, digital transformation and technology includes information security.

The Governance and Nominating Committee also reviews the qualifications, skill-set and experience of the candidate nominated by the trustee appointed under the Pension MOUs, as indicated under "Trust arrangement in connection with pension MOU" at [page 33](#) of this circular.

Directors are expected to devote sufficient time for all of the Board's business and the affairs of the Corporation, demonstrate high ethical standards and integrity in their personal and professional dealings, attend all Board and applicable committee meetings, contribute meaningfully to, and challenge, the key business plans and strategic direction of the Corporation, and facilitate active and effective participation in Board and applicable committee deliberations.

Board diversity policy

The Board recognizes the benefits of fostering greater diversity and inclusion, both in the boardroom and within our workforce in Canada and around the world. A fundamental belief of the Board is that a diversity of perspectives maximizes the effectiveness of the Board and decision-making in the best interests of the Corporation. This belief in diversity translated into a written Board diversity policy first adopted by the Board in February 2015 and more recently amended in February 2022.

The diversity policy states that the search for and selection of candidates is based on merit and candidates will be considered against objective criteria, having due regard to the benefits of diversity for the Board including the representation of members of "designated groups" as defined in the Employment Equity Act (Canada) (that is, women, members of visible minorities, Indigenous peoples and persons with disabilities). Consistent with the objectives of the diversity policy and in order to ensure its effective implementation, the Board and the Governance and Nominating Committee considers the level of representation of diverse groups on the Board when identifying and nominating candidates for election or re-election to the Board. In addition, as part of the search process (which may include the retention of external search firms as needed), initial slates of qualified candidates include women and other members of designated groups.

The Governance and Nominating Committee strives to include gender diverse candidates and candidates from other designated groups among the qualified candidates considered for nomination to the Board, and will instruct any search firm it engages to identify individuals who will contribute to the overall diversity of the Board to be included in the pool of candidates from which nominees to the Board are selected. The Board and the Governance and Nominating Committee also take other dimensions of diversity into account in the process of selecting individual candidates.

Diversity milestones

Air Canada is committed to diversity and inclusion, and we are very proud of our diverse and inclusive workforce. Through its ongoing renewal, the Board aspires to see its composition further reflect Canada and the diversity of our customers and employees. We have had the opportunity to join in the leadership of many organizations in pledging or committing to advance diversity and equity at our Board and at Air Canada. For instance, we committed last year to having women represent at least 40% of the directors of Air Canada by 2025, up from 30% by 2020. If all nominees are elected at the meeting, 38% of the directors will be women. Our determination to advance our diversity aspirations will continue beyond when we meet any goals we have pledged or committed alongside other organizations.

38% of our director nominees identify as women

15% identify as members of visible minorities

Presently, four of our 12 directors (33%) identify as women, and one out of 12 directors (8%) identifies as a member of a visible minority. After the shareholder meeting and assuming all director nominees are elected, five of our 13 directors (38%) will identify as women, and two of our 13 directors (15%) will identify as members of a visible minority, one of whom as a Black woman. None of the current directors or nominees have self-identified as an Indigenous person or a person with a disability.

We share more information on how we seek to advance diversity among our senior management in the "Approach to diversity, equity and inclusion" section at [page 50](#) of this circular.

Annual review of diversity policy

Annually, the Governance and Nominating Committee reviews our diversity policy and assesses its effectiveness in promoting a diverse Board. In measuring effectiveness, the Governance and Nominating Committee considers its identification and consideration of candidates in the previous year and also reviews the Board's composition and any anticipated vacancies. The Governance and Nominating Committee reports to the Board with respect to measures taken to ensure that the diversity policy has been effectively implemented. The diversity policy was updated in 2022 and continues to reflect the Board's approach and objectives.

Orientation and continuing education

The Board seeks to ensure that new directors are introduced to their role and all directors have access to the resources they need to focus on ongoing development.

New directors will be familiarized with the Corporation's businesses, strategies and policies, and with industry knowledge to optimize their contributions on the Board. New directors are invited to attend orientation sessions with members of senior management as well as with the CEO. Each new director is also invited to review governance documents and practices to enable them to better understand their role and responsibilities.

The Governance and Nominating Committee is also responsible for providing a continuous education program for directors of the Board. These programs may include internally developed programs, programs presented by third parties and financial and administrative support to attend qualifying academic or other independent programs.

The continuous education program provides directors with opportunities to develop skills that contribute to their directorship at Air Canada by raising their awareness of company and industry issues and their duties and responsibilities as directors. Additional documentation and selected presentations, including strategy sessions with management, are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current.

The Corporation provides directors with regular reports on the operations and finances of Air Canada. Management periodically briefs the Board with up-to-date industry studies and benchmarking information. At each regular Board meeting, the directors are provided with updates on material developments that could affect Air Canada's business. Furthermore, airline operations and airport facility tours are available for directors so they can enhance their understanding of the operational aspects of Air Canada's business.

The following table provides education sessions, management presentations and reports attended or received by our directors in 2022.

	Topic	Attendance
Q1 2022	Cargo review	Board
	Regional markets overview	Board
	ESG reporting	AFRC
	Information technology innovation update	Board
	Update on ESG recent developments	AFRC
	Executive compensation practices	HRCPC
Q2 2022	Global risk landscape	Board
	Elevating the customer experience	Board
	Overview of market landscape	Board
	Information technology and cyber governance and risks	AFRC
	Fuel, foreign exchange and interest rate landscape	AFRC
Q3 2022	Contact centres	Board
	Leisure market overview	Board
	Managing pension risk module	HRCPC
Q4 2022	Cargo market environment	Board
	Sustainable aviation fuel review	Board
	Sustainability in aviation and product development	Board
	Elevating customer experience	Board
	Fuel, foreign exchange and interest rate landscape	AFRC
	Labour outlook	Board
	Product review	Board
	Diversity, equity and inclusion	Board ⁽¹⁾
	Cybersecurity	Board
	Managing pension risk module	HRCPC

(1) One director who could not attend the session viewed a similar session that had been prepared for senior management.

Code of conduct

The Corporation has a Corporate Policy and Guidelines on Business Conduct (the Code of conduct), which is reviewed annually by the Board. The Code of conduct applies to all directors, officers and employees of Air Canada. It addresses, among other things, conflicts of interest, use of company assets, confidential information, compliance with laws, fair dealing with other people and organizations, employment policies, computer, email, internet and other authorized technologies, and reporting actual or potential misconduct or violations thereof. The Code of conduct is available on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.

The Code of conduct is communicated or brought to the attention of all employees of Air Canada. In addition, all directors of Air Canada and members of management are required to complete an annual acknowledgment form and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code of conduct.

The Code of conduct requires that employees report any illegal acts or violations of the Code and provides instructions on how to do so including through our confidential and anonymous telephone and online reporting system administered by an independent third party. On a quarterly basis, the Audit, Finance and Risk Committee receives an overview of reports logged and investigated, and the Human Resources, Compensation and Pension Committee receives an overview of complaints received and investigated by the Human Rights and Harassment Office.

Since its original adoption, there have been no reported departures from the Code of conduct, and Air Canada has not authorized any waiver of the obligations under the Code.

The Code also provides that all directors, officers and employees are required to disclose to the Vice President and Corporate Secretary any and all business, commercial or financial interests or activities that might create a conflict of interest. Our conflict of interest guidelines for directors set out how conflict situations will be managed during a Board meeting. If a director is deemed to have a conflict of interest because of an interest in a party to a proposed contract or transaction with Air Canada, then a specific "declaration of interest" is noted in the minutes of the meeting, and the conflicted director must abstain from voting on the matter. Depending on circumstances, the director may also withdraw from the meeting while the Board deliberates.

Related-party transactions

We are a global company with extensive operations. Because of these wide-ranging activities, there may be transactions, business arrangements or relationships with businesses and other organizations in which one of our directors, executive officers, or nominees for director, or a person who beneficially owns more than 10% of our shares on a combined basis, or their immediate families, may also be a director, executive officer, or significant investor, or have some other direct or indirect material interest (related parties).

The Audit, Finance and Risk Committee would review and approve related party transactions where required by applicable law, including those that are subject to formal valuation or minority shareholder approval under applicable Canadian securities rules or that would otherwise be material to Air Canada. In evaluating a related party transaction, the Committee would consider those factors it considers relevant to determine whether it has a business purpose for Air Canada and is on terms that are fair and reasonable to it. This could include the nature of the transaction, the costs to be incurred or payments to be made, the benefits associated with the transaction, the significance of the transaction to Air Canada and to the related party, and management's determination that the transaction is in the best interests of Air Canada. Related-party transactions that require approval by the Audit, Finance and Risk Committee do not include executive compensation or benefits otherwise approved by the Board as described in this circular, or transactions that are not material or that applicable laws exempt.

There are ordinary course transactions between Air Canada and related parties from time to time, none of which constitute related party transactions that require approval. To the best of the Corporation's knowledge, no director, officer or other insider of Air Canada, nor any associate or affiliate thereof has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's last financial year that has materially affected or is reasonably expected to materially affect the Corporation or any of its subsidiaries.

The Code of conduct also requires the disclosure of transactions or other circumstances involving potential conflicts of interest.

Shareholder and stakeholder engagement

Air Canada believes in strong and consistent engagement with our shareholders and other stakeholders. We proactively engage with them throughout the year to better understand their priorities and perspectives on significant issues. Engagement participants include members of senior management and our Board.

Annual engagement

In 2016, the Board began inviting major institutional investors to meet with the Chair and other members of the Board on an annual basis. During the fall of 2022 and in early 2023, our largest institutional shareholders (who at that time collectively owned about 30% of Air Canada's outstanding shares) were invited to meet individually with the Chair and the Chairs of the Governance and Nominating Committee and the Human Resources, Compensation and Pension Committee. Meetings were held with four shareholders collectively holding about 14% of the Corporation's outstanding shares. In this engagement exercise, shareholders were supportive of Air Canada's strategy and there were no material concerns raised by Shareholders towards Air Canada specifically. There was interest and feedback on a variety of topics including strategic matters, the latest financial results, published guidance and updated 2024 financial targets, ESG (including Air Canada's climate action plan, our approach to official languages and safety), our executive compensation approach (including the integration of ESG matters) and auditor tenure policies.

Annual meeting

Our annual meeting is an opportunity for Air Canada to further engage with shareholders, which is why we encourage you to attend. The meeting will be held in a virtual-only format, with simultaneous translation available in both official languages. The annual meeting provides a valuable opportunity to hear directly from management about the results of Air Canada's business and operations, as well as our strategic plans. Members of the Board are in attendance at annual meetings, and the Chair of the Board and of each committee are available to answer questions as appropriate.

Investor conferences

Since 2013, the Corporation has held Investor Day events. The Corporation held its most recent Investor Day event on March 30, 2022. The event was offered in hybrid format (in person and virtual) and was attended by 325 participants, a significant increase from prior editions. The next Investor Day is expected to be held in 2024. Through the Investor Relations channels, the Corporation also regularly participates in investor conferences, fireside chats and one-on-one meetings. In 2022, the Corporation participated in 20 investor conferences and hosted over 150 engagements with investors. Quarterly conferences are also held by executive management with the investment community to review Air Canada's most recently released financial and operating results.

Other engagements

The Executive Vice President and Chief Financial Officer and members of the senior management team regularly communicate with various stakeholders to listen to their opinions on matters that are important to them.

We also engage with our stakeholders in a variety of ways, including:

Customers	• Customer service discussions through our Contact Centres or Customer Relations or other channels (in person, by phone, email, digital platforms, etc.) • Satisfaction surveys, customer feedback panels and focus groups, including as part of our customer experience initiative described below • Content on website and via social networks • Conferences and regular discussions with corporate customers
Employees	• Town halls (at least quarterly) with the President and Chief Executive Officer and other members of the Executive Committee • Internal social media platform • Surveys and discussion groups on employee experience • Diversity Equity and Inclusion Executive Council • Employee resource groups • General employee communications and meetings
Communities	• Media relations • Participation in consultations, roundtables, surveys, conferences and forums • Participation in community events, including together with the Air Canada Foundation • Involvement with industry or business associations

Communication channels

The Board recognizes that it is also important for shareholders to have the opportunity to communicate on matters that are important to them. Shareholders who submit feedback or questions or who contact the Board may do so in French or English. Air Canada maintains a telephone number as well as email and regular mail addresses for stakeholder feedback and questions. All communications will be received, processed and initially reviewed by the Office of the Corporate Secretary. Communications that are not related to the duties and responsibilities of the Board, including topics of a commercial nature, service complaints, employment issues, business suggestions, job inquiries, opinion surveys and business or other solicitations, may instead be forwarded to the relevant Air Canada department or otherwise dealt with appropriately.

For any questions or comments please contact the Board through the Chair via email at corporate.secretary@aircanada.ca, or Shareholder Relations by phone on +1-514-422-6644, by email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4 Canada. Please also refer to the section entitled "How to request more information" at [page 87](#) of this circular.



Board committees

The Board fulfils its duties and responsibilities directly and through four standing committees: Audit, Finance and Risk Committee; Governance and Nominating Committee; Human Resources; Compensation and Pension Committee; and Safety, Health, Environment and Security Committee. In 2023, the name of the Human Resources and Compensation Committee was amended to reflect its responsibilities for pension-related matters, which were previously overseen by a separate pensions committee.

All Board committees are entirely composed of independent directors. Their roles and responsibilities are set out in written charters, which are reviewed annually. The tables below contains information about the members and purposes of each committee. The Board recently amended its committee charters to formalize its practice of overseeing strategies, policies and practices relating to environmental and social matters and its focus on cybersecurity.

Audit, Finance and Risk Committee | Purpose and selected responsibilities

Christie J.B. Clark (Chair)
 Amee Chande
 Kathleen Taylor
 Annette Verschuren
 Michael M. Wilson

- Assist the Board in its oversight responsibilities relating to (i) financial reporting and audit process, (ii) the independence, qualifications and appointment of the external auditor, (iii) the Corporation's enterprise risk management process and (iv) the development of internal controls and disclosure processes for ESG matters, such as climate action and related plans.
- Oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.
- Oversee management's assessment of major information technology and cybersecurity risks.
- Facilitate in-depth and candid discussions regarding significant issues involving judgment and impacting quality of controls and reporting.

Meetings in 2022: 6

Governance and Nominating Committee | Purpose and selected responsibilities

Annette Verschuren (Chair)
 Christie J.B. Clark
 Jean Marc Huot
 Madeleine Paquin
 Kathleen Taylor

Assist the Board in its oversight responsibilities relating to:

- corporate governance guidelines and practices, including as to qualification standards, compensation, orientation and continuing education, and annual performance evaluations;
- identifying individuals qualified to become new directors and recommending the nominees for each annual meeting of shareholders, including having regard to the Board's diversity policy;
- overseeing progress on overall efforts with respect to sustainability, including ESG matters, and providing guidance about the general strategy and direction in their respect.

Meetings in 2022: 5

Human Resources, Compensation and Pension Committee | Purpose and selected responsibilities

Michael M. Wilson (Chair)
 Gary A. Doer
 Rob Fyfe
 Michael M. Green
 Kathleen Taylor

Assist the Board in its oversight responsibilities relating to:

- human resources, compensation and pension matters including: (i) the Corporation's compensation philosophy and policies, including as they relate to ESG and other non financial matters, (ii) succession plans, (iii) key talent management strategies and practices and (v) workplace practices and labour relations;
- the Corporation's retirement plans including that pension liabilities are appropriately funded and pension assets are prudently invested;
- priorities and risks related to human resources, including to monitor trends in respect of ESG matters and their integration in compensation matters.

Meetings in 2022: 4

Safety, Health, Environment and Security Committee | Purpose and selected responsibilities

Rob Fyfe (Chair)
 Amee Chande
 Gary A. Doer
 Michael M. Green
 Jean Marc Huot
 Madeleine Paquin

Assist the Board in its oversight responsibilities concerning safety, health, environment and security matters including in relation to:

- strategies, policies, systems and processes of the Corporation and its subsidiaries;
- management of risks relating to safety, health, environment and security matters;
- compliance with statutory and regulatory obligations;
- reviewing, recommending to the Board and monitoring progress on the five-year climate action plans.

Meetings in 2022: 5

Directors are also encouraged to attend other committee meetings, regardless of membership, on a non-voting basis. The Chair of the Board and our President and Chief Executive Officer are also entitled to, and regularly do attend and participate in, meetings of our Board committees as ex-officio members thereof and on a non-voting basis (except, with respect to our President and Chief Executive Officer, for in camera meetings or in camera portions of meetings).

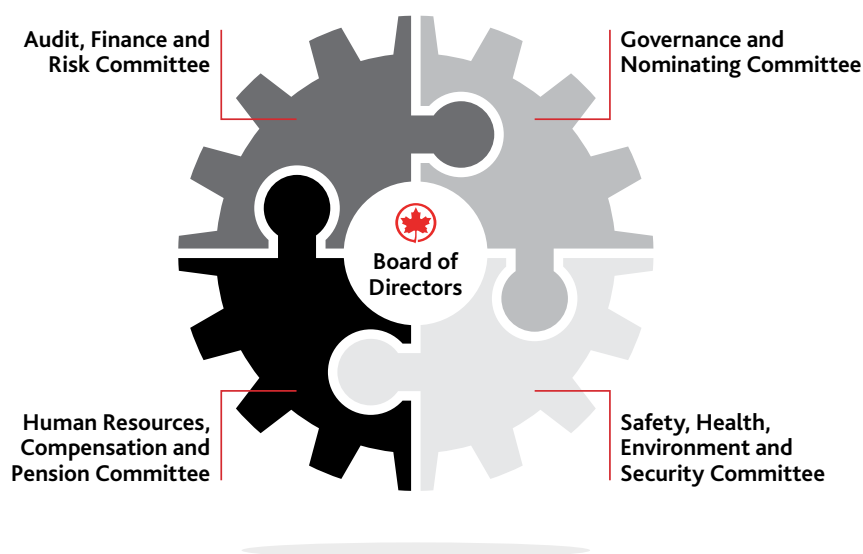
In 2022, independent directors attended 32 meetings in total that were held by committees of which they are not members, and the Chair of the Board and our President and Chief Executive Officer attended all Board committee meetings on a non-voting observer basis (except, with respect to our President and Chief Executive Officer, for in camera meetings or in camera portions of meetings).

Sustainability and social impact

Being a global champion involves being a responsible corporate citizen and doing what is right for the longer-term interests of Air Canada and by extension benefit shareholders, employees, customers, communities and other stakeholders. It includes operating safely, supporting research and development to reduce its environmental footprint, leading in the efforts for climate action, and governing itself responsibly and ethically.

Overview of ESG practices and strategies ⁽¹⁾

The Board of Directors has oversight of Air Canada's environmental, social and governance (ESG) activities and strategies, and all Board committees are mandated to perform their activities having regard to them:



Board of Directors

- As part of the strategic planning process, evaluate and review public issues of significance that may affect the Corporation's business, operations and stakeholders.
- Oversee, through the Audit, Finance and Risk Committee, the development of ESG disclosures, processes and controls.
- Oversee, through the Governance and Nominating Committee, the Corporation's overall activities, policies and programs with respect to ESG matters, including sustainability and diversity, equity and inclusion policies.
- Oversee, through the Human Resources, Compensation and Pension Committee, the integration of certain ESG matters in the Corporation's approach to compensation, human resources management strategies and organizational culture.
- Oversee, through the Safety, Health, Environment and Security Committee, the Corporation's safety, health, environment and security policies and practices.

(1) Our disclosure regarding our ESG practices contains forward-looking information within the meaning of applicable securities laws, including with respect to our climate action/ environmental and social goals, targets, commitments and strategies. This forward-looking information, by its nature, is based on assumptions and involves risks and uncertainties. Actual results may differ materially from results expressed or implied by our forward-looking statements, due to a number of risks, uncertainties, and other factors, including factors outside of our control. For our caution regarding forward-looking statements, see [page 88](#) of this circular.

Audit, Finance and Risk Committee	• Monitor trends relating to, and oversee the development of, control mechanisms and the integration of ESG criteria in financial or other corporate reporting. • Review the audit scope and approach of the external auditors relating to ESG matters. • Jointly review and recommend to the Board the annual report aligned to the recommendations of the Task Force and Climate-Related Financial Disclosures or other sustainability reporting standards that emerge.
Governance and Nominating Committee	• Review, monitor and evaluate trends and Air Canada's progress in its overall efforts with respect to ESG matters and their integration in its governance. • Facilitate information sharing among the Board committees in respect of ESG matters. • Review and recommend to the Board the annual Corporate Sustainability Report or ESG Report, the Board diversity policy, the modern slavery and human trafficking statement, and any updates to the Air Canada Code of conduct. • Report regularly to the Board on its activities, findings and conclusions, including on policies, practices, and progress on key ESG matters, and provide guidance to the Board about the general strategy and direction with respect to such matters. • Jointly review and recommend to the Board the annual report aligned to the recommendations of the Task Force and Climate-Related Financial Disclosures or other sustainability reporting standards that emerge.
Human Resources, Compensation, and Pension Committee	• Assist the Board in its human resources, compensation and pension responsibilities, including monitoring trends in respect of ESG matters and their integration in compensation matters, reviewing whether Air Canada's human resources management strategies and organizational culture are aligned with its ESG practices and strategies, and reviewing the key measurable objectives of Air Canada's diversity, equity and inclusion action plan and monitoring progress on the achievement of such objectives.
Safety, Health, Environment and Security Committee	• Assist the Board in its oversight responsibilities concerning safety, health, environment and security matters, including the strategies, policies, systems and processes of the Corporation and its subsidiaries. • Exercise oversight over key areas of the Corporation's approach to climate change, such as climate strategy, climate mitigation and climate resilience. • Review the effectiveness of the Corporation's risk management framework in relation to safety, health, environment (including climate change), security matters and compliance with statutory and regulatory obligations. • Review and make recommendations on Air Canada's Climate Action Plan to the Board. • Jointly review and recommend to the Board the annual report aligned to the recommendations of the Task Force and Climate-Related Financial Disclosures or other sustainability reporting standards that emerge.

ESG practices and strategies are integrated in Air Canada's business strategy and help inform decision-making. Corporate sustainability initiatives are identified and co-ordinated through a Corporate Sustainability Working Group and a Corporate Sustainability Steering Committee. The Corporate Sustainability Working Group, led by the Head of Investor Relations and Corporate Sustainability, comprises senior management subject matter experts from diverse functions. It is tasked with the co-ordination and monitoring of Air Canada's corporate sustainability initiatives. Progress on these initiatives is shared with the Governance and Nominating Committee.

At Air Canada, we aim to make meaningful connections and to care for and elevate one another, as Citizens of the World.

ESG reporting

Air Canada's social and environmental achievements are reported through its annual Corporate Sustainability Report, "Citizens of the World," in accordance with the Global Reporting Initiative (GRI) standards. Air Canada was the first Canadian airline to join the UN Global Compact Network, which encourages businesses around the world to adopt more sustainable and socially responsible practices. Air Canada is committed to supporting the 10 principles of the UNGC and the 17 Sustainable Development Goals (SDGs). Since 2020, Air Canada has aligned the SDGs with its reporting on the GRI, and supports all 17 Sustainable Development Goals.

Air Canada's climate governance, strategy, risks and performance are also reported through its report aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework (the TCFD Report), as well as through the CDP. Formerly known as the Carbon Disclosure Project, the CDP has aligned its approach with the TCFD framework.

Air Canada's Corporate Sustainability Report, TCFD Report, GRI Content Index (and related charts) and the United Nations Sustainable Development Goals index are available at www.aircanada.com/citizensoftheworld.



As a global air carrier, Air Canada's activities can have an impact on its employees, its customers, the communities it serves and other stakeholders. As Citizens of the World, Air Canada aims — in everything it does — to integrate economic, environmental and social factors. We have set our goals through our Climate Action Plan.

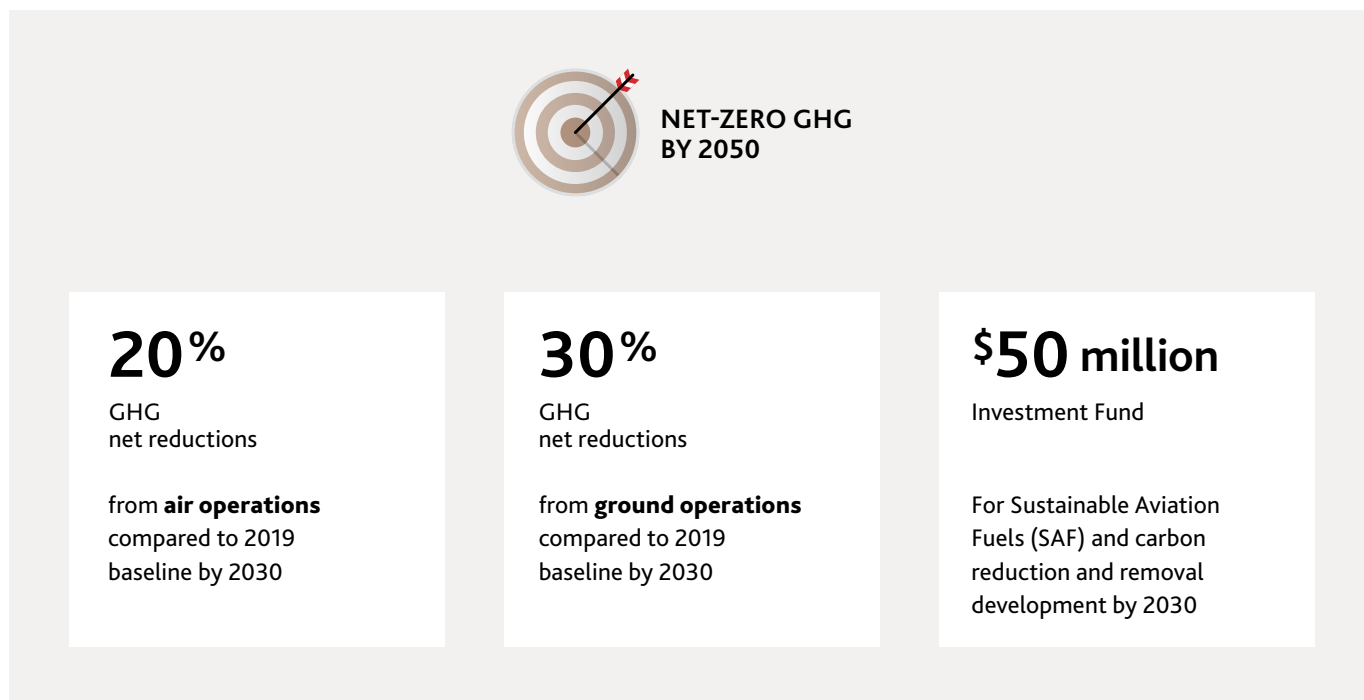
Our efforts to promote a cooperative, inclusive and diverse workplace have continued and amplified as we faced business and other challenges in recent years. In 2022, we were recognized at the annual Canadian HR Awards with the Payworks Award for Best Corporate Social Responsibility Strategy. Our ESG aspirations are critical to our recovery, long-term success and are an integral part of our CEO's objectives.

Climate action

In March 2021, Air Canada announced its Climate Action Plan, which aims to achieve an ambitious goal of net-zero emissions by 2050. In defining its pathway to this goal, Air Canada has set the following 2030 absolute mid-term GHG net-reduction targets:

- 20% GHG net reductions from our air operations by 2030 compared to our 2019 baseline.
- 30% GHG net reductions from our ground operations by 2030 compared to our 2019 baseline.
- Investment of \$50 million in sustainable aviation fuels (SAF) as well as in carbon reductions and removals.

Air Canada is committed to advancing climate change and environmental sustainability throughout its business and to reporting on its progress. The ambitious net-zero goal will be realized through a series of five-year period climate action implementation plans.



The Climate Action Plan builds on its existing value streams and activities and is based on four key carbon reduction pillars that are central to the advancement of Air Canada's climate objectives:

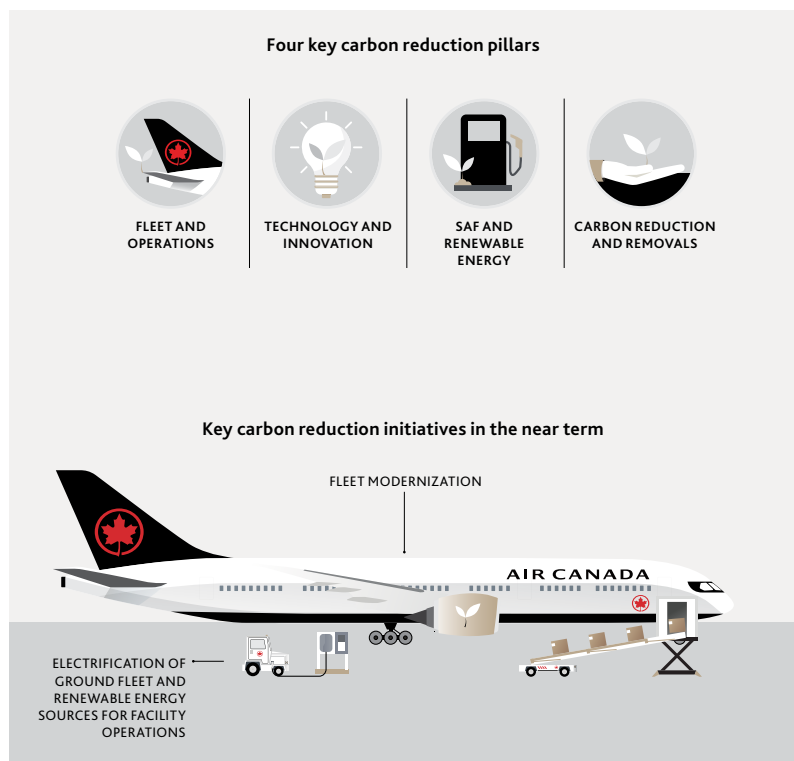
- **Fleet and operations:** With its fleet renewal program, Air Canada will continue deploying more energy-efficient aircraft. We will continue to integrate climate factors in route and fleet planning. On the ground, we expect to phase out carbon-intensive ground equipment and plan on further advancing electric vehicles use and seek other electrification opportunities.
- **Technology and innovation:** Air Canada will, over time, evaluate the viability, safety and performance of new electric, hydrogen or hybrid operational technologies and will look for other innovative opportunities elsewhere in its operations.
- **SAF and renewable energy:** To further its work on sustainable aviation fuels, Air Canada has committed to invest \$50 million in SAF by 2030 and other low carbon aviation fuel (LCAF) development and is actively evaluating the practical applications of renewable energy sources such as biogas and renewable electricity and energy transition measures.
- **Carbon reductions and removals:** Air Canada will explore carbon negative emission technologies and other direct emission reduction and removal strategies in addition to further developing its regulatory carbon offset compliance actions and customer offerings.

Our 2022 initiatives achieved in pursuit of our ambitious goal of reaching net-zero greenhouse gas emissions throughout the global operation by 2050 include:

- Agreement to purchase 30 ES-30 electric-hybrid regional aircraft under development by Heart Aerospace of Sweden (expected to enter service in 2028) and to invest \$7 million in Heart Aerospace.
- Agreement for 30 A321XLRs aircraft, and increased firm orders to 60 A220 aircraft which, like the Boeing 737 MAX, are more fuel efficient than the previous generation of aircraft.
- Investment of \$6.75 million into Canadian climate solutions company Carbon Engineering (CE), supporting the advancement of CE's Direct Air Capture (DAC) technology that pulls carbon dioxide directly out of the air at large, industrial scale.
- Introduced CHOOOSE, a global climate technology company, as our new carbon offset program provider, the option to purchase verified carbon offsets being now seamlessly integrated into the airline's Canadian and U.S. booking websites.
- Signed up eight customers (corporate and cargo) to the LeaveLess Travel Program, designed for corporate customers and offering effective options to offset or reduce greenhouse gas (GHG) emissions related to business travel and reduce our carbon footprint.
- Continued electrifying our ground fleet by purchasing 50 electric ground service vehicles to support the operations. We announced we are working alongside Rheinmetall Canada to type trial the eMSU; the world's first, zero-emission, all-electric air start unit.
- Power purchase agreement sourcing renewable energy for our Canadian facilities.
- Robust environmental management system (IEnvA) and Illegal Wildlife Trade certifications completed.
- Launched an electric shuttle service for its employees at Vancouver airport. The daily service, which operates more than 150 itineraries, is now operated by fully electric vehicles instead of conventional gasoline-powered ones.
- Enhanced our communications to key stakeholders with the publication of our first report aligned to the Task Force on Climate-related Financial Disclosures (TCFD) and various awareness and engagement campaigns.

Air Canada is not alone, and governments, industry and others in the climate action chain must each play their part. We critically rely on each other to reach our collective goals. This is why we have led and worked with industry and other stakeholders in several initiatives relating to climate action or environmental protection locally and globally, such as the following:

- reporting in relation to ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which applies to certain international flights,
- signatory, through the National Airline Council of Canada (NACC), to the Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation,
- participating, through NACC, in the development of the Canadian Clean Fuel Regulations,
- founding member of the Canadian Council for Sustainable Aviation Fuels (C-SAF), a not-for-profit organization that aims to accelerate the commercial production and supply of affordable SAF in Canada,
- founding member and first Canadian carrier to join the Aviation Climate Taskforce (ACT),
- signatory to the Clean Skies for Tomorrow 2030 Ambition Statement uniting companies dedicated to transition to net-zero emissions for aviation,
- member of various IATA sustainability and environmental working groups,
- chair of the NACC Environmental Subcommittee and involved with other environment committees and working groups with the Airlines for America (A4A) and the Star Alliance® Sustainability Committee, and
- member of Canadian Business for Social Responsibility (CBSR).



Approach to diversity, equity and inclusion

A diverse and inclusive workforce is a true strength for Air Canada that helps attract and retain the best available global talent. Air Canada's values and efforts have led to recognitions such as being named one of Canada's Best Employers for Diversity by Forbes. Air Canada is proud of the fact that customers and stakeholders can see themselves and their diverse backgrounds reflected in our employees around the world. We recognize that there is always more to be done and are stepping up our efforts to nurture a diverse, equitable and inclusive work environment.

Key components of Air Canada's diversity approach include:

- cross-functional employee groups focused on identifying and advancing diversity and inclusion initiatives,
- employee resources groups focused on advancing concerns and strategies to promote inclusivity,
- increased awareness of the importance of a diverse and inclusive workforce through management training programs,
- embedded diversity considerations in the hiring process, employee development, promotion process and succession planning, and
- campaigns and community outreach initiatives to target the hiring of underrepresented groups, such as promotional material and appearances at Indigenous career fairs, in magazines aimed at Indigenous Peoples and other recruiting initiatives.

Air Canada aspires to continue to increase the representation of designated groups in senior management positions. We have not currently adopted targets with respect to representation of designated groups for senior management. We believe a holistic approach to diversity, equity and inclusion, which considers levels of diversity throughout all levels of our workforce, is most aligned with our organization and will help us achieve more meaningful results overall.

We are implementing an accountability framework that will guide us in setting our goals with respect to representation. This accountability framework includes two key components – engaging with leadership and internal reporting of representational data and ensuring that all levels of our organization are informed, responsible and empowered to move towards increased representation. In 2022, we established a Diversity Equity and Inclusion Executive Council to oversee the implementation of our approach to diversity, equity and inclusion and to help us shape our corporate objectives going forward.

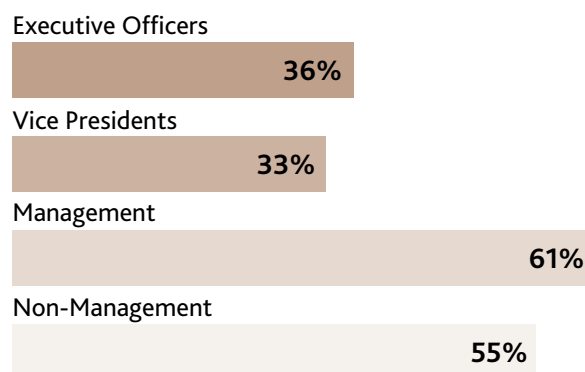
The composition and diversity of our executive and senior management is supported by that of our talent pipeline. We manage talent and plan succession by identifying, assessing and developing candidates for future roles, allowing us also to build a diverse pipeline of leaders.

Based on self-identification, currently, three members (27.3%) of Air Canada's executive officers identify as women, while one (9.1%) identifies as living with a disability. None have identified as being members of a visible minority or Indigenous. As at December 31, 2022, 10 out of 11 of Air Canada's executive officers have elected to self-identify.

Based on self-identification, four Vice Presidents (14.8%) have self-identified as women, one (3.7%) as living with a disability, four (14.8%) as members of visible minorities and none have self-identified as Indigenous. As at December 31, 2022, out of 27 Vice Presidents, 26 have elected to self-identify.

Data on representation is obtained through voluntary self-identification in all Canadian employees.

Diversity Representation ⁽¹⁾⁽²⁾



(1) Diversity representation includes self-identified women, Indigenous Peoples (First Nations, Inuit and Métis), persons living with disabilities, and members of visible minorities.

(2) Executive officers consist of the CEO, executive vice presidents and senior vice presidents.

Highlights and recognition

Here are some highlights of our initiatives and the recognition we received:

- Air Canada was named one of the world's best employers and one of Canada's best Diversity Employers by Forbes.
- Looking forward and in the spirit of continuing to grow and strengthen the Corporation's commitment and engagement, two Indigenous commitment plaques for land acknowledgment were created to be placed in Montreal.
- Introduced learning modules for Indigenous awareness as well as seminars for people managers on unconscious bias.
- Air Canada participated and sponsored the first A Feast in the Forest Gala Event with Indspire, showcasing Indigenous culture and talent.
- Supported making education more accessible to diverse communities through Indspire Brighter Futures, the Judy Cameron Scholarship Program and Pinball Clemons Foundation, including Young Women in aviation show case at Air Canada.
- Formalized several Employee Resource Groups (ERGs) providing representation and a conduit for employee feedback for various identity groups, and created ambassadors throughout the Corporation.
- First All-Black Flight celebrating diversity within Air Canada and the contribution of black employees to the aviation sector.
- Developing an accessibility plan and establishing processes to identify and remove barriers for accessible transportation services and how to communicate with travellers living with disabilities, to train employees and workers to help travellers living with disabilities, and generally provide accessible services.
- Employee engagement survey in 2022 demonstrated great support for the Corporation's diversity and achievements – People of all backgrounds and employees using their choice of official language.

More information about Air Canada's diversity, equity and inclusion achievements is available in its Corporate Sustainability Report at www.aircanada.com/citizensoftheworld.

Official languages

Air Canada is proud to be one of the few Canadian private sector companies to offer services in both official languages across Canada. We are the only airline that is required to do so in Canada. We have done so with steadfast commitment for more than 50 years, in a highly complex industry and on a scale and geographic breadth that is unmatched among other major Canadian companies. Over time, we have developed unique expertise and have been leaders in implementing sustained initiatives in order to deliver services in both official languages in multiple locations and route combinations, and in promoting the use of both official languages in the workplace.

Our services are offered in a variety of settings, but most concretely aboard our aircraft, carrying on average more than 100,000 customers on about 1,000 flights, every day. We are one of few airline companies in the world that serve customers in English and French on the scale we do, and we are proud to reflect Canada in that way both within and outside our borders.

Our obligations under Canada's official languages legislation are institutional, not personal to individuals; Air Canada as an organization is accountable to them. However, in order to serve our customers and meet our obligations, many of our employees do speak both official languages fluently, and we have policies, programs, procedures and tools to help our employees do so, and learn and improve their language skills.

We operate throughout Canada and in 51 countries and serve our customers in more than 20 route languages on our network, thanks to the diverse linguistic abilities of our workforce. Both official languages of Canada are freely used at our head office in Montréal and in our operations in Québec, as well as in many other parts of our operations elsewhere and on hundreds of routes in serving our customers. We use both official languages of Canada in our communications.

Air Canada is governed by Canada's Official Languages Act (OLA), as required under the Air Canada Public Participation Act. The OLA provisions that are applicable to us include those that require members of the travelling public to be able to communicate with and obtain services in French and English, where there is significant demand for those services in that language, and that allow our employees to work in either official language where required by regulation. When services are rendered to the travelling public on our behalf, we must ensure that the relevant third-party service provider can communicate with customers in respect of those services and serve the customers in the official language of their choice, where the number of customers warrants it.

Five of the six members of our Executive Committee are bilingual, and Mr. Rousseau has continued to act on his personal pledge to learn French.

We are committed to using and promoting both official languages of Canada across the country. We care about all the communities in which we live and work, as citizens of the world, including Québec where our head office is located. We will continue to work with all our stakeholders to see how we can meet their expectations, while honouring individual rights and our legal obligations.

Official Languages Branch

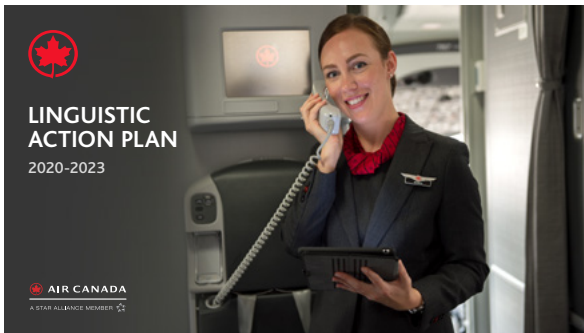
Air Canada's Official Languages Branch has responsibility for implementing Air Canada's Linguistic Action Plan and official languages initiatives. It reports on progress to executive management on a regular basis. An Official Languages Management Committee, composed of senior management from key functions, supports the Official Languages Branch by facilitating the implementation of official languages initiatives throughout our organization. A network of Official Languages Supporters supports implementation of these initiatives at each airport and in-flight service base.

Progress on our official languages and Linguistic Action Plan initiatives are also reported quarterly to the Governance and Nominating Committee of the Board.

Hello
Bonjour

Other highlights and initiatives

We continue to proudly promote our official languages culture, practices and action plan:



- Introduced mandatory official languages awareness training for frontline employees.
- Increased language classes available to employees (in person and virtual) and improved tools.
- Introduced the Dialogue Award as part of our premier employee awards program, recognizing exemplary commitment in promoting official languages.
- Enhanced the peer recognition program for those who show leadership in promoting official languages practices.
- Implemented a referral program for enhanced bilingual recruitment.
- Redesigned official languages demand assessment through online check-in tools.
- Ongoing communication with key stakeholders including governments and other public organizations.
- Engaging with communities throughout Canada including by supporting organizations and events.

Privacy and cybersecurity

Air Canada is committed to protecting our customers' and employees' personal information and their right to privacy. Our privacy policies describe how personal information is to be collected, used, and shared. The policies, which are implemented in our systems, also describe the rights of individuals over that information. Air Canada is also focused on cybersecurity and safeguarding our systems, information, and ability to operate. Air Canada invests in specific cybersecurity initiatives that target areas of advancement to ensure we stay ahead of evolving threats. Air Canada integrates cybersecurity requirements into all technology projects to ensure a stable and secure baseline of systems, processes and training. These requirements are based on best practices and mature standards, and they encompass all dimensions of cybersecurity resilience including the ability to identify, protect, detect, respond and recover as described in the NIST cybersecurity framework. Air Canada also seeks to ensure that vendors have effective cybersecurity controls that are aligned with Air Canada's cybersecurity policies and standards. In 2022, Air Canada introduced mandatory annual cybersecurity, privacy and safety training for all management staff. In addition, the Board oversees privacy, information technology, systems, and security risk management through the Audit, Finance and Risk Committee, which has oversight of management's assessment of cybersecurity risks and receives quarterly briefings in these areas.

Air Canada has not experienced a meaningful cybersecurity breach over the last three years.

Safety

At the heart of our culture is our first priority: Safety First, Always. The foremost consideration in all we do, the safety of our customers, of our employees and of those in communities where we fly and serve is always our top priority. This remained the case throughout 2022:

- Through compliance process of Regulatory Oversight Programs, no Major Findings were noted.
- The bi-annual Safety Culture and Pulse survey distributed to all employees was completed in November 2022 with record participation.
- As a result of the rapid growth of the Corporation, safety metrics such as aircraft damage have marginally increased, but additional training and coaching programs have been added for support.
- Air Canada was recognized for its safety-first culture and innovative use of technology to promote workplace safety at OHS Honours, an event that recognizes the best in workplace occupational health and safety (OHS) across Canada, where we won in the OHS Culture and Best Use of Safety Technology categories.

Employee wellbeing

During a time unlike any other, we've all been reminded of the importance of caring for our health. In 2022, Air Canada continued to invest in programs and training to support employees with their overall well-being, including both their physical and mental health.

- Enhanced the Unlock the Best in You (UBY) program to include comprehensive financial education and support, access to telemedicine for employees and many videos, webcasts and resources in support of physical and mental health, wellness, financial wellness and professional development. The UBY program supports employees with overall well-being: work health, mental health, financial well-being, and health and wellness.
- Third-party online therapist-guided support for Mental well-being, AbilitiCBT has positively helped 91% of employees who reached out for mental health support.
- Introduced mental health first aid training sessions which will be expanded across the organization in 2023.
- Received the Canada Awards for Excellence for Mental Health at the Silver level — the first airline to receive this award in Canada.
- Recognition program rewarded frontline employees, as well as management team members, for their hard work and dedication in 2022. For example, all of our frontline employees received recognition awards, representing in the aggregate over \$51 million.

Executive compensation

This section describes our executive compensation philosophy and programs, and provides the details on the compensation of our named executive officers.

Executive Compensation

Message from the Human Resources, Compensation

and Pension Committee	55
Compensation discussion and analysis	60
Named executive officers	60
Executive compensation philosophy	60
Composition and responsibilities of the HRCPC	61
Compensation factors and governance	62
Role of the compensation consultant	62
Evaluation of compensation risk	63
Clawback policy	63
Executive succession planning	63
Shareholder input and engagement	63
Air Canada compensation comparator group	64
Supporting our pay-for-performance philosophy	66
Components of our President and Chief Executive Officer's	
total target direct compensation	66
Analysis of 2022 compensation	68
2022 base salary decisions	68
Short-term incentives — Annual incentive plan	68
2022 key accomplishments for annual short-term incentive award	
(CEO and NEOs)	69
2022 annual incentive plan range of opportunity	70
2022 annual incentive plan	71
Long-Term Incentive Plan	71
Components of LTI Grants	71
Stock options	72
Share units	72
Long-Term Incentive Plan	73
Special circumstances	74
2022 LTIP vesting and grants	75

Securities authorized for issuance under equity compensation plans	76
Management deferred share unit plan	77
Pension plan	77
Share ownership requirements for executives	77
Cost of management ratio	78
Share performance graphs	78
Five-year total shareholder return comparison	
(S&P/TSX Composite Index)	78
Five-year total shareholder return comparison	
(international airline peers)	79
Compensation Tables	80
Summary compensation table	80
Long-term incentive plan awards and incentive plan awards tables	81
PSU and RSU tables	82
Incentive plan awards – Value vested or earned during the year	83
Retirement plan benefits	84
Termination of employment and change of control benefits	86

Message from the Human Resources, Compensation and Pension Committee

Dear Shareholders,

We begin this year's Human Resources, Compensation and Pension Committee (HRCPC) report by reinforcing the remarks of our Board Chair and President and CEO at the beginning of this circular. Each of the past three years — from 2020 until 2022 — has been remarkably unique in the 85-year history of Air Canada, from the onset of the pandemic, to preserving our franchise, and now emerging from its effects. The leadership team and employees of Air Canada started 2022 coping with continued government restrictions on travel and public health measures. Indeed, Canada had imposed some of the most stringent travel restrictions in the world at that time. Then just a few short months later, Air Canada quickly pivoted to restore air travel as the government removed travel restrictions. The entire air travel ecosystem on which Air Canada relies faced challenges, and this temporarily impacted our operations as well.

Although we experienced a difficult start to the summer season, we were able to establish operational stability for our customers during the balance of the year. We owe this to the advance planning of our executive team beginning in the fall of 2021, which included hiring, and training thousands of new colleagues to rebuild the depth that would carry our operations forward. For example, Air Canada had close to 36,000 employees at the end of 2022, compared to about 30,000 at the end of 2021. This allowed us to successfully navigate the rapidly changing landscape through 2022. Now, Air Canada's recovery is in full motion, meeting a sustained demand for travel, as we forge ahead bridging connections between Canada and the world.

Throughout 2022, the Air Canada leadership team were unwavering in their dedication to restore and rebuild towards Air Canada's renewed global champion ambition. This led in concrete terms to improved operational performance, an expanding network of global destinations, unique value propositions, and strong share performance relative to most of its international airline peers. The team also pursued ESG priorities, programs and initiatives, and key forward-looking partnerships and other plans.

Notably, the restoration of Air Canada's North American and international network in 2022 is at the heart of our rebuilding efforts. This led to significant initiatives and resulted in the following:

- increase of Available Seat Miles (ASM) capacity by about 2.5 times over 2021 levels (or about 73% of 2019 ASM levels),
- over 37 million customers carried,
- expansion of North American network with the launch of new service on four transborder and three domestic routes, as well as the restoration of 41 North American routes, such that with operations to 51 Canadian and 46 U.S. airports in the summer of 2022, Air Canada offered customers the largest network and the most travel options of any Canadian carrier,
- expansion of international schedule with 34 routes relaunched across the Atlantic and Pacific,
- strategic expansion of South Pacific schedule with the return of daily service to Sydney and resumption of services to both Brisbane and Auckland,
- launch of service to Bangkok and restoration of service to Mumbai, and
- introduction of new, transborder flights between Halifax-and-Newark and Vancouver-and-Houston.

Further, in support of our network expansion, Air Canada has secured new and deepened existing relationships with key travel partners through an expanded joint venture with United Airlines and a new strategic partnership with Emirates.

These results were all achieved while navigating through the challenging and evolving operating environment of 2022.

We are here by design, as a direct consequence of strong stewardship from our Board, of leadership by Air Canada executives, and of employee dedication, but also, above all, of your patience and support as shareholders, on this recovery journey.

2022 corporate performance that influenced NEO pay

In determining named executive officer compensation, the Board of Directors considers three key strategic areas — Air Canada's (1) financial and operational performance and share price, (2) strategic initiatives, and (3) a main area of focus in 2022, our Environmental, Social and Corporate Governance (ESG) priorities.

These three key strategic areas are then viewed against our pay for performance philosophy.



Financial and operational performance and share price

Despite facing another year of unprecedented challenges, our team was able to deliver robust results on our most critical financial and operational performance metrics. The benefits of the ongoing progression of our recovery plan started to be seen in Air Canada's financial performance in 2022, including significant year over year improvements.

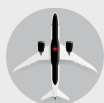
With the third quarter of 2022, Air Canada reached an important milestone in its recovery, delivering a strong operating margin of 12.1%. This was our first positive quarterly operating income since the pandemic began in early 2020. The strong demand and pricing environment continued into the fourth quarter, and we concluded the year with net cash flows from operations of nearly \$2.4 billion.

Our 2022 results are linked to the strong return of travel demand, and our prudent increase in capacity to progressively meet that demand as the industry recovered. Traffic and total operated passenger capacity more than doubled from 2021, and 2022 capacity recovered to about 73% of the 2019 schedule (last full year of operations that was undisturbed by the effects of the pandemic).

In 2022, Air Canada reported an operating loss of \$187 million as compared to an operating loss of \$3.05 billion in 2021, an improvement of nearly \$3 billion. Operating revenues of \$16.56 billion in 2022 improved by over \$10 billion from 2021. Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) in 2022 was \$1.46 billion compared to a negative Adjusted EBITDA of \$1.46 billion in 2021. In 2022, Air Canada recorded an adjusted pre-tax loss⁽¹⁾ of \$952 million compared to an adjusted pre-tax loss of \$3.77 billion in 2021. Net loss in 2022 was \$1.70 billion compared to a net loss of \$3.60 billion in 2021.

Despite the meaningful operational and financial performance improvements made during 2022, our share price fluctuated throughout the year, reflecting the continued headwinds that we and others in our industry faced. Despite this, Air Canada's total shareholder return (TSR) in 2022 outperformed most of its international airline peers. Relative to the six international airlines included in its LTIP performance peer group, Air Canada's TSR ranked:

- second, in 2022, and
- first, for the 5-year period from 2018 to 2022.



Strategic initiatives

Several significant initiatives contributed to our financial rebound in 2022, complementing our sustainability initiatives and our plan to be both the carrier and employer of choice around the world.

Air Canada and the airline industry in general faced unprecedented conditions to rebuild domestic and global networks as we emerged from pandemic-related restrictions. In Canada in particular, we went from a nearly two-year shutdown of air travel, to rebuilding capacity at an accelerated pace to meet pent-up demand that had been held back for a prolonged period. Air Canada extensively prepared, starting early in the fall of 2021, for the rebound in travel, and worked to address the early disruptions in the air transport ecosystem in Canada, including by readying equipment, hiring additional staff (bringing staffing levels beyond pre-pandemic levels), managing capacity, and setting and adjusting a prudent schedule. Of note, during this past winter season, Air Canada had more people at the airline to operate less flying during this transitional phase, making more employee resources available per customer than prior to the pandemic. To rebuild air travel and Air Canada in these conditions, it takes foresight and strong and relentless executive leadership. This is why it is important to Air Canada and to the Board of Directors that our compensation philosophy ensures the attraction, recruitment, and retention of executive leaders globally.

⁽¹⁾ Adjusted pre-tax loss is a non-GAAP financial measure which is not a recognized measure for financial statement presentation under GAAP, does not have standardized meaning, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. We refer to the Non-GAAP Financial Measures section in Air Canada's 2022 MD&A, which section is incorporated herein by reference, for a reconciliation to the most comparable GAAP measure.

Although we regrettably saw periods of operational difficulties at the start of the summer season due to a sharp rise in demand when the air transportation ecosystem in Canada had yet to rebuild itself fully, these temporary challenges were overcome and greater operational stability was established mid-summer. The holiday travel season also proved challenging due to severe winter weather, but we were able to recover and carry more than 2 million passengers over that period. The Corporation's recognition program rewarded frontline employees for their hard work and dedication in 2022. For example, all our frontline employees received recognition awards in an aggregate value of over \$51 million.

Despite such challenging conditions, Air Canada's operational performance during 2022 improved as our rebuilding efforts, which had begun in earnest in the fall of 2021, progressively took hold. We reinstated routes and frequencies and expanded our network to new destinations, carrying more than 37 million customers in 2022, as compared to 13.7 million customers carried in 2021. Of the more than 37 million customers carried last year, over 25 million were carried between June and December 2022, which represents about 1.8 times the total passengers carried in 2021 in just a seven-month period.

Despite this unprecedented challenging environment, Air Canada has continued to abide by its obligations under the Air Passengers Protection Regulations and compensated passengers for situations within its control. Air Canada has also offered compensation, as a gesture of goodwill, in situations above its legal obligations, acknowledging the importance of valued customer services. Delivering a seamless travel experience is a shared responsibility, and all stakeholders in the ecosystem must be accountable for its service levels.

Finally, Air Canada launched a three-to-five year premier initiative to deliver enhanced excellence in customer service, from technology enhancements to customer service training to inter-departmental collaboration, with the aim of providing a service experience that complements Air Canada's world-class product offering.

The strategic initiatives underlying our AIP payouts in particular relate to the rebuild of our network, our Aeroplan program, our cargo operations, cost efficiencies and elevating the customer experience, and are each discussed in detail on [page 23](#) of this circular.



Environmental, social, corporate governance (ESG)

While executing on our key strategic initiatives, the executive team did not lose focus on our ESG priorities. Air Canada continued to advance ESG programs and efforts throughout the year, including in the areas of safety, climate action, official languages, employee wellbeing and diversity. Air Canada also maintained a high level of engagement with various stakeholder groups throughout the year. In addition to the engagement process described on [page 45](#) of this circular, Air Canada supported community organizations, charities and events across Canada.

Air Canada's aspirations are informed by those of all Canadians. Our efforts to promote a co-operative, inclusive and diverse workplace, which are described in the Sustainability and social impact section of this circular, have continued and amplified as we faced business and other challenges in recent years. These aspirations are critical to our recovery and long-term success, and accordingly are part of our CEO's and NEOs' performance objectives. Further, Air Canada's business and ESG objectives include Canada's official languages, which are an integral part of our corporate culture.

Details on Air Canada's ESG progress can be found at [page 47](#) of this circular. In addition, a further discussion will be available in Air Canada's 2022 Annual Report, 2022 TCFD Report, 2022 Corporate Sustainability Report and the Air Canada Foundation Impact Report.

Air Canada's progress and success in these initiatives were recognized as it continued to win awards in 2022 in two key categories that reaffirm its status as a global leader in the transportation industry: Air Canada as an airline, and Air Canada as an employer.

These awards are a reflection of Air Canada's leadership and the commitment of its employees, even during the extreme pressures and headwinds of the past three years.

AIR CANADA AS AN AIRLINE

- Award for Innovation and Creativity by Roberta Bondar Foundation
- Vancouver Airport Green Excellence Award
- Best Earning and Redemption Ability (Americas) by a survey of global frequent fliers by the Frequent Traveler People's Awards
- Best Airline of the Year; Best Health and Safety Protocols-Airline; Best Trade Communications during COVID-19 by TravelPulse's 2022 Readers' Choice Awards
- Leisure Lifestyle Awards:
 - Best Airline for Onboard Entertainment
 - Best Premium Economy Class
 - Best Airline for Onboard Menu – Air Canada Business Class
- Wherever Awards:
 - Best Family-Friendly Airline in North America
 - Best Family Friendly International Airline
- Excellence in Service Award from Expeditors – Air Canada Cargo
- 2022 Travvy award for Best International Airline in the U.S. (Gold)

AIR CANADA AS AN EMPLOYER

- World's Best Employers 2022 by Forbes
- Canada's Best Employers for 2022 by Forbes
- "Montréal's Top Employers" by Mediacorp Canada's annual employer survey
- 50 Most Engaged Workforces by Achievers
- Payworks Award for Best Corporate Social Responsibility Strategy at the Canadian HR Awards
- OHS Culture and Best Use of Safety Technology for recognition for Air Canada's safety-first culture
- The Canada Awards for Excellence for Mental Health at work at the Silver level, making Air Canada the first airline to receive the award

AEROPLAN

- 2022 Canada's Choice competition:
 - Top Airline Loyalty Program
 - Top Overall Travel Rewards Credit Card (TD Aeroplan Visa Infinite): Top No Annual Fee Travel Rewards Credit Card (CIBC Aeroplan Visa)
 - Top Airline Credit Card (TD Aeroplan Visa Infinite)
 - Top Ultra-Premium Credit Card (TD Aeroplan Visa Infinite Privilege)
- Frequent Traveler (FT) People's Awards:
 - Best Earning and Redemption Ability (Americas)
- 2022 Freddie Awards | Best Redemption Ability

2022 compensation program updates and decisions

Our executive team has demonstrated foresight and sustained resiliency, delivering results amid a uniquely challenging environment. The importance of executive leadership to drive business strategy and rebuild towards Air Canada's global champion ambition cannot be overstated in this context. Air Canada is increasingly competing with other companies for high-performing executives in the airline and other industries worldwide. The Board considers that one of its critical responsibilities is to ensure that a highly skilled and proven management team is recruited, incentivized, and retained, while keeping executive compensation towards the median of Air Canada's compensation comparator group. Accordingly, the HRCPC and the Board are focused on delivering an executive compensation program that will effectively meet those objectives, attract, retain and incentivize our team of executives to execute on our ambitious priorities and help position Air Canada over the long-term for sustained success.

Protection of best interests: Navigating through the unprecedented uncertainties and challenges of the past few years, the executive team took several proactive and strategic actions balancing short-term considerations with long-term needs and expectations in the long-term best interest of Air Canada. Among such actions, Air Canada had secured from the Government of Canada a credit support package at a critical time in 2021 to help protect against the potential for further deterioration in the operating and financial environment as it then stood and the unexpected and uncontrollable financial impacts thereof on Air Canada. Other than a special purpose facility solely dedicated to refunding customers' non-refundable tickets, Air Canada did not use the credit support package, which was cancelled in late 2021. In 2022, extensive preparations continued for the anticipated rebound in travel that eventually materialised, and we pressed on with long-term initiatives to renew our fleet, transform our customers' travel experience, enhance our employees' wellbeing, and invest in sustainability, even as the effects of the pandemic continued to affect our operations and results.

Retention: Our executive team continued to respond in 2022 to extraordinary and unprecedented circumstances, by then entering into their third year, with a team effort that went beyond the call of duty. This was a time when Air Canada needed continued stewardship through changing macro-economic and geo-political environments and towards its long-term recovery. It was critical for our executive compensation program to return to its intended purpose as a tool to recruit, retain and incentivize key executives. The HRCPC determined that it was in the best interests of Air Canada that its compensation philosophy and practices be restored to what they were prior to 2021, before a \$1 million limit on executive compensation was accepted in 2021 to allow Air Canada access to a form of temporary financial insurance in light of the risks and challenges faced by it then in the form of credit facilities that were not used and cancelled in late 2021. Maintaining this temporary \$1 million limit would not have been sustainable in terms of market competitiveness, and would have undermined severely the ability to recruit, incentivize and retain the high quality executive management team that Air Canada requires in order to continue to successfully rebuild and create shareholder value. In addition, such \$1 million limit rendered it difficult to provide meaningful at-risk non cash compensation in alignment with shareholders' interests.

Alignment: The Board believes compensation should be aligned with long-term shareholder value, and executives should be appropriately rewarded when they take meaningful actions that are in the long-term best interest of Air Canada and by extension its shareholders, despite the shorter-term status of core metrics or share price, or unexpected and uncontrollable events which impact the Corporation's financial performance.

Return to market-competitive compensation: Against this backdrop, and as we continued executing on our recovery, Air Canada's Board and HRCPC's focus in 2022 was to ensure that the Corporation's executive compensation policies and programs were once again competitive and encouraged dedicated and disciplined execution of the Corporation's recovery plan. After careful consideration, and consistent with our compensation philosophy, Air Canada's Board and HRCPC aimed to realign total compensation opportunities to market-competitive levels (towards the 50th percentile of our comparator group), with significantly increased weighting on incentive and performance driven compensation to ensure close alignment of the financial interests of the Corporation's executives with those of the shareholders. This incentive-based compensation structure conforms to industry best-practices and is designed to motivate executives to achieve and surpass key performance goals linked to the disciplined execution of the Corporation's recovery plan in the short term, and to increase shareholder value over the long term.

The HRCPC recognizes that our executive leadership team delivered on their priorities to work towards rebuilding Air Canada, and delivered meaningful improvements in financial and operational results that significantly advanced our recovery plan throughout 2022.

CEO: When the President and CEO was appointed to this role in the middle of the pandemic in 2021, his total direct compensation was at the 38th percentile of our comparator group. Recognizing the importance of his leadership to drive the advancement and execution of our business strategy and recovery through a uniquely challenging environment, the Board approved the President and CEO's total direct compensation of record to increase from \$8.3M to \$10.7M in order to bring his total direct compensation towards the 50th percentile of our comparator group. The increase consists of 94% compensation at risk and tied to profitability and shareholder value, and only the remaining 6% representing a salary increase.

Other NEOs: In keeping with bringing the NEOs' total direct compensation towards the 50th percentile, individual AIP and LTIP target payouts were set to ensure that a significant portion of their total compensation remains at-risk and closely aligned with the Corporation's recovery plan and the creation of long-term profitability and shareholder value. In some cases, salary increases were also approved to realign to market-competitive levels.

AIP: For purposes of the Annual Incentive Plan (AIP), the executive leadership team delivered financial performance that far surpassed the target for Adjusted Pre-tax Income (in excess of 15%), translating into a performance weighting of 200% for the Adjusted Pre-tax Income portion of the award.

LTIP: In terms of long-term incentive compensation, NEOs received grants of stock options and share units in 2022 based on the target grant value for their position and realigned to market-competitive levels. Based on the LTIP program terms, each NEO's LTIP award was allocated as to 53% in the form of performance-based equity (performance stock options and PSUs), and 47% in the form of time-based stock options and restricted share units (RSUs).

2023 compensation program updates and decisions

Total compensation opportunity for all NEOs will continue to be targeted towards the 50th percentile of Air Canada's comparator group for positions with similar responsibilities and scope.

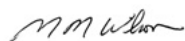
As usual, the Compensation Discussion & Analysis follows this letter and provides the details of our executive compensation program for named executive officers in 2022.

Conclusion

Executive compensation is a core responsibility of the Board of Directors. We will continue to benchmark Air Canada NEO compensation against our peers in both Canada, the U.S. and globally, and we will continue to ensure that executives' interests are aligned with yours, the shareholders. We remain committed to ensuring a thoughtful and well-governed executive compensation program, providing transparency in compensation decisions, maintaining the ability to attract and retain top global talent ultimately enabling productive engagement with shareholders.

We completed 2022 with our recovery plan now in full motion, with significant financial and operational progress already achieved. The proactive and strategic actions the executive team has taken in the long-term interests of Air Canada during the past few years and through 2022 have contributed to the Corporation's resilience and ability to execute in the face of unprecedented challenges. As we continue to progress through our recovery journey, we believe we have established a strong foundation to create long-term shareholder value and are now gearing up for the challenges and opportunities ahead.

Thank you for investing in Air Canada.



Michael M. Wilson

Chair, Human Resources, Compensation and Pension Committee

Compensation discussion and analysis

Air Canada's principal objective is to be a sustainably profitable global champion. To reach that goal, our employees must help deliver excellent performance. We believe in rewarding them for that, commensurate with market, and in having an executive team that is focused on the continuous improvement of customer experience, employee engagement, social responsibility, and the creation of long-term value for the Corporation and, by extension, its shareholders.

Air Canada is evolving its business to better prepare for the future. As part of these efforts, "Rise Higher" was introduced in 2021 in order to freshly articulate and elevate our business and its imperatives around four key priorities, with which are aligned the performance objectives under Air Canada's AIP. In this next chapter, Air Canada will:



Fund Our Future

It is staying vigilant on costs, seizing on opportunities and making the right strategic investments.



Reach New Frontiers

It is embracing its competitive strengths to grow the business, restoring and expanding its international reach and continually exploring new opportunities.



Elevate its Customers

It is leveraging innovations in technology, loyalty and products to support the creation of meaningful customer experiences and human connections.



Lift Each Other Up

It is fostering a collaborative workplace that respects diverse culture and languages, while making impactful contributions to society.

Named executive officers

This *Compensation discussion* section describes the philosophy, policies and components of our executive compensation program, as well as the compensation decisions of the HRCPC and the Board of Directors for the following named executive officers (NEOs) in 2022:

Named executive officer	Role
Michael Rousseau	President and Chief Executive Officer
Amos Kazzaz	Executive Vice President and Chief Financial Officer
Lucie Guillemette	Executive Vice President and Chief Commercial Officer
Craig Landry	Executive Vice President and Chief Operations Officer
Arielle Meloul-Wechsler	Executive Vice President, Chief Human Resources Officer and Public Affairs

Executive compensation philosophy

Our executive compensation program plays a significant role in successfully attracting, motivating and retaining an exceptional management team. Our executive compensation program is designed to support the Corporation's recovery plan in the short term and to increase shareholder value over the long term through four fundamental tenets:

- align the interests of executives with those of Air Canada and, by extension, its shareholders,
- reward executives for results based on corporate performance in the short term and long term,
- design and maintain an executive compensation program that achieves the right mix of pay components, including performance-based at-risk pay (see "*Elements of the executive compensation program*" on [page 67](#) of this circular), and
- provide compensation that is market-competitive, towards the 50th percentile of our comparator group, but with significantly increased weighting on incentive and performance driven compensation.

Composition and responsibilities of the HRCPC

The Human Resources, Compensation and Pension Committee (HRCPC) administers the compensation program for all NEOs, as well as other executives of the Corporation. While the HRCPC has the responsibility to evaluate, approve and oversee our executive compensation philosophy, plans, policies, and programs, it seeks the input of Air Canada management in doing so.

The table below sets out the members of the HRCPC in 2022 and the basis of their experience.

Committee member	Member since	Direct experience	Basis of experience
Michael M. Wilson, Chair	2014	Yes	Former President and CEO, Agrium Inc.; Former President, Methanex Corporation; Chair, Celestica Inc. and Suncor Energy Inc.
Gary A. Doer	2018	Yes	Director, Great-West Lifeco Inc., IGM Financial Inc. and Power Corporation of Canada; Senior Business Advisor to the law firm Dentons Canada LLP; Canadian member of the Trilateral Commission and Co-Chair of the Wilson Centre's Canada Institute.
Rob Fyfe	2017	Yes	Former Chair and former CEO, Icebreaker; Chair, Michael Hill International; Honorary Advisor, Asia New Zealand Foundation; Former CEO, Air New Zealand.
Michael M. Green	2009	Yes	CEO and Managing Director, Tenex Capital Management; Former CEO, Trispan Solutions, Naviant Technology; Former Managing Director, Cerberus Capital Management; Former Managing Partner, TenX Capital Partners.
Kathleen Taylor	2017	Yes	Chair, Royal Bank of Canada; Chair, Altas Partners, Vice Chair, Adecco Group; Director, Canada Pension Plan Investment Board; immediate past Chair and member of the Board of the SickKids Foundation; Member, Board of the Trustees, Hospital for Sick Children; Co-Chair, SickKids Capital Campaign; Former President and CEO, Four Seasons Hotels and Resorts.

The following table outlines the steps the HRCPC follows to ensure the total compensation for our NEOs is in line with the Corporation's compensation philosophy.

Step 1	Step 2	Step 3
At the beginning of each calendar year, the President and Chief Executive Officer and other management provide recommendations to the HRCPC on the compensation of the other NEOs. These recommendations take into consideration the competitive market pay data provided by the HRCPC's independent compensation consultant, as well as an evaluation of the NEOs' roles, specific skills, abilities and experience, contributions and performance and impact in achieving corporate performance. (See "Role of the compensation consultant" below for more information on the HRCPC's independent compensation consultant.)	The HRCPC: 1. Considers recommendations together with the input of its independent compensation consultant. 2. Then makes recommendations to the Board on the NEOs' compensation, ensuring that it is aligned with our overall executive compensation philosophy. All aspects of the President and Chief Executive Officer's compensation and resulting compensation decisions are approved by the Board following the recommendations of the HRCPC, in consultation with the independent compensation consultant.	The HRCPC: 1. Reviews and approves performance metrics for the short- and long-term incentive plans. 2. Establishes thresholds, targets and maximums. 3. Determines weightings for company-wide and individual performance goals for the short- and long-term incentive plans, based on management recommendations, themselves based on the business plan for performance goals and specific financial targets.

The HRCPC strives to ensure that (i) performance metrics are consistent with Board-set financial, operational and strategic goals, (ii) goals are sufficiently ambitious to provide meaningful incentives, and (iii) amounts paid if performance targets are achieved will be consistent with overall executive compensation philosophy.

Compensation factors and governance

The Board of Directors evaluates many factors when designing and establishing executive compensation plans and targets. The following table outlines its key practices:

WHAT WE DO	WHAT WE DON'T DO
✓ Set aggressive short- and long-term performance metrics	X Apply across-the-board base salary increases
✓ Use long-term incentives to encourage management continuity	X Have tax gross-ups upon change in control
✓ Tie a significant portion of executives' pay to performance metrics critical to the business	X Allow hedging, short sales, option trading or pledging of shares
✓ Mitigate undue risk by using a cap on maximum payouts for short-term plans and performing an annual internal risk assessment of compensation programs	X Reprice underwater stock options
✓ Have stock ownership guidelines that reinforce alignment between shareholders and our NEOs	X Grant excessive perquisites
✓ Impose a post-retirement holding period for the stock ownership requirement of our President and Chief Executive Officer	
✓ Maintain a clawback policy	
✓ Have an independent compensation consultant reporting directly to the HRCPC	

Role of the compensation consultant

In 2022, the HRCPC retained Willis Towers Watson as its independent compensation consultant to review executive compensation practices relative to its comparator group. Willis Towers Watson was first engaged by Air Canada in 1980. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to Air Canada. The executive compensation consulting services provided by Willis Towers Watson include:

- reviewing Air Canada's executive compensation practices and program design,
- updating on ongoing and emerging trends in executive compensation and governance best practices,
- offering perspective on appropriate total compensation mix and levels, based on competitive practices and Air Canada's performance,
- reviewing materials in advance of committee meetings, and identify discussion points and issues for the HRCPC's consideration when evaluating compensation design proposals, and
- providing advice and peer examples on short-term bonuses and long-term incentive compensation.

Subject to the Board's oversight role, the HRCPC's decisions about compensation or the compensation programs for the President and Chief Executive Officer and other NEOs are its exclusive responsibility and may reflect factors and information other than information and recommendations provided by Willis Towers Watson.

The following table details the aggregate fees incurred on behalf of the HRCPC in consideration of the services provided by Willis Towers Watson:

Willis Towers Watson Services	2022	2021
Executive compensation-related fees	\$ 51,634	\$ 60,338
All other fees	\$ 0	\$ 0
Total Fees	\$ 51,634	\$ 60,338

Evaluation of compensation risk

The HRCPC used quantitative analysis and best practices in analyzing executive pay together with discretion and judgment to identify risks arising from the Corporation's compensation policies and practices. The HRCPC has not identified any risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse impact on the Corporation.

Compensation policies and practices are designed to promote financial performance year-over-year and sustained growth in shareholder return by mitigating the potential for excessive risk-taking only aimed at a short-term increase of the share price.

Clawback policy

In 2011, the Board of Directors adopted a clawback policy concerning awards under Air Canada's annual and long-term incentive plans. Under this policy, which applies to all executives, the Board may, to the full extent permitted by applicable laws and to the extent it determines that it is in the best interests of Air Canada to do so, require reimbursement of all or a portion of annual or long-term incentive compensation received by an executive or former executive for situations involving:

- serious misconduct including non-compliance with laws and regulations, accounting fraud or failure to follow internal policies and procedures; or
- a material error or misstatement of financial results and the executive or former executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement, and the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive or former executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

Executive succession planning

The Board is responsible to ensure that a succession plan is in place for the Corporation's executive officers. The Board reviews and updates executive succession planning with the President and Chief Executive Officer at least on an annual basis, as well as individual executive appointments as required. In particular, the Board reviews the succession plan status for each executive officer, the readiness to fill potential vacancies, potential candidates to fill them on both an immediate and longer-term basis, and any gaps in readiness and how to address them through training or mentoring. The Board also reviews how to leverage succession planning as a tool to ensure progress in the diversity of the management team and how the executive succession planning process itself can be improved. The Board also focuses specifically on the succession of the Chief Executive Officer as well as development considerations for each potential successor candidate, such as lateral movements to diversify exposure or mentoring, and the performance of individual executives in their current roles.

The Board also meets with members of the executive management team through their participation in meetings and presentations to the Board, as well as occasionally at informal meetings throughout the year, which allow Board members to engage with members of the management team who are potential future leaders of the Corporation.

The Air Canada executive succession plan is integrated with its overall succession planning process for key management positions, ensuring a pipeline of talent is developed at all levels in the organization. Where appropriate, including if no internal succession candidates are identified, an external search may be launched.

Shareholder input and engagement

The Board of Directors is committed to providing shareholders with clear, comprehensive and transparent disclosure about executive compensation and to receive feedback from shareholders on Air Canada's executive compensation programs. For instance, the Chair and other members of the Board have met with institutional shareholders every year since 2016 to ensure a regular and constructive dialogue about alignment of executive compensation and shareholder interests. Additionally, the Board and the HRCPC use the "say on pay" vote at our annual meeting to gauge shareholder feedback on Air Canada's approach to executive compensation and other shareholder interests.

At the 2022 annual meeting, shareholders were called upon to vote on an advisory resolution relating to the approach to executive compensation in 2021. During that year, Air Canada had limited total annual compensation (excluding pension plans) for named executive officers at \$1 million, as required under a financial package with the Government of Canada which allowed it to access up to about \$5.88 billion in liquidity. Air Canada never drew on the relevant facilities, which were cancelled in November 2021.



The advisory resolution on Air Canada's approach to executive compensation received 78.82% support from shareholders at the 2022 meeting, even though this followed a year in which executive compensation was contractually capped below the levels that were otherwise justified on the basis of market comparables and Air Canada's compensation philosophy.

After this vote, the Board reflected on the reasons for it, and whether the results should inform its decisions in the future. Importantly, based on available information, the Board understood that the outcome of the vote largely turned on the negative vote of one shareholder. The Board noted that shareholder support for Air Canada's approach to executive compensation was 93.96% of the votes cast by all other shareholders who were present or represented at the meeting. Accordingly, the Board sought to confirm the reasons why the dissenting shareholder had voted against the advisory resolution. The Board understood from this that the relevant shareholder's reasons for its vote included its view of executive compensation in the context of the pandemic and having sought government support. The Board took from this, and other feedback it received, the importance of explaining the components and reasons for the executive compensation decisions it would make for 2022, when the compensation limit no longer applied, as the Canadian air travel industry faced systemic challenges as it reopened and the Corporation transitioned into significantly higher levels of activity into its recovery plan.

It is with this context that the Human Resources, Compensation and Pension Committee reviewed the results of the 2022 say-on-pay vote. The Committee also considered other factors used in assessing the Corporation's executive compensation policies and programs, such as the alignment of executive compensation policies and programs with the long-term interests of shareholders, the components thereof, and the relationship between risk-taking and incentive compensation, as well as the need for Air Canada to regain its ability to attract world-class executives and to retain existing executives by setting compensation and benefits at competitive levels relative to companies of comparable size, scope, and complexity, in a broad spectrum of industries. The Committee took all these factors and developments into account in reaffirming the components of Air Canada's executive compensation policies and programs going forward, and returning them to market levels and practices. This restored compensation approach will allow Air Canada to attract, incentivize and retain executives as we continue our efforts to rebuild ourselves fully.

In addition, Air Canada regularly engages with investors and shareholders on a variety of topics. Please refer to [page 42](#) of this circular for more details.

Air Canada compensation comparator group

Compensation and performance under Air Canada's executive compensation program are benchmarked against a select comparator group of companies of an appropriate size and scale across selected metrics compared to the Corporation, with executive positions of similar scope and complexity, and with which Air Canada competes for executive talent in the marketplace.

U.S. companies in the comparator group are limited to those representing large airlines similar to Air Canada, providing a view of executive compensation within this competitive industry.

In 2022, the comparator group consisted of 24 companies (which remain unchanged from last year, as they fit the criteria below). Air Canada continued to monitor the comparator group in 2022 for purposes of its compensation plans and policies. The companies are selected and validated annually by the HRCPC based on the following criteria:

- large Canadian and U.S. airlines; and
- Canadian companies in the transportation or aviation industry, with annual revenues exceeding \$5 billion and a large asset base, having an extensive customer service component, and operating in a highly technological environment.

Air Canada's goal is to establish a compensation program for the NEOs that provides target total compensation opportunities towards the 50th percentile of Air Canada's comparator group, but with significantly increased weighting on incentive and performance driven compensation. Air Canada's independent compensation consultant, Willis Towers Watson, completes an annual analysis of our NEO pay opportunities relative to prevailing market practices, based on our comparator group and information from published surveys of executive pay practices.

The comparative market data provided by Willis Towers Watson represents one factor considered by the HRCPC when making executive pay decisions. However, the HRCPC also considers other factors when setting executive pay, including individual skills, experience, tenure, performance, retention considerations, succession plans and internal equity.

The comparator group for 2022 was comprised of the following companies, remaining unchanged from 2021:

	Alaska Airlines	American Airlines Group Inc.	Bank of Montreal	BCE Inc.	Bombardier Inc.	CAE Inc.	Canadian National Railway Corp.	Canadian Pacific Railway Limited	Canadian Tire Corporation, Limited	Celestica Inc.	Delta Air Lines, Inc.	Domtar Corp.	Enbridge Inc.	Nutrien Ltd.	Ovintiv Inc. (former EnCana Corp.)	Rogers Communications Inc.	Royal Bank of Canada	SNC-Lavalin Group Inc.	Southwest Airlines Co.	Sun Life Financial Inc.	Telus Corporation	Toronto-Dominion Bank	TC Energy Corporation	United Airlines Holdings, Inc.
Transport sector or aviation related	A	A									A								A					A
Revenue above \$5B																								
Large asset base																								
Extensive customer service																								
Highly technological environment																								

Legend: The letter A denotes an airline.

Further to its annual validation, in the view of the HRCPC and the Board, the components of Air Canada's executive compensation program comprised of executive base salaries, target bonuses, target grant of stock options and/or share units and group health, other benefits and executive pension plan are each in-line with remuneration practices of the above listed comparator group.

The table below shows how Air Canada compares to the comparator group in terms of revenue in 2022 and number of employees as of December 31, 2022.

	Comparator group of companies as compared to Air Canada ⁽¹⁾	
	Revenue (\$B)	Employees
25th Percentile	\$10.62	13,550
Median	\$18.82	24,084
75th Percentile	\$48.31	85,234
Air Canada (2022)	\$16.56	36,000 ⁽²⁾

(1) Source: Willis Towers Watson (data is from the most recent last twelve months to December 31, 2022)

(2) Close to 36,000 employees as of December 31, 2022

No industry was immune to the impact of the global pandemic, but the airline industry was among the most severely impacted globally due to mandatory closures, travel restrictions, and capacity reductions. This past year continued to present unprecedented challenges for Air Canada and the airline industry as a whole.

These conditions make it difficult to identify direct public company peers that are relevant for both compensation benchmarking and meaningful performance comparisons. The executive compensation peer group includes companies that are close to Air Canada in size and scale across selected metrics, but also contains companies from other industries that have been differently affected by the pandemic and involve different business cycles, growth drivers, geographic markets, exposure to macroeconomic market influences, and other factors, making their share performance less relevant for comparison. Accordingly, we use two peer groups: a compensation peer group to benchmark and evaluate executive pay, and a performance peer group to meaningfully assess our total shareholder return performance for purposes of our PSU awards.

The performance peer group includes six large international airlines (Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa, and Air France). The HRCPC considers these six international airlines to be more comparable than others from an industry, operational and complexity perspective, generally to respond similarly to Air Canada to external industry pressures and macroeconomic factors, and to have been similarly impacted by the unprecedented uncertainties and challenges introduced during the past few years.

Air Canada's TSR in 2022 outperformed most of its international airline peers, having ranked second relative to the six international airlines included in its performance peer group. Moreover, Air Canada's TSR ranked first relative to the same group for the 5-year period from January 2018 to December 2022. The table below shows how Air Canada ranks relative to the peer airline companies of the performance peer group in respect of TSR in 2022.

TSR 2022

	Air Canada	Air Canada Rank out of 7	Performance Peer Group Median (excluding Air Canada) ⁽¹⁾
One-Year Total Shareholder Return ⁽²⁾	(8.2)%	2	(14.9)%
Five-Year Total Shareholder Return ⁽³⁾	(25)%	1	(61)%

(1) Performance Peer Group consists of: Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France.

(2) One-year total shareholder return is as at December 31, 2022 and is based on local currencies (data obtained from Bloomberg).

(3) Five-year total shareholder return is for the period starting from January 1, 2018 and ending on December 31, 2022 and is based on local currencies (data obtained from Bloomberg).

Supporting our pay-for-performance philosophy

There is no single way of assessing the relationship between pay and performance, nor any one metric on its own that can convey a complete picture as to such relationship. When assessing performance, the HRCPC considers performance results in the context of other qualitative factors not captured in formal financial metrics, including key performance indicators and the business and operational environment and market and industry conditions in which the performance was achieved.

The last few years presented challenges that have tested Air Canada like never before. Our executive team anchored Air Canada in strength and stability amid a uniquely challenging environment. Navigating through the unprecedented uncertainties and challenges of the past few years, the executive team took several proactive and strategic actions, balancing short-term considerations with long-term objectives and priorities, in the best interest of Air Canada. Air Canada successfully managed through these challenges and completed 2022 with its recovery plan in full motion, having achieved significant financial and operational progress.

The HRCPC determined that despite facing another year of unprecedented challenges, our executive team delivered on key priorities, namely to rebuild Air Canada, and to achieve meaningful improvements leading to robust results in financial and operational metrics, significantly advancing our recovery plan throughout 2022. These efforts have started to be seen in Air Canada's financial performance in 2022, including significant year over year improvements.

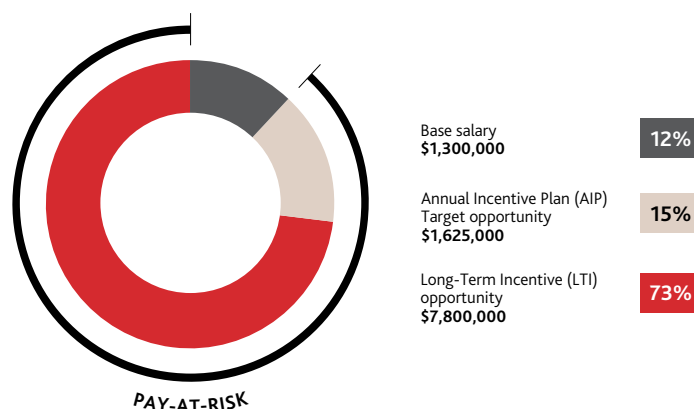
The compensation mix we provide named executive officers includes both annual and long-term elements of at risk pay in order to support our pay-for-performance philosophy. In 2022, total compensation opportunities were realigned to market-competitive levels (towards the 50th percentile of our comparator group), but with significantly increased weighting on incentive and performance driven compensation to ensure close alignment of the financial interests of the Corporation's executives with those of the shareholders. This incentive-based compensation structure conforms to industry best-practices and is designed to motivate executives to achieve and surpass key performance goals linked to the disciplined execution of the Corporation's recovery plan in the short term, leading to positive long-term results and sustainable value creation for our shareholders over the long term.

Compensation Mix

The majority of **total target direct compensation** for our named executive officers — **88% for our President and CEO and on average 77% for our other named executive officers** — is **at risk** based on the achievement of specific performance goals or directly affected by our share price.

Components of our President and Chief Executive Officer's total target direct compensation

Mr. Rousseau's 2022 target total direct compensation takes into consideration the scope and complexity of his role as President and CEO. As shown in the chart below, Mr. Rousseau's total target direct compensation (base salary, target short-term incentive and target long-term incentive) was \$10,725,000 for the financial year ended December 31, 2022, of which \$9,425,000 is at risk and based on the Corporation's performance (representing 88% of such total target direct compensation). Total compensation in 2022 for Mr. Rousseau as President and CEO was below President and CEO total compensation in 2019.



President and Chief Executive Officer pay-at-risk

The at-risk compensation of our President and CEO, which makes up 88% of his total target direct compensation, consists of target bonus awards under the Annual Incentive Plan (AIP), as well as performance and time-based stock option and share unit grants, as illustrated in the chart below.

	\$0	\$1M	\$2M	\$3M	\$4M	\$5M
Annual Incentive Plan \$1,625,000	50% Performance based on Adjusted Pre-tax Income	50% Performance based on non-financial components				
Time-based Equity \$3,645,652	Stock Options 4-year rateable vesting; 10-year term	Restricted Share Units (RSUs) 3-year cliff vesting		47% of LTI award		
Performance-based Equity \$4,154,348	Performance Options 4-year cliff vesting based on 4-year average Annual Operating Margin performance; 10-year term	Performance Share Units (PSUs) 3-year cliff vesting based on 3-year cumulative annual EBITDA performance over 3-year period and 3-year TSR against (1) six Int'l airlines (2) S&P/TSX Composite Index		53% of LTI award		

Similar to the target direct pay for the President and CEO, the target direct pay of the other named executive officers is largely at risk and tied to the performance of Air Canada. Rewarding the achievement of results linked to short- and long-term performance (pay-for-performance) remains at the core of our executive compensation philosophy. See “*Elements of the executive compensation program*” of this circular for a more detailed description of the compensation for our named executive officers.

Elements of the executive compensation program

The following chart highlights key elements of Air Canada’s executive compensation program and how each is linked to the objectives of the executive compensation philosophy.

	Objective	Type	Time Horizon	Key Features
Base salary	Attract and retain executives in a competitive marketplace	Cash	1 year	- Reflects individual skills, competencies and experience - Influences short-term incentives, long-term incentives, pension and benefits
Short-Term Incentives – Annual Incentive Plan	Reward performance that contributes to the Corporation’s annual profitability, performance, and growth	Cash	1 year	- Ties performance-based rewards to corporate, department and individual performance - Reflects annual achievement of the Corporation’s financial performance against pre-established targets
Long-Term Incentives	Promote a focus on long-term business results Align the interests of executives with the interests of shareholders	Equity	Stock Options: 4-year rateable and cliff vesting Share Units: 3-year cliff vesting	- Provides a mix of performance-based and time-based stock options and share units - Gives executives the opportunity to participate in future growth - Rewards long-term financial results that drive shareholder value creation - Generates compensation linked to business results and long-term value creation - Increases ownership in Air Canada - Supports retention of executives
Deferred Share Unit Plan	Provide a vehicle for deferred compensation	Equity	Retirement, termination or death	- Allows eligible participants to voluntarily receive all or part of their annual incentive award or annual PSU and/or RSU grant in DSUs - Retains same vesting schedule as PSUs and RSUs - DSUs are redeemed in cash following retirement, termination or death
Pension Plan	Retain executives by offering a valuable source of retirement income	Benefit	Retirement	Provides a lifetime retirement pension based on service and annualized base salary
Other Benefits	Offer a variety of benefits that support personal needs	Benefit	1 year	- Offers a comprehensive benefits program that includes both care-based and financial protection benefits - Flexible Perquisites Program that includes travel privileges, Maple Leaf Club Card, car lease support, and health counselling

Analysis of 2022 compensation

Compensation packages for NEOs consist of base salary, and short-term and long-term incentives. The Corporation maintains a flexible approach to compensation determinations based on specific strategic and financial goals deemed important to long-term success. The relationship of base salary and performance-based compensation aims to be properly balanced and provides an effective means to attract, incentivize and retain named executive officers and to align their long-term interests with those of shareholders.

The HRCPC and the Board have determined that our NEOs' compensation in 2020 and 2021 is not suitable as a baseline against which to compare NEOs' compensation in 2022 or any future years. The compensation decisions for those prior years were not indicative of compensation decisions for 2022 nor will they be for future years. In particular, NEO compensation for those prior two years was made in unprecedented special circumstances and reflected the severe impact of the difficulties experienced by Air Canada's operations and in its financial results due to the pandemic and its collateral effects, rather than NEO performance, resulting in amendments to several aspects of the Corporation's compensation practices in 2020 which impacted executives, including voluntary base pay reductions. Moreover, during 2021, total compensation (excluding pension plans) for each NEO, was limited to \$1 million as required under certain financing arrangements with the Government of Canada (acting through Canada Enterprise Emergency Funding Corporation) which allowed Air Canada to access up to about \$5.88 billion in liquidity. Air Canada did not draw on these facilities, which were cancelled in late 2021. A special purpose facility solely dedicated to refunding customers' non-refundable tickets did not contain this restriction on compensation. As a result, 2021 NEO compensation was significantly below market for senior executives of similar public companies and was not derived from Air Canada's financial and operational performance, the individual performances of the NEOs, or market comparables.

For 2022, as we continued executing on our recovery plan, the Board's and HRCPC's main focus was to ensure that the Corporation's executive compensation policies and programs were once again competitive and encouraged rigorous execution of that plan. The Board considers that it is critical and part of its fundamental role to ensure that a highly skilled and proven management team is recruited, incentivized and retained, while keeping executive compensation towards the median of Air Canada's compensation comparator group. After careful consideration, and consistent with our compensation philosophy, the HRCPC and the Board intended to provide named executive officers with target total compensation opportunities towards the 50th percentile of the comparator group, but with significantly increased weighting on incentive and performance driven compensation to ensure close alignment of the financial interests of the Corporation's executives with those of its shareholders.

2022 base salary decisions

The Corporation does not adjust salaries for executives on an annual basis. In 2022, Messrs. Rousseau, Kazzaz and Landry received base salary increases in order to bring their total compensation closer to the 50th percentile of the comparator group.

Named Executive Officer	2021 Salary ⁽¹⁾	2022 Salary
Michael Rousseau	\$ 1,150,000	\$ 1,300,000
Amos Kazzaz	\$ 475,000	\$ 550,000
Lucie Guillemette	\$ 525,000	\$ 525,000
Craig Landry	\$ 510,000	\$ 525,000
Arielle Meloul-Wechsler	\$ 450,000	\$ 450,000

(1) To provide better comparability of base salary year-over-year and to align with our compensation philosophy of providing market-competitive pay levels, 2021 figures represent unadjusted 2021 salaries of record, before the impact of the Executive Compensation Restriction. For details of the actual amounts of base salary paid to NEOs during 2021, refer to the Summary Compensation Table on [page 80](#) of this circular.

Short-term incentives — Annual incentive plan

Air Canada's AIP is designed to reward named executive officers, as well as all eligible employees, for creating corporate profitability and growth. The target AIP award for each named executive officer is set at a market-competitive level with the actual payout based on annual achievements as reflected through corporate performance, department performance and individual performance against objectives aligned with the Corporation's four key corporate priorities: reach new frontiers, fund our future, elevate our customers, and lift each other up.

In 2022, executive compensation was once again competitive and provides target total compensation opportunities realigned towards the 50th percentile of the comparator group.

AIP rewards named executive officers for creating corporate profitability and growth as defined by annual objectives set at the start of the performance year.

After completion of the year, the Board of Directors evaluates each NEO's performance against the annual objectives that had been set at its beginning and assigns a performance rating (ranging from 0% – 200% of their AIP target award) based on the Corporation's, the department's, and the individual's performance.

2022 AIP

Named Executive Officer	AIP Target as a % of Base Salary
Michael Rousseau	125 %
Amos Kazzaz	85 %
Lucie Guillemette	85 %
Craig Landry	85 %
Arielle Meloul-Wechsler	75 %

The performance rating determines the actual payout as shown in the following AIP calculation:

Base salary	X	AIP Target Award	X	Annual Objective Weightings (see below)	X	Performance Rating for Each Objective (see below)	=	Annual Payout Award
Annual objectives, which consist of both financial and non-financial components, for each NEO are weighted as follows:								
				NEO	Financial Component ⁽¹⁾	Non-Financial Component ⁽²⁾	Department Specific Objectives	Individual Objectives
				President and CEO	50%	50%		
				All other NEOS	50%		25%	25%

(1) Financial component includes Adjusted Pre-tax Income.

(2) Non-Financial components are achievements from objectives such as strategic initiatives, departmental growth, safety, climate plan, official languages, employee wellbeing, succession planning, and diversity.

Annual incentive plan objectives and outcomes

The following table shows the President and CEO's 2022 AIP objectives, as well as the weighting and final rating for each objective, as approved by the HRCPC.

Portion of Award	AIP Objective	2022 Performance Target	2022 Performance Results	Weighting	Actual vs Target
50% Financial Component	Adjusted Pre-tax Income ⁽¹⁾	\$(1.246B)	\$(952M)	50%	100%
50% Non-Financial Component	Strategic Initiatives (25%)			25%	20%
	ESG Initiatives (25%)			25%	22.5%
Total Combined Rate				100%	142.5%

(1) For purposes of the AIP, Adjusted Pre-tax Income is calculated before deducting expenses relating to the AIP and Long-Term Incentive Plan and using other adjustments, as discussed on page 71 of this circular.

2022 key accomplishments for annual short-term incentive award (CEO and NEOs)

All of our NEOs collectively work together towards the achievement of the same performance targets. Our NEOs support the President and Chief Executive Officer towards achieving the goals related to each of their respective roles and functions.

The HRCPC determined that our NEOs' contribution and performance was exceptional in 2022, particularly given the challenging headwinds the Corporation and industry faced entering 2022 and continued to experience over the course of the year. Mr. Rousseau, with the support of our other NEOs, led Air Canada to meaningfully improved financial and operational results in 2022, including significant year over year improvements.

Financial performance

Air Canada completed the year with a strong balance sheet and overall strengthened financial position:

- In the third quarter of 2022, the Corporation recorded an operating margin of 12.1%, its first positive operating margin since the pandemic began. 2022 net cash flows from operations were \$2.37 billion compared to net cash used in operations of \$1.50 billion in 2021. In 2022, total operating revenues were \$16.56 billion, increasing over \$10 billion or about 2.5 times from 2021.
- In 2022, operating loss was \$187 million compared to an operating loss of \$3.05 billion in 2021, an improvement of \$2.86 billion. Net loss was \$1.70 billion compared to a net loss of \$3.60 billion in 2021. Adjusted pre-tax loss was \$952 million compared to an adjusted pre-tax loss of \$3.77 billion in 2021. Adjusted EBITDA was \$1.46 billion compared to a negative Adjusted EBITDA of \$1.46 billion in 2021.

Non-financial performance

As President and Chief Executive Officer for two years, Mr. Rousseau has been instrumental in leading Air Canada through the immense challenges of the pandemic to a robust recovery that continues to accelerate.

He is challenging the organization to rise higher in how the demands of post-pandemic global travel are met through innovation, technological advancements, and a customer-centric culture. He also continues to actively drive our ESG commitments, where we have advanced many initiatives described elsewhere in this circular under "Sustainability and social impact." We developed and completed a detailed succession plan for top management level under his leadership.

Under Mr. Rousseau's leadership and direction, our NEOs were able to significantly advance and deliver on the execution of our strategic initiatives towards recovery, as illustrated by the achievements we describe under "Business highlights" in this circular.

Air Canada continued to advance ESG programs and efforts throughout the year, including in the areas of safety, climate action, official languages, employee wellbeing and diversity, as illustrated by the achievements we describe under "Sustainability and social impact" in this circular.

2022 annual incentive plan range of opportunity

The trigger to grant the financial component of the AIP linked to Adjusted Pre-tax Income (Loss) and its actual performance weighting is determined on a straight-line basis between the reference points listed below:

If Air Canada achieves	Corporate Financial Performance Rating	2022 Adjusted Pre-tax Income (Target and Achieved) For Purposes of the AIP
At least 15% above target Adjusted Pre-tax Income	200%	\$(952M) – Achieved
At least 7.5% above target Adjusted Pre-tax Income	150%	
Target Adjusted Pre-tax Income	100%	\$(1.246B) – Target
No more than 7.5% below target Adjusted Pre-tax Income	50%	
More than 15% below target Adjusted Pre-tax Income	0%	

The Board of Directors approved a 200% payout for the financial component of the AIP linked to Adjusted Pre-tax Income given that the 2022 target was surpassed by more than 15%.

Adjusted pre-tax income

Adjusted Pre-tax Income for purposes of the AIP is the consolidated income of Air Canada for the year, before income taxes and adjusted to remove the effects of gains or losses from foreign exchange, net interest relating to employee benefits, including expenses relating to the AIP and Long-Term Incentive Plan, financial instruments recorded at fair value, debt settlements and modifications, disposal of assets, sale and leaseback of assets, and certain expenses as approved by the Board of Directors under extenuating circumstances.

Adjusted Pre-tax Income was selected as a key performance measure for the AIP because it measures the Corporation's ability to grow profitably and manage costs, which are critical to advancing the Corporation's recovery journey. The HRCPC believes that in the context of its recovery, return measures are less useful, because a focus on profitability ensures a disciplined approach, and that growth achieved will in turn drive long-term shareholder value.

2022 annual incentive plan

The HRCPC considered the Corporation's financial performance for the 2022 fiscal year (as measured by Adjusted Pre-tax Income), as well as the level of achievement of individual goals based on each named executive officer's contribution to the advancement and execution of the Corporation's recovery plan (which was the Board's and management's core focus in 2022), as measured by the strategic initiatives described above insofar as they relate to each NEOs' respective roles and functions, and awarded named executive officers the following AIP payouts.

Named Executive Officer	2022 Target as a % of Base Salary	Target Award Opportunity	Actual Performance Multiplier	Total Payout Award
Michael Rousseau	125%	\$1,625,000	1.4	\$2,275,000
Amos Kazzaz	85%	\$467,500	1.4	\$654,500
Lucie Guillemette	85%	\$446,250	1.4	\$624,800
Craig Landry	85%	\$446,250	1.4	\$624,800
Arielle Meloul-Wechsler	75%	\$337,500	1.4	\$472,500

Long-Term Incentive Plan

Air Canada's Long-Term Incentive Plan (LTIP) is designed to attract, retain and incentivize key talent, including our named executive officers, to align their interests with those of our shareholders and to reward performance and value creation over the longer term. LTIP awards are granted to named executive officers annually in the form of stock options and share units.

Long-term incentives reward named executive officers for performance and value creation over the longer term, aligning their interests with those of our shareholders.

Components of LTI Grants

The table below shows each element of an annual grant, along with its link to performance requirements and vesting opportunity. Most of each long-term incentive award is granted in the form of performance-based equity where value creation depends on meeting metrics set for the performance period and increasing share price, which benefits all shareholders.

RESTRICTED SHARE UNITS (RSUs) Vesting: Third anniversary of grant Performance measure: Time Payout value opportunity if vesting: Based on share price	22%		TIME-BASED STOCK OPTIONS Vesting: Rateably each year over four years Performance measure: Time Payout value opportunity if vesting: Based on share price
PERFORMANCE SHARE UNITS (PSUs) Vesting: Third anniversary of grant Performance measure: Cumulative annual adjusted EBITDA over 3-year period, and 3-year TSR against (1) six international airlines and (2) S&P/TSX Composite Index Payout value opportunity if vesting: Based on performance achieved	28%		PERFORMANCE-BASED STOCK OPTIONS Vesting: Fourth anniversary of grant Performance measure: Annual target operating margin over 4-year period Payout value opportunity if vesting: Based on performance achieved

Named executive officers are granted a mix of stock options and share units, based on their target grant opportunity.

The HRCPC determines which employees are eligible to receive stock options or share units and the size of the awards of stock options or share units, with consideration given to: (i) the value of each eligible employee's present and potential future contribution to the Corporation's success, and (ii) any past grants to the employee in question.

Stock options

The vesting of the options to purchase Air Canada shares granted under the LTIP is as follows, unless a particular employment agreement provides otherwise:

- **50% of the stock options granted under the LTIP are time-based stock options** that vest in four equal installments (12.5% for each installment) on each anniversary of the grant, and
- **50% of the stock options granted under the LTIP are performance-based stock options** that vest at the end of 4 years and are exercisable if the 4-year average annual operating margin goal set at grant is attained. See the table, at right, for more details on the vesting of performance-based stock options and related reference points.

Performance stock options vesting ⁽¹⁾	
4-year average annual operating margin reference points	Stock options vested
100%	100%
95%	66%
90%	33%
85% or less	0%

(1) Performance stock options vest on a straight-line basis between the reference points above. For example, if operating margin over the 4-year period equals 92.5% of the target operating margin (being mid-way between 90% and 95%), 50% (being mid-way between 33% and 66%) of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null.

When vested, stock options give the named executive officer the right to purchase Air Canada shares at an exercise price based on the market price of Air Canada's shares at the time of the option grant, being the "volume-weighted average trading price" of the shares on the Toronto Stock Exchange (TSX) for the 5 trading days immediately preceding the grant date (calculated by dividing the total value by the total volume of shares traded during such period). The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have a maximum term of 10 years. In the event the expiration date for an option falls within a "black-out period" (being a period during which the executive cannot trade securities of the Corporation pursuant to its corporate policy respecting restrictions on employee trading) or within 9 business days following the expiration of a black-out period, such expiration date is extended until the 10th business day after the end of the black-out period.

Share units

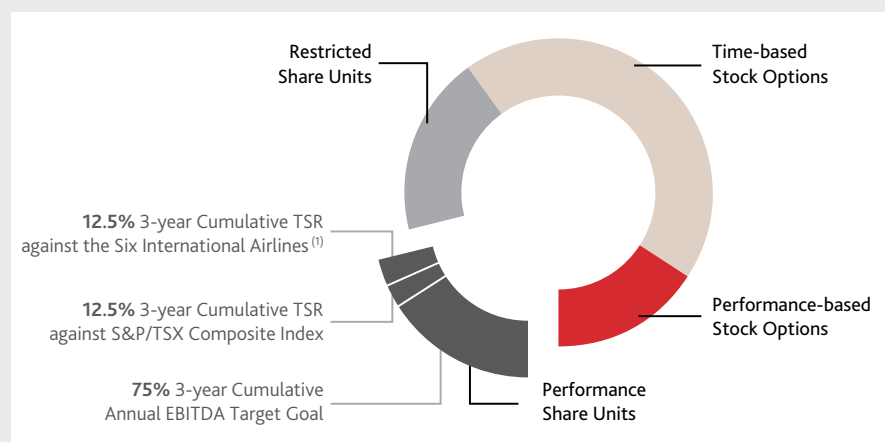
Share units granted under the Long-Term Incentive Plan are notional share units which are redeemable, on a one-to-one basis, for Air Canada shares or the cash equivalent, as determined by the Board of Directors. As such, the value of the share units tracks the value of Air Canada shares.

If share units vest (based on achieving the performance targets set at grant in the case of PSUs), NEOs receive on the redemption date an amount equal to the "volume-weighted average trading price" of the Air Canada shares on that date, with payment being made in Air Canada shares or cash, at the discretion of the Board of Directors.

During the three-year term, the Corporation, as determined by the Board, may pay the participant in cash, at the same time that dividends are paid to holders of shares of the Corporation or, subject to the satisfaction of the applicable vesting conditions, on the last day of the three-year term, the aggregate amount which the participant would have received as dividends if the participant had held a number of shares of the Corporation equal to the number of share units credited to the participant's account.

PSU vesting requirements for grants

We use the following relative performance measures for the vesting of PSU grants to align our named executive officer's interests with those of our shareholders, consistent with the majority of our comparator group of companies.



(1) Six international airlines, being Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France.

The PSU Goals tables, at right, set out the vesting opportunities for each element of a PSU grant and reference points for these. A tranche of 25% of PSUs granted will vest on the third anniversary based on two relative performance measures:

- 12.5% will vest based on 3-year cumulative TSR against the performance peer group composed of the six international airlines (Measure A at right), and
- 12.5% will vest based on 3-year cumulative TSR against the S&P/TSX Composite Index (Measure B at right).

The remaining PSUs granted (75%) will vest based on the performance of the 3-year cumulative annual Adjusted EBITDA compared to the goal set at grant (Measure C at right).

PSUs vest on a straight-line basis between the reference points in the tables.

PSU goals

Measure A	
3-year cumulative TSR against the six international airlines	12.5% of PSUs vested
Rank 1	200%
Rank 2	167%
Rank 3	133%
Rank 4	100%
Rank 5	67%
Rank 6	33%
Rank 7	0%
Measure B	
3-year cumulative TSR against S&P/TSX Composite Index	12.5% of PSUs vested
75th percentile and above	200%
50th percentile	100%
25th percentile	66%
Less than 25th percentile	0%
Measure C	
3-year cumulative annual Adjusted EBITDA target goal	75% of PSUs vested
100%	100%
95%	66%
90%	33%
85% or less	0%

Long-Term Incentive Plan

Each option or share unit granted under the Long-Term Incentive Plan is personal to the executive and may not be assigned or transferred, except by will or by the laws of succession of the domicile of a deceased executive.

Air Canada may amend the Long-Term Incentive Plan (or any option or share unit granted thereunder) at any time without the consent of the optionees or participants, provided that any such amendment shall:

- not adversely alter or impair any option or share unit previously granted,
- be subject to any applicable regulatory or TSX approvals, and
- be subject to shareholder approval where required by law or the TSX, provided however that the Board may make any changes without shareholder approval including, but not limited to, (a) amendments of a "housekeeping nature", (b) a change to the vesting provisions of any option or share unit, (c) the introduction of a cashless exercise feature payable in securities, (d) the addition of a form of financial assistance, and (e) the addition of a deferred or restricted share unit or any other provision which results in optionees or participants receiving securities while no cash consideration is received by the Corporation.

Nevertheless, Air Canada must obtain shareholder approval for any of the following amendments relating to the Long-Term Incentive Plan:

- changing the maximum number or percentage of shares issuable,
- reducing the exercise price of any outstanding option, replacing options at a reduced price, or replacing share units by new ones,
- extending the term of options or share units beyond their expiry, except in cases of extension due to black-out periods,
- permitting any option or share unit to be transferable other than for normal estate settlement purposes,
- permitting a change to the eligible participants, including to broaden or increase participation by insiders generally or non-employee directors,
- increasing the maximum number of shares that may be issued in a one-year period to insiders and their associates, including under any other compensation arrangements described therein, and
- amending its amendment provisions.

The Long-Term Incentive Plan also provides that the Board may advance the date on which any option may be exercised or any share unit may be payable or, subject to applicable regulatory requirements and shareholder approval, extend the expiration date of any option or share unit provided that the period during which an option is exercisable or share unit is outstanding does not exceed 10 years in the case of options, and 3 years in the case of share units from the date such option or share unit is granted.

For the NEOs, in the event of a “change of control” (as defined in the Long-Term Incentive Plan) of the Corporation, any unvested options shall become exercisable and any unvested share units shall become payable immediately prior to the date of the change of control with respect to all of the shares subject thereto, and all options must be exercised prior to their original expiry term.

The consequences resulting from other types of termination from employment on the entitlements granted under the Long-Term Incentive Plan are described below.

Special circumstances

The below table summarizes the effects of changes of employment status on outstanding (vested and unvested) Stock Options and Share Units.

Events	Vesting of Stock Options	Stock Option Exercise Limitations*	Vesting of Share Units*
Retirement	Vesting continues	Any options must be exercised by the earlier of three years from the date of retirement and the expiry of the options.	Prorated number of vested share units at the end of their term based on: (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Termination due to injury or disability	Vesting continues	Any options must be exercised by the earlier of three years from the end of employment and the expiry of the options.	
Voluntary leave of absence	Vesting continues	Any options must be exercised by the earlier of one year from when the leave of absence began and the expiry of the options.	
Termination without cause	Unvested options forfeited	All vested options must be exercised within 30 days of the termination.	
Death	Unvested options forfeited	All vested options must be exercised by the succession by the earlier of one year of death and the expiry of the options.	
Reassignment to non-eligible LTIP position	Unvested options forfeited	Any vested options must be exercised by the earlier of 90 days from the reassignment and the expiry of the options.	Unvested share units forfeited
Resignation	Unvested options forfeited	All vested options must be exercised within 30 days of the resignation.	
Termination for cause	Unexercised options forfeited	Not applicable	

* Unless otherwise provided for in an individual's employment agreement with the Corporation and except as otherwise may be determined by the Board. For Retirement, Termination without cause, Death and Termination due to injury or disability, vested share units will be redeemed in cash at the end of their term.

2022 LTIP vesting and grants

In 2022, 357,422 performance-based stock options and 273,006 PSUs vested pursuant to the terms of the Long-Term Incentive Plan.

2022 corporate performance linked to the LTIP

	Performance Measure ⁽¹⁾	Weighting	Performance Cycle	Target	Actual	Vesting Payout Percent
2019 Stock Option Grant	4-year average annual operating margin	N/A	2019, 2021, 2022	(8.9)%	(3.2)%	100%
2020 PSU Grant	3-year cumulative annual EBITDA	75%	2021, 2022	\$(1.576B)	\$118M	100%
	TSR vs. Airline Peers ⁽²⁾	12.5%	2021, 2022		Ranked 3rd	133%
	TSR vs. S&P/TSX Composite Index	12.5%	2021, 2022		Below 25th percentile	0%
Total vesting						87.5%

(1) In accordance with the decision made by the HRCPC in 2021 and disclosed in our 2022 proxy circular, the 2020 year was excluded from the determination of the performance vesting level for the 2019 performance-based stock option grants and 2020 PSU awards. However, in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years (1/4 in the case of performance-based options and 1/3 in the case of PSUs) was cancelled for no value.

(2) TSR against the six international airlines ranked 3rd and vests at 133% as per the plan. If TSR is negative for the period, vesting is capped at 100%.

2022 LTIP grants

In determining the size of target LTIP awards for 2022, the HRCPC and the Board considered our compensation philosophy of providing market-competitive total compensation opportunities realigned towards the 50th percentile of the comparator group, but with significantly increased weighting on incentive and performance driven compensation. Accordingly, the substantial majority of the NEOs' total compensation value in 2022 depends on the future market value of the Corporation's shares, to ensure that the financial interests of the Corporation's executives are closely aligned with those of the shareholders.

The Board also believes compensation should be aligned with long-term shareholder value, and executives should be appropriately rewarded when they take meaningful actions that are in the long-term best interest of the Corporation and, by extension, its shareholders, despite the shorter term status of core metrics or share price, or where there are unexpected and uncontrollable events which impact the Corporation's financial performance. In determining the size of target LTIP awards for 2022, the HRCPC and the Board acknowledged that the previous year's LTIP grants were limited by the Executive Compensation Restriction (which applied during 2021 pursuant to the terms of credit facilities which were terminated at the end of that year and no longer applicable in 2022), and did not, in their view, adequately provide retentive value compared to market-competitive pay packages among Air Canada's peer compensation group.

NEOs received grants of stock options and share units based on the target grant value for their position and realigned to market-competitive levels, as specified in the table below. Each NEO's LTIP award was allocated as to 53% in the form of performance-based equity (performance stock options and PSUs), and 47% in the form of time-vested stock options and restricted share units (RSUs). The actual amounts realized by NEOs will be greater or less than the theoretical grant date fair values based on our share price at the time of vesting and Air Canada's financial performance over the term of the awards.

Named Executive Officer	Target Grant Opportunity (as a percentage of base salary)	Fair Value at Grant			
		Stock Options	PSUs	RSUs	Total Fair Value at Grant ⁽¹⁾
Michael Rousseau	600%	\$3,900,000	\$2,204,348	\$1,695,652	\$7,800,000
Amos Kazzaz	300%	\$825,000	\$466,304	\$358,696	\$1,650,000
Lucie Guillemette	300%	\$787,500	\$445,109	\$342,391	\$1,575,000
Craig Landry	300%	\$787,500	\$445,109	\$342,391	\$1,575,000
Arielle Meloul-Wechsler	200%	\$450,000	\$254,348	\$195,652	\$900,000 ⁽²⁾

(1) The actual value of the awards will vary depending on Air Canada's future share price and performance.

(2) Ms. Meloul-Wechsler was granted an LTIP award with a grant date fair value exceeding her target LTIP grant value opportunity by \$100,000 to recognize her ongoing leadership and contribution in the extraordinarily challenging business environment, which translated into the significant expansion in the scope and responsibilities of her role.

Recognizing the importance of the President and CEO's leadership to drive the advancement and execution of our business strategy and recovery through a uniquely challenging environment, the Board decided to increase his target LTIP opportunity to 600% of his base salary. Thus, 73% of his total compensation for 2022 is linked to long-term performance in the form of awards under the LTIP.

Securities authorized for issuance under equity compensation plans

Plan category	Number of securities to be issued upon the exercise of outstanding options and redemption of share units ^{(1) (3)}	Weighted-average exercise price of outstanding options ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plan approved by security-holders ^{(1) (2)}	5,304,745	\$18.78	5,374,445

(1) As at December 31, 2022.

(2) The key features of the Air Canada Long-Term Incentive Plan (which provides for stock options and share units) are set out above under "Long-Term Incentive Plan".

(3) Does not include shares underlying an aggregate of 2,584,510 share units granted over various dates between 2020 and 2022 as these share units are currently redeemable for Air Canada shares purchased on the secondary market and/or equivalent cash rather than Air Canada shares issuable from treasury, subject to the discretion of the Corporation.

The following table sets out the number of Air Canada shares issued and issuable under Air Canada's Long-Term Incentive Plan and the number of Air Canada shares underlying outstanding options and share units, and the percentage represented by each calculated over the number of Air Canada shares outstanding as at December 31, 2022. Options and share units granted under Air Canada's Long-Term Incentive Plan are exercisable or redeemable, as applicable, for Class A variable voting shares or Class B voting shares depending on whether the holder thereof is a non-Canadian or Canadian. With respect to stock options, 19,381,792 Air Canada shares (which represented approximately 5.4% of the issued and outstanding shares of Air Canada on December 31, 2022) were authorized for issuance under the Long-Term Incentive Plan. Notwithstanding the foregoing, the number of Air Canada shares reserved for issuance for share units granted under the Long-Term Incentive Plan may not exceed 500,000 shares. As of December 31, 2022, 5,374,445 Air Canada shares (which represented approximately 1.5% of the issued and outstanding shares of Air Canada on December 31, 2022) remained available for issuance under the Long-Term Incentive Plan for outstanding stock options as of such date and for future issuance of equity awards. Currently outstanding share units are only redeemable for Air Canada shares to be purchased in the secondary market or for cash, subject to the discretion of the Corporation.

Shares issuable		Shares issued to date		Shares underlying outstanding options		Shares underlying outstanding share units		Shares underlying options granted in 2022		Shares underlying share units granted in 2022	
Number ⁽¹⁾	Dilution rate ⁽²⁾	Number ⁽³⁾	Dilution rate ⁽²⁾	Number	Dilution rate ⁽²⁾	Number ⁽⁴⁾	Dilution rate ⁽⁴⁾	Number	Dilution rate ^{(2) (5)}	Number	Dilution rate ⁽⁴⁾
5,374,445	1.5%	8,532,736	2.38%	5,304,745	1.48%	2,584,510	0%	1,242,544	0.35%	1,277,623	0%

(1) This number represents the aggregate number of Air Canada shares underlying outstanding options and shares remaining available for future grants of options and share units under the Long-Term Incentive Plan and excludes shares issued to date in connection with the exercise of options and the redemption of share units granted under the Long-Term Incentive Plan.

(2) As of December 31, 2022, a total of 358,362,258 Air Canada shares were issued and outstanding.

(3) Represents the number of Air Canada shares issued to date under the Long-Term Incentive Plan in connection with the exercise of options and the redemption of share units.

(4) While 2,584,510 share units are currently outstanding under the Long-Term Incentive Plan, such units are not redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash, at the discretion of the Corporation.

(5) Dilution of options granted during the 2022 year compared to the total number of outstanding Air Canada shares on December 31, 2022.

The aggregate number of Air Canada shares reserved for issuance at any time to any one eligible participant may not exceed five percent (5%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

The aggregate number of Air Canada shares issued to any one insider and the associates of such insider under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period may not exceed five percent (5%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

The aggregate number of Air Canada shares (i) issued to insiders and their associates under the Long-Term Incentive Plan or any other share compensation arrangement within any one-year period and (ii) issuable to insiders and their associates at any time under the Long-Term Incentive Plan or any other share compensation arrangement, in each case may not exceed ten percent (10%) of the number of issued and outstanding Air Canada shares at such time (excluding any shares issued pursuant to the Long-Term Incentive Plan or any other share compensation arrangement over the preceding one-year period).

The table below summarizes the dilution, overhang and burn rates in connection with Air Canada's Long-Term Incentive Plan as of December 31 for each of the last 3 years. Only share units which were granted on the understanding that they would be redeemable for shares to be issued from treasury are included in the table below.

	2022	2021	2020
Dilution ⁽¹⁾	1.5%	1.3%	2.1%
Overhang ⁽²⁾	3.0%	3.2%	4.5%
Burn Rate ⁽³⁾	0.4%	0.3%	0.6%

(1) Dilution represents: (total options and share units to be settled by treasury issuance outstanding) ÷ (total Air Canada shares outstanding).

(2) Overhang represents: (total Air Canada shares available for issue + options and share units to be settled by treasury issuance outstanding) ÷ (total Air Canada shares outstanding).

(3) Burn rate represents: (total options and share units to be settled by treasury issuance granted during the year) ÷ (average of total Air Canada shares outstanding).

Management deferred share unit plan

Named executive officers may voluntarily elect to receive in full or part Deferred Share Units (DSUs), from what otherwise would have been granted as PSUs or RSUs under the Corporation's Long-Term Incentive Plan, or from what otherwise would have been payable as an AIP cash award. In addition, subject to the terms of the DSU Plan, the Corporation may make additional DSU grants for retention or hiring purposes.

DSUs are settled entirely in cash following retirement, termination or death, based on the volume weighted average trading price of Air Canada shares on the Toronto Stock Exchange for the five consecutive trading days ending on the trading day immediately prior to the settlement date.

Pension plan

The Corporation offers a pension plan to retain executives and provides them with a valuable source of retirement income based on service and annualized basic salary.

Some executives are eligible for a non-contributory, final average earnings defined benefit registered pension plan and a Supplementary Executive Retirement Plan (SERP) that provides retirement income beyond the limitations of the registered pension plan.

See the Retirement plan benefits section on [page 84](#) for more details.

Share ownership requirements for executives

Air Canada maintains share ownership guidelines that require executives to own a minimum of securities of Air Canada representing an amount equivalent to a multiple of their annual base salary (ranging from 1 to 5 times). Ownership requirements must be achieved by February 17, 2023, or within 5 years of the date of appointment of an executive, whichever occurs later.

The table below sets out the share ownership guidelines for each named executive officer. The amount representing the share ownership for purposes of Air Canada's share ownership guidelines is the sum of the market value of the Air Canada shares and the market value of the Air Canada shares underlying the restricted share units and vested deferred share units owned by the named executive officer. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.

Named Executive Officer	Total Number of Securities Owned	Total Value of Securities for the Purpose of Minimum Share Ownership Requirements ⁽¹⁾	Value of Securities Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Satisfies Ownership Requirements
Michael Rousseau ⁽²⁾	166,805 Class B voting shares 163,403 restricted share units	\$6,188,098	5 times annual salary	February 15, 2027	Yes
Amos Kazzaz ⁽³⁾	17,044 Class B voting shares 39,717 restricted share units	\$1,063,701	2 times annual salary	February 1, 2023	Yes
Lucie Guillemette	39,788 Class B voting shares 31,814 restricted share units 19,380 deferred share units	\$1,705,003	3 times annual salary	February 17, 2023	Yes
Craig Landry	23,028 Class B voting shares 35,802 restricted share units 27,223 deferred share units	\$1,612,633	3 times annual salary	January 1, 2025	Yes
Arielle Meloul-Wechsler	11,823 Class B voting shares 32,145 restricted share units 12,165 deferred share units	\$1,051,932	3 times annual salary	January 1, 2026	By 2026

(1) This amount represents the sum of the market value of the shares, and the market value of the shares underlying the restricted share units and vested deferred share units, in each case based on the closing price of the Air Canada shares on the TSX on March 21, 2023 (\$18.74), as described above. The number of Class B voting shares held is as of March 21, 2023, with the exception of shares purchased under the Employee Share Ownership Plan, which are held as of December 31, 2022.

(2) Up to his appointment as President and CEO on February 15, 2021, Mr. Rousseau had satisfied the applicable ownership requirement of three times his salary in his previous position as Deputy Chief Executive Officer and Chief Financial Officer. The share ownership requirements for senior executives were suspended for the period during which the Executive Compensation Restriction applied. After giving effect to such suspension, Mr. Rousseau has until February 15, 2027 to meet the share ownership requirement of five times his salary (which Mr. Rousseau has satisfied).

(3) Although Mr. Kazzaz was appointed to Executive Vice President and Chief Financial Officer on February 15, 2021, he is required to maintain compliance with a share ownership requirement equal to two times his salary in his prior position.

Air Canada's share ownership guidelines require that the President and Chief Executive Officer continue to comply with the ownership requirements for one year following their retirement.

Cost of management ratio

The following table shows the total aggregate compensation (excluding pension) awarded to the named executive officers for the last three years, expressed as a percentage of Adjusted EBITDA. The total aggregate named executive officer compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2020, 2021 and 2022 years, excluding pension.

	2020 ⁽¹⁾	2021 ⁽²⁾	2022 ⁽³⁾
Total aggregate named executive officer compensation ⁽⁴⁾	\$ 18.7M	\$ 5.8M	\$ 20.9M
Adjusted EBITDA	\$ (2.04B)	\$ (1.46B)	\$ 1.46B
As a percentage of Adjusted EBITDA	N/A ⁽⁵⁾	N/A ⁽⁵⁾	1.5%
Operating Income (Loss)	\$ (3.78B)	\$ (3.05B)	\$ (187M)
As a percentage of Operating Income (Loss)	N/A ⁽⁵⁾	N/A ⁽⁵⁾	N/A ⁽⁵⁾

(1) Named executive officers for the 2020 year consist of: Calin Rovinescu, Michael Rousseau, Lucie Guillemette, Craig Landry and David Shapiro.

(2) Named executive officers for the 2021 year consist of: Michael Rousseau, Amos Kazzaz, Lucie Guillemette, Craig Landry, Arielle Meloul-Wechsler and Calin Rovinescu (former President and CEO).

(3) Named executive officers for the 2022 year consist of: Michael Rousseau, Amos Kazzaz, Lucie Guillemette, Craig Landry and Arielle Meloul-Wechsler.

(4) Total aggregate named executive officer compensation excludes pension value.

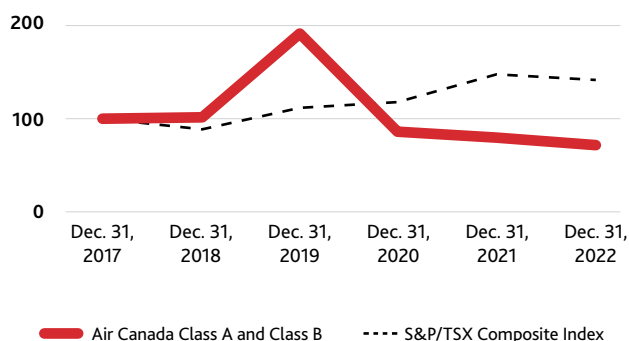
(5) Total aggregate named executive officer compensation as a percentage of 2020 and 2021 Adjusted EBITDA and 2020, 2021 and 2022 Operating Income (Loss) is not applicable as results for those years were negative.

Share performance graphs

Five-year total shareholder return comparison (S&P/TSX Composite Index)

The following performance graph compares the total cumulative return of a \$100 investment in the Class A variable voting shares and Class B voting shares of the Corporation made on January 1, 2018 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2018 and ended December 31, 2022.

Air Canada Class A and Class B Shares Versus S&P/TSX Composite Index
5-Year Total Cumulative Return on \$100 Investment of -25%

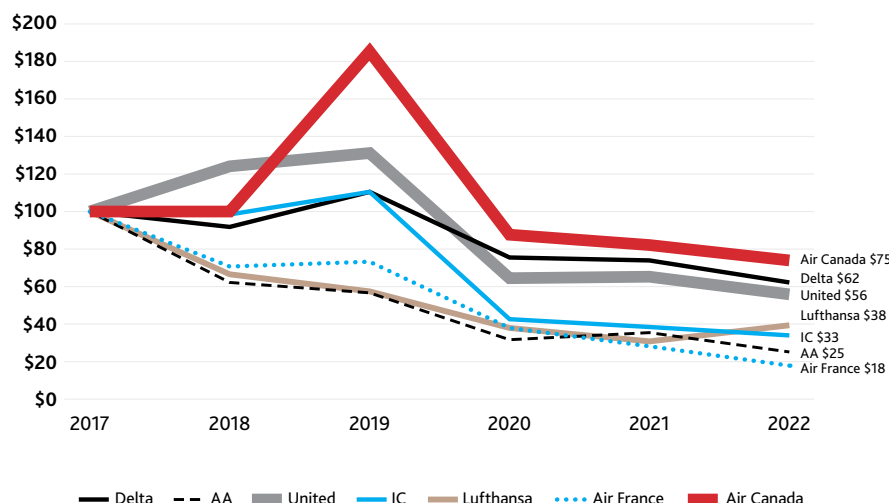


The price of Air Canada's Class A variable voting shares and Class B voting shares changed by approximately -25% from January 1, 2018 to December 31, 2022. Our share price fluctuated substantially over the past three years, reflecting the continued pandemic-related effects that we faced throughout these years.

Five-year total shareholder return comparison (international airline peers)

Despite these significant headwinds, as shown in the graph below, Air Canada's 5-year TSR outperformed all of the international airline peers in its performance peer group (Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France).

Air Canada Class A and Class B Shares Versus Performance Peer Group
5-Year Total Cumulative Return on \$100 Investment of -25% (vs Peer Group Performance average return of -60%)



Caution should be exercised when comparing TSR performance and total NEO compensation:

- A significant proportion of NEO compensation is granted in the form of long-term equity-based incentives, which are calculated based on grant date fair values, despite the fact that actual values will be realized only to the extent that any applicable performance targets are met and the Corporation's share price increases. In the longer term, NEO compensation is directly affected by the Corporation's share price performance, both negatively and positively. Stock option, RSU and PSU awards directly correlate to the share price and are therefore aligned with shareholder returns. Moreover, a portion of PSUs granted since 2020 vest according to relative TSR performance measures. At any time after the grant date, stock options may be well out of the money and units may vest at 0% or have little to no value. More details on vesting conditions linked to the performance of Air Canada can be found on [page 67](#) of this circular under the heading "Elements of the executive compensation program".
- Although the graph compares Air Canada's TSR performance to that of market indices, the Corporation believes five-year TSR is not currently a fully meaningful measure for a company disproportionately affected by a major multi-year pandemic crisis. Stock price performance has been affected by various factors and trends, many of which are unrelated to Air Canada's financial and operational performance, such as economic uncertainty and industry trends related to the COVID-19 pandemic, oil price movements, macroeconomic growth, inflation, rising interest rates, geopolitical developments, and labour shortages.

The Corporation's executive compensation program is designed to support the Corporation's recovery plan in the short term and to increase shareholder value over the long term by including base salary and short-term and long-term incentive awards. For the fiscal years ended December 31, 2019 and 2018, the cash compensation of Air Canada's named executive officers has remained fairly aligned to the Corporation's Adjusted Pre-tax Income and then reported EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent). The cash compensation of Air Canada's named executive officers has remained largely unchanged over the fiscal years ended December 31, 2019 and 2018, taking into account salary progression resulting from internal promotions from our management team to a named executive officer position.

For the financial years ended December 31, 2021 and 2020, the cash compensation of Air Canada's named executive officers was reduced considerably relative to the Corporation's Adjusted Pre-tax Income and EBITDA. In addition, under the long-term incentive plan, the 2020 year was excluded from the determination of the performance vesting level for the performance-based stock option and PSU awards granted in 2018, 2019 and 2020, and in exchange for such exclusion, a portion of the in-flight performance-based options and PSUs for these years was cancelled for no value. Total compensation increased in 2022 to realign towards the 50th percentile of our comparator group, which reflects an investment in the executive team responsible for delivering on the Corporation's recovery strategy.

Compensation Tables

Summary compensation table

The following table provides a summary of the compensation earned for the years ended December 31, 2022, 2021 and 2020 by each named executive officer. The compensation provided in respect of 2021 complied with the \$1 million compensation cap (excluding pension value) for each NEO under an executive compensation restriction required by the Government of Canada in 2021. The compensation provided to Mr. Rousseau and Mr. Kazzaz in respect of 2020 was for their prior senior management position with Air Canada. For these reasons, 2022 compensation is not directly comparable to 2021 or 2020 compensation.

Total compensation for Mr. Rousseau for 2022, as President and CEO, was below President and CEO total compensation for 2019. Similarly, 2022 total compensation for all NEOs in aggregate was below aggregate NEO total compensation for 2019.

Name and principal position	Year	Salary	Share-based awards ⁽¹⁾	Option based awards ⁽²⁾	Non-equity incentive plan compensation		All other compensation ⁽³⁾	Total compensation
					Annual incentive plans	Pension value		
Michael Rousseau President and Chief Executive Officer ⁽⁴⁾ (since February 15, 2021)	2022	\$1,300,000	\$3,900,000	\$3,900,000	\$2,275,000	\$1,000,100	Nil	\$12,375,100
	2021	\$500,000	\$250,000	\$250,000	Nil	\$2,717,000	Nil	\$3,717,000
	2020	\$455,010	\$1,231,596	\$875,002	\$420,000	\$292,400	Nil	\$2,938,206
Amos Kazzaz Executive Vice President and Chief Financial Officer ⁽⁵⁾ (since February 15, 2021)	2022	\$550,000	\$825,000	\$825,000	\$654,500	\$249,600	Nil	\$3,104,100
	2021	\$462,500	\$343,750	\$193,750	Nil	\$303,900	Nil	\$1,303,900
	2020	\$332,814	\$225,000	\$225,000	\$325,000	\$100,000	Nil	\$1,222,318
Lucie Guillemette Executive Vice President and Chief Commercial Officer ⁽⁶⁾	2022	\$525,000	\$787,500	\$787,500	\$624,800	\$14,800	Nil	\$2,739,600
	2021	\$525,000	\$237,500	\$237,500	Nil	\$83,900	Nil	\$1,083,900
	2020	\$406,875	\$588,409	\$634,378	\$267,750	\$53,800	Nil	\$1,991,812
Craig Landry Executive Vice President, Chief Operations Officer ⁽⁷⁾	2022	\$525,000	\$787,500	\$787,500	\$624,800	\$207,600	Nil	\$2,932,400
	2021	\$510,000	\$245,000	\$245,000	Nil	\$107,200	Nil	\$1,107,200
	2020	\$370,468	\$497,096	\$535,931	\$229,500	\$369,900	Nil	\$2,039,828
Arielle Meloul-Wechsler Executive Vice President, Chief Human Resources and Public Affairs ⁽⁸⁾	2022	\$450,000	\$500,000	\$500,000	\$472,500	\$76,000	Nil	\$1,998,500
	2021	\$450,000	\$275,000	\$275,000	Nil	\$62,400	Nil	\$1,062,400
	2020	\$313,343	\$490,000	\$390,000	\$175,500	\$509,600	Nil	\$1,909,663

(1) The grant date fair value of the annual grant of share units awarded in 2022 under the Corporation's Long-Term Incentive Plan (LTIP), as reported in this table, reflects a valuation factor of 65% for the performance share units and 100% for the restricted share units based on time. The payout factor used is consistent with empirical testing of performance plan payouts, including the performance payout factor analysis provided to the Corporation by Willis Towers Watson which was based on the compilation of actual payouts for similar plans in the market. The payout factor was applied to the value of the award which was calculated using a share price of \$24.61 for the March 1, 2022 grants. The share price at the time of the grants was equal to the volume weighted average trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. See "Long-Term Incentive Plan – Share units" on page 72 of this circular for more details.

The accounting fair value of these share units was \$3,850,744 for Mr. Rousseau, \$814,575 for Mr. Kazzaz, \$777,558 for Ms. Guillemette, \$777,558 for Mr. Landry and \$493,682 for Ms. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$49,229 for Mr. Rousseau, \$10,425 for Mr. Kazzaz, \$9,942 for Ms. Guillemette, \$9,942 for Mr. Landry and \$6,318 for Ms. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is due to a forfeiture rate of 95% applied for accounting purposes versus the valuation factor of 65% in the case of the performance share units and 100% in the case of restricted share units applied for purposes of determining the grant date fair value.

The value of share-based awards shown is the grant date fair value for RSU and PSU awards, as applicable, granted under the LTIP. This value has not actually been realized by the NEOs and the actual value realized, if any, may differ. Values can vary significantly from year to year based on fluctuations in share price, corporate performance and the timing of vesting or exercise, as applicable. Aggressive performance targets in combination with difficult market conditions has resulted in significant variability in these long-term incentive awards since their date of grant, which had a significant impact on the awards' current value. Accordingly, caution should be exercised when reviewing the estimated grant date fair values and total compensation reported in the Summary Compensation Table.

(2) The grant date fair value for options awarded in 2022 by the Corporation as reported in this table was calculated using the Black-Scholes grid, which is the model used by the Corporation in the review of its compensation practices with respect to target grants of incentive awards under the Long-Term Incentive Plan (refer to the heading "Long-Term Incentive Plan – Stock options" on page 72 of this circular for more details). The grant date fair value for the options granted on March 1, 2022, using the Black-Scholes grid, was based on the following factors, key assumptions and plan provisions:

- i. Black-Scholes factor: 42.5385%
- ii. Volatility: 55.6443%
- iii. Dividend yield: 0%
- iv. Expected life: 6.25 years (rated vesting); 7.0 years (cliff vesting)
- v. Term: 10 years
- vi. Vesting: 50% time based; 50% performance-based

The accounting fair value of these options was: \$4,529,226 for Mr. Rousseau, \$958,106 for Mr. Kazzaz, \$914,552 for Ms. Guillemette, \$868,824 for Mr. Landry and \$580,671 for Ms. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$629,226 for Mr. Rousseau, \$133,106 for Mr. Kazzaz, \$127,052 for Ms. Guillemette, \$81,324 for Mr. Landry and \$80,671 for Ms. Meloul-Wechsler. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the use of different factors and assumptions.

The value of option-based awards shown for NEOs reflects the estimated fair value of the options on their respective date of grant. This value has not actually been realized by the NEOs and the actual value realized upon exercise, if any, may differ. Values can vary significantly from year to year based on fluctuations in share price, corporate performance and the timing of vesting or exercise, as applicable. Aggressive performance targets in combination with difficult market conditions has resulted in significant variability in these long-term incentive awards since their date of grant, which had a significant impact on the awards' current value. At any time after the grant date, stock options may be well out-of-the money. Accordingly, caution should be exercised when reviewing the estimated grant date fair values and total compensation reported in the Summary Compensation Table.

(3) In 2022, perquisites and other personal benefits did not equal \$50,000 or more and did not equal 10% or more of the amount of total salary for any of the named executive officers.

Michael Rousseau

(4) For the financial year ended December 31, 2021, as a result of the Executive Compensation Restriction, Mr. Rousseau was restricted to a base salary of \$500,000 (from his salary of record of \$1,150,000) and a \$500,000 LTIP value (from \$5,750,000). The 2021 pension value for Mr. Rousseau was determined as of December 31, 2021 on an actuarial basis reflecting his appointment to President and Chief Executive Officer on February 15, 2021, his pensionable salary in that new role, and applicable economic and other assumptions (additional information is found in Air Canada's 2022 management information circular). As Mr. Rousseau was appointed President and Chief Executive Officer on February 15, 2021, compensation reported in the Summary Compensation Table before that date relates to his previous position as Executive Vice President and Chief Financial Officer.

Amos Kazzaz

(5) As a result of the Executive Compensation Restriction, Mr. Kazzaz's LTIP value for 2021 was reduced to \$387,000 (from \$1,163,750). Upon Mr. Kazzaz's appointment as Executive Vice President and Chief Financial Officer on February 15, 2021, he received a special share unit grant of \$150,000. As Mr. Kazzaz was appointed Executive Vice President and Chief Financial Officer on February 15, 2021, compensation reported in the Summary Compensation Table before that date relates to his previous position.

Lucie Guillemette

(6) Ms. Guillemette's salary has not changed from the prior year. As a result of the Executive Compensation Restriction, Ms. Guillemette's LTIP value for 2021 was reduced to \$475,000 (from \$1,391,250).

Craig Landry

(7) As a result of the Executive Compensation Restriction, Mr. Landry's LTIP value for 2021 was reduced to \$490,000 (from \$1,249,500).

Arielle Meloul-Wechsler

(8) Ms. Meloul-Wechsler's salary has not changed from the prior year. As a result of the Executive Compensation Restriction, Ms. Meloul-Wechsler's LTIP value for 2021 was reduced to \$550,000 (from \$742,500). Ms. Meloul-Wechsler was granted an LTIP award with a grant date fair value exceeding her target LTIP grant value opportunity by \$100,000, to recognize her ongoing leadership and contribution in the extraordinarily challenging business environment, which translated into the significant expansion in the scope and responsibilities of her role.

Long-term incentive plan awards and incentive plan awards tables

The following table details all unexercised options held by named executive officers as at December 31, 2022.

Name	Number of securities underlying unexercised options ⁽¹⁾	Option-based awards		Value of unexercised in-the-money options ⁽²⁾
		Option exercise price	Option expiration date	
Michael Rousseau	68,498	\$9.41	June 22, 2026	\$683,610
	70,000	\$13.69	April 3, 2027	\$399,000
	42,961	\$17.69	June 1, 2027	\$73,034
	82,477	\$26.59	April 2, 2028	\$0
	15,165	\$22.53	July 27, 2028	\$0
	83,219	\$33.11	March 11, 2029	\$0
	98,863	\$32.42	March 11, 2030	\$0
	23,444	\$25.39	March 1, 2031	\$0
	372,613	\$24.61	March 1, 2032	\$0
Amos Kazzaz	13,125	\$13.69	April 3, 2027	\$74,813
	18,505	\$26.59	April 2, 2028	\$0
	19,107	\$33.11	March 11, 2029	\$0
	22,244	\$32.42	March 11, 2030	\$0
	18,169	\$25.39	March 1, 2031	\$0
	78,822	\$24.61	March 1, 2032	\$0
Lucie Guillemette	30,625	\$13.69	April 3, 2027	\$174,563
	37,670	\$26.59	April 2, 2028	\$0
	49,040	\$33.11	March 11, 2029	\$0
	71,676	\$32.42	March 11, 2030	\$0
	22,272	\$25.39	March 1, 2031	\$0
	75,239	\$24.61	March 1, 2032	\$0
Craig Landry	16,625	\$13.69	April 3, 2027	\$94,763
	19,826	\$26.59	April 2, 2028	\$0
	33,967	\$33.11	March 11, 2029	\$0
	60,554	\$32.42	March 11, 2029	\$0
	22,975	\$25.39	March 1, 2031	\$0
	75,239	\$24.61	March 1, 2032	\$0
Arielle Meloul-Wechsler	10,500	\$13.69	April 3, 2027	\$59,850
	4,375	\$12.83	May 5, 2027	\$28,700
	18,505	\$26.59	April 2, 2028	\$0
	19,107	\$33.11	March 11, 2029	\$0
	38,557	\$32.42	March 11, 2030	\$0
	25,788	\$25.39	March 1, 2031	\$0
	47,771	\$24.61	March 1, 2032	\$0

(1) In accordance with the decision made by the HRCPC in 2021 and disclosed in our 2022 proxy circular, the 2020 year was excluded from the determination of the performance vesting level for the 2017, 2018, 2019 and 2020 performance-based stock option grants. However, in exchange for such exclusion, a portion equal to 1/4 of the in-flight performance-based options for these years was cancelled for no value.

(2) Based on the closing price of the Air Canada shares on the TSX (\$19.39) on December 31, 2022.

PSU and RSU tables

The tables below detail the number and market value of unvested performance share units and unvested restricted share units held by the named executive officers as at December 31, 2022.

Performance share units (PSUs)

Name	Number of PSUs that have not vested (#)	Share-based awards		Market or payout value of vested PSUs not paid out or distributed
		Performance Cycle	Market or payout value of PSUs that have not vested ⁽¹⁾	
Michael Rousseau	137,802	Jan 1, 2022 to Dec 31, 2024	\$2,671,981	Nil
Amos Kazzaz	29,150	Jan 1, 2022 to Dec 31, 2024	\$565,219	Nil
Lucie Guillemette	27,825	Jan 1, 2022 to Dec 31, 2024	\$539,527	Nil
Craig Landry	27,825	Jan 1, 2022 to Dec 31, 2024	\$539,527	Nil
Arielle Meloul-Wechsler	17,667	Jan 1, 2022 to Dec 31, 2024	\$342,563	Nil

(1) Based on the closing price of the Air Canada shares on the TSX (\$19.39) on December 31, 2022.

Restricted share units (RSUs)

Name	Number of RSUs that have not vested (#)	Share-based awards		Market or payout value of vested RSUs not paid out or distributed
		Performance Cycle	Market or payout value of RSUs that have not vested ⁽¹⁾	
Michael Rousseau	13,411	March 11, 2020 to March 11, 2023	\$260,039	Nil
	9,846	March 1, 2021 to March 1, 2024	\$190,914	
	68,901	March 1, 2022 to March 1, 2025	\$1,335,990	
Amos Kazzaz	3,017	March 11, 2020 to March 11, 2023	\$58,500	Nil
	6,929	February 15, 2021 to February 15, 2024	\$134,353	
	7,631	March 1, 2021 to March 1, 2024	\$147,965	
	14,575	March 1, 2022 to March 1, 2025	\$282,609	
Lucie Guillemette	9,723	March 11, 2020 to March 11, 2023	\$188,529	Nil
	9,354	March 1, 2021 to March 1, 2024	\$181,374	
	13,913	March 1, 2022 to March 1, 2025	\$269,773	
Craig Landry	8,214	March 11, 2020 to March 11, 2023	\$159,269	Nil
	9,649 ⁽²⁾	March 1, 2021 to March 1, 2024	\$187,094	
	13,913	March 1, 2022 to March 1, 2025	\$269,773	
Arielle Meloul-Wechsler	5,230	March 11, 2020 to March 11, 2023	\$101,410	Nil
	10,831	March 1, 2021 to March 1, 2024	\$210,013	
	8,833	March 1, 2022 to March 1, 2025	\$171,272	

(1) Based on the closing price of the Air Canada shares on the TSX (\$19.39) on December 31, 2022.

(2) 2,412 of these 9,649 RSUs were allocated in DSUs.

Incentive plan awards – Value vested or earned during the year

As concerns option-based awards, the table below provides information on the value that would have been realized if the named executive officer exercised the awards that vested during the year ended December 31, 2022 on the vesting date of such awards.

As concerns non-equity incentive plan compensation, the table below summarizes the aggregate amount of such compensation received by each named executive officer during the year ended December 31, 2022. For details with respect to the amounts set out in the “Non-equity incentive plan compensation” column below, please refer to the corresponding column of the “Summary compensation table” on [page 80](#) of this circular.

Name	Options Vested ⁽¹⁾	Option-based awards			Value Vested during the Year ⁽²⁾	Non-equity incentive plan compensation
		Exercise Price	Vesting Date	Market (closing) Price of Shares on Date of Vesting		Value Earned during the Year ⁽³⁾
Michael Rousseau	5,861	\$25.39	March 1, 2022	\$22.87	\$0.00	\$2,275,000
	11,889	\$33.11	March 11, 2022	\$20.49	\$0.00	
	14,124	\$32.42	March 11, 2022	\$20.49	\$0.00	
	11,782	\$26.59	April 2, 2022	\$23.84	\$0.00	
	2,166	\$22.53	July 27, 2022	\$17.00	\$0.00	
	35,665	\$33.11	Dec 31, 2022	\$19.39	\$0.00	
Amos Kazzaz	4,543	\$25.39	March 1, 2022	\$22.87	\$0.00	\$654,500
	2,730	\$33.11	March 11, 2022	\$20.49	\$0.00	
	3,178	\$32.42	March 11, 2021	\$20.49	\$0.00	
	2,643	\$26.59	April 2, 2022	\$23.84	\$0.00	
	8,189	\$33.11	Dec 31, 2022	\$19.39	\$0.00	
Lucie Guillemette	5,568	\$25.39	March 1, 2022	\$22.87	\$0.00	\$624,800
	7,006	\$33.11	March 11, 2022	\$20.49	\$0.00	
	10,240	\$32.42	March 11, 2022	\$20.49	\$0.00	
	5,381	\$26.59	April 2, 2022	\$23.84	\$0.00	
	21,017	\$33.11	Dec 31, 2022	\$19.39	\$0.00	
Craig Landry	5,744	\$25.39	March 1, 2022	\$22.87	\$0.00	\$624,800
	4,852	\$33.11	March 11, 2022	\$20.49	\$0.00	
	8,651	\$32.42	March 11, 2022	\$20.49	\$0.00	
	2,832	\$26.59	April 2, 2022	\$23.84	\$0.00	
	14,557	\$33.11	Dec 31, 2022	\$19.39	\$0.00	
Arielle Meloul-Wechsler	6,447	\$25.39	March 1, 2022	\$22.87	\$0.00	\$472,500
	2,729	\$33.11	March 11, 2022	\$20.49	\$0.00	
	5,509	\$32.42	March 11, 2022	\$20.49	\$0.00	
	2,643	\$26.59	April 2, 2021	\$23.84	\$0.00	
	8,189	\$33.11	Dec 31, 2022	\$19.39	\$0.00	

(1) In accordance with the decision made by the HRCPC in 2021 and disclosed in our 2022 proxy circular, the 2020 year was excluded from the determination of the performance vesting level for the 2019 performance-based stock option grants. However, in exchange for such exclusion, a portion equal to 1/4 of the in-flight performance-based options for these years was cancelled for no value.

(2) Calculated as the difference between the market (closing) price of the shares on the date of vesting and the exercise price of the options.

(3) Represents amounts paid as an annual incentive plan bonus in respect of the year 2022 and corresponds to the amounts disclosed in the Summary Compensation Table on [page 80](#) of this circular under the heading “Non-equity incentive plan compensation — Annual incentive plans.”

The performance share units of the named executive officers that vested in 2022 are detailed in the table below and further described in the “2022 LTIP vesting and grants” on [page 75](#) of this circular.

Name	Performance Share Units Vested ⁽¹⁾	Share-based awards		Value vested during the Year ⁽³⁾
		Vesting Date	Fair Market Value of Shares on Date of Vesting ⁽²⁾	
Michael Rousseau	15,646	December 31, 2022	\$22.45	\$401,428
Amos Kazzaz	3,520	December 31, 2022	\$22.45	\$90,316
Lucie Guillemette	11,344	December 31, 2022	\$22.45	\$291,042
Craig Landry	9,583	December 31, 2022	\$22.45	\$245,872
Arielle Meloul-Wechsler	6,974	December 31, 2022	\$22.45	\$156,566

(1) In accordance with the decision made by the HRCPC in 2021 and disclosed in our 2022 proxy circular, the 2020 year was excluded from the determination of the performance vesting level for the 2020 PSU awards. However, in exchange for such exclusion, a portion equal to 1/3 of the in-flight PSUs for these years was cancelled for no value.

(2) Vesting remains subject to final confirmation by the Board.

(3) The vesting of the performance share units was in the form of cash and/or vested as DSUs.

The restricted share units of the named executive officers that vested in 2022 are disclosed in the table below.

Name	Restricted Share Units Vested	Share-based awards		Value vested during the Year ⁽¹⁾
		Vesting Date	Fair Market Value of Shares on Date of Vesting	
Michael Rousseau	14,094	March 11, 2022	\$20.70	\$291,746
Amos Kazzaz	3,236	March 11, 2022	\$20.70	\$66,985
	8,638	June 1, 2022	\$21.85	\$188,740
Lucie Guillemette	8,306 ⁽²⁾	March 11, 2022	\$20.70	\$171,934
Craig Landry	5,753 ⁽³⁾	March 11, 2022	\$20.70	\$119,087
Arielle Meloul-Wechsler	3,236 ⁽⁴⁾	March 11, 2022	\$20.70	\$66,985
	5,787	September 1, 2022	\$18.19	\$105,266

(1) The vesting of the restricted share units was in the form of cash or shares or DSUs.

(2) RSUs were vested in DSUs.

(3) RSUs were vested in DSUs.

(4) 809 of the 3,236 RSUs were vested in DSUs.

Retirement plan benefits

Air Canada provides some executives with a non-contributory, defined benefit registered pension plan (the Defined Benefit Pension Plan). In addition, Air Canada also provides the same executives with a funded, non-contributory defined benefit supplemental arrangement (SERP) that provides benefits in excess of the limit imposed by the Income Tax Act.

Benefits under the Defined Benefit Pension Plan and SERP are calculated by multiplying (i) 2% of the average annual salary (excluding bonuses, honoraria and special allowances) during the executive's highest paid 36 successive months of company service less an amount equal to 0.25% times the Canada / Québec pension plan's average annual yearly maximum pensionable earnings during the same 36-month period used to determine the executive's average annual salary, by (ii) the executive's years of service (maximum 35 years).

An executive is eligible to retire early (before age 65) with an unreduced pension if the following three conditions are met: (i) the executive is at least 55 years old, (ii) the executive has at least 80 points (combination of age and years of qualifying service) and (iii) the executive has obtained the consent of Air Canada as administrator of the pension plan.

The following table provides information on the Defined Benefit pension entitlements of each named executive officer calculated as of December 31, 2022.

Name	Number of years of credited service ⁽¹⁾	Annual benefits payable		Accrued obligation at start of year ⁽⁴⁾	Compensatory Change ⁽⁵⁾	Non-Compensatory Change ⁽⁶⁾	Accrued obligation at year end ⁽⁷⁾
		At year end ⁽²⁾	Latest of age 65 and year end ⁽³⁾				
Michael Rousseau	25.2500	\$516,900	\$520,300	\$7,794,400	\$1,000,100	\$(1,389,100)	\$7,405,400
Amos Kazzaz	12.6667	\$115,200	\$115,200	\$1,562,200	\$249,600	\$(255,400)	\$1,556,400
Lucie Guillemette	35.0000	\$362,300	\$362,300	\$6,195,500	\$14,800	\$(1,485,500)	\$4,724,800
Craig Landry	21.5000	\$213,500	\$347,600	\$4,139,900	\$207,600	\$(1,200,500)	\$3,147,000
Arielle Meloul-Wechsler	17.0833	\$145,900	\$226,300	\$2,796,600	\$76,000	\$(705,300)	\$2,167,300

- (1) This column reflects the number of years of credited service for each named executive officer as of the year ended December 31, 2022, including, as the case may be, any additional pensionable service credited pursuant to the named executive officer's individual employment agreement. Two of the above named executive officers have been or will be credited with additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated, namely:
- A. Mr. Rousseau has been credited with an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau has also been credited with an additional 5 years of service in 2018 when he reached age 60. He also became entitled to an unreduced pension (with guaranteed consent) upon attainment of age 60.
- B. Mr. Landry will be credited with an additional 3 years of pensionable service on March 1, 2026. For the following four years, he will also be granted with an additional year of service on February 28th of each year, without exceeding 35 years of pensionable service. The pension benefits payable from Air Canada will be offset by a portion of the pension benefits he has earned at Aeroplan (for the employer-provided portion only).
- (2) Annual unreduced pension benefits are based on the average annual salary during the named executive officer's highest paid 36 successive months of company service and the credited service as of December 31, 2022. The payment of such unreduced pension benefit cannot commence earlier than the named executive officer's unreduced early retirement date.
- (3) Projected annual pension benefits that would be payable to the named executive officer at the latest of age 65 and year end, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2022 and his credited service being projected to the latest of age 65 and year end (subject to a maximum of 35 years).
- (4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2021 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.5% per annum (plus merit scales), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 3.20%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2021 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service under individual employment agreements entered into prior to 2021, is spread equally over the named executive officer's projected career with Air Canada, regardless of when the credited service is granted, except such projected career is limited to 35 years of pensionable service.
- (5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have a retroactive impact. The service cost was calculated using the same assumptions that were used for 2021 year-end financial statement reporting purposes, including a discount rate of 3.37%. The amounts disclosed with respect to changes in salary reflect 2022 year-end assumptions.
- (6) The non-compensatory change in the accrued obligation for the Corporation's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year.
- (7) The accrued obligation at the end of the Corporation's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2022 and is based on 2022 year-end assumptions, assuming a going-concern basis. The 2022 assumptions used for determining the accrued obligation are the same as those used for 2022 year-end financial statement reporting purposes. In particular, a discount rate of 5.28% was used, which reflects corporate AA bond yields at the end of the year and future earnings projections at the rate of 2.75% per annum (plus merit scales).

Defined contribution pension plans ⁽¹⁾

Name	Number of years of service	Accumulated value at start of year	Compensatory Change ⁽²⁾	Non-Compensatory Change ⁽²⁾	Accumulated value at year end
Arielle Meloul-Wechsler	8.0833	\$263,300	0	\$(25,300)	\$238,000

- (1) From August 1, 2005 to August 31, 2013, Ms. Meloul-Wechsler participated in the defined contribution component of the Air Canada pension plan – Management and ATS employees. Between 2005 and 2008, she contributed 3% of her base salary, with a 100% matching contribution by Air Canada. Between 2009 and 2013, she contributed 6% of her base salary, with a 100% matching contribution by Air Canada, up to the defined contribution maximum under the Income Tax Act (Canada).
- (2) Compensatory change shows the amount contributed to Ms. Meloul-Wechsler in 2022 by Air Canada, whereas non-compensatory change shows the amount of income tax paid and any investment earnings.

Termination of employment and change of control benefits

Air Canada has entered into employment and change of control agreements with each named executive officer. The agreements provide that in the event of termination without cause, or involuntary termination (as defined in the agreements) of the respective executive's employment within the 24-month period following the occurrence of a Change of Control (as defined below), they will be entitled to receive a severance payment equal to 2 years of their then current annual base salary and annual bonus award at target, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or their re-employment with any other employer. In the case of Mr. Kazzaz, his agreement only provides for such entitlements in the event of involuntary termination of his employment within the 24-month period following the occurrence of a Change of Control. The payments and conditions are subject to their compliance during the severance period with non-competition provisions.

In January 2023, the Corporation announced the retirement of Lucie Guillemette, Executive Vice President and Chief Commercial Officer, effective May 1, 2023.

The table below shows the estimated incremental value that would become payable to each named executive officer as if the relevant event had occurred on the last business day of 2022:

Named Executive Officer	Cash Portion	Value of Exercisable / Vested Options and Share Units ⁽¹⁾⁽²⁾⁽³⁾	Other Benefits ⁽⁴⁾	Total Value
Michael Rousseau	\$5,850,000	\$1,486,194	\$125,376	\$7,461,570
Amos Kazzaz	\$2,035,000	\$461,660	\$68,685	\$2,565,345
Craig Landry	\$1,942,500	\$948,860	\$91,810	\$2,983,170
Arielle Meloul-Wechsler	\$1,575,000	\$602,728	\$90,278	\$2,268,006

(1) Immediate vesting of all unvested options and unvested share units (on a prorated basis in the case of share units) for Mr. Rousseau and Ms. Meloul-Wechsler. Immediate vesting of all unvested options and unvested share units (on a prorated basis in the case of share units) for involuntary termination of Mr. Kazzaz's employment within the 24-month period following the occurrence of a Change of Control.

(2) Mr. Landry's entitlement upon termination without cause specifies that his options and share units will vest in accordance with the terms and conditions of the LTIP applicable upon retirement. Immediate vesting of all unvested options and unvested share units (on a prorated basis in the case of share units) for involuntary termination of his employment within the 24-month period following the occurrence of a Change of Control.

(3) Based on the December 31, 2022 closing price of Air Canada's shares on the TSX (\$19.39).

(4) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period.

Under these agreements, a "Change of Control" is generally defined as follows: (i) any acquisition of beneficial ownership or control or direction of securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding; (ii) any acquisition of beneficial ownership or control or direction of securities carrying twenty-five (25%) percent or more of the votes attached to all voting securities then outstanding followed by a change in the composition of the Board such that, at any time within 2 years following thereafter, individuals who were members of the Board immediately prior to such event cease to constitute a majority of the Board; (iii) a change in a majority of the composition of the Board, at a single meeting of the shareholders except with the consent of the Board, as constituted immediately prior thereto; or (iv) any event as a result of which the beneficial ownership of the assets of Air Canada has decreased by an amount of forty (40%) percent or more, as shown on its more recent quarterly or annual consolidated balance sheet. Changes of control do not include transactions whereby the share capital, board of directors and executive are effectively unchanged.

Additionally, in the event of involuntary termination of the respective executive's employment within the 24-month period following the occurrence of a Change of Control, Mr. Rousseau, Mr. Landry and Ms. Meloul-Wechsler would be entitled to receive an additional 2 years of pensionable service, as shown in the following table:

Named Executive Officer	2-Year Pension Value
Michael Rousseau	\$50,000
Craig Landry	\$260,000
Arielle Meloul-Wechsler	\$270,000

Other important information

Directors' and officers' liability insurance

Air Canada maintains directors' and officers' liability insurance for the benefit of the directors and officers of Air Canada and its subsidiaries. The current policy is effective from October 1, 2022 to October 1, 2023 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

Indebtedness of directors and officers

As at March 21, 2023, none of the directors or executive officers of Air Canada nor any associate of such director or executive officer are indebted to Air Canada or any of its subsidiaries. Additionally, Air Canada has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

Mail service interruption

If there is a mail service interruption prior to the meeting, in order to return a completed proxy to TSX Trust Company you may return your completed form of proxy by facsimile at +1-416-595-9593, or by email at proxyvote@tmx.com. You may also deposit the completed form of proxy in person, in the envelope provided, at any of the following principal offices of TSX Trust Company:

Alberta

Telus Sky Building, 685 Centre Street SW
Suite 2110
Calgary, Alberta

Ontario

100 Adelaide St. West
Suite 301
Toronto, Ontario

British Columbia

650 West Georgia Street
Suite 2700
Vancouver, British Columbia

Québec

1190 Avenue des Canadiens-de-Montréal
Suite 1700
Montréal, Québec

Shareholder proposals for our 2024 annual meeting

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2024 annual shareholder meeting. You must send your proposal 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 between December 14, 2023 and February 11, 2024, inclusively.

How to request more information

Documents you can request

Financial information with respect to the Corporation is provided in its consolidated financial statements and Management's Discussion and Analysis of Results of Operations and Financial Condition (MD&A) for the year ended December 31, 2022. Shareholders may request the following documents without charge:

- consolidated financial statements for the year ended December 31, 2022, together with the auditors' report and related MD&A,
- any interim consolidated financial statements and related MD&A, and
- annual information form for the year ended December 31, 2022.

Please contact Shareholder Relations at +1-514-422-6644, by email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

These documents are also available on our website at www.aircanada.com and on SEDAR at www.sedar.com.

Receiving documents electronically

Shareholders may elect to receive corporate documents such as this circular and our annual report electronically. If you complete that election, you will be notified by e-mail when they are available on our website.

How to sign up

Registered shareholders	Non-registered shareholders	Employee shareholders
To sign up, go to the website www.tsxtrust.com/edelivery and follow the instructions.	To sign up, go to the website www.investordelivery.com and follow the instructions.	To sign up, go to the website www.computershare.com and follow the instructions.
You are a registered shareholder if your name appears on your share certificate. You are a non-registered shareholder if your bank, trust company, securities broker or other financial institution (your nominee) holds your shares for you. If you are uncertain whether you are a registered or non-registered shareholder, please contact TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or +1-416-682-3860 (other countries).		If you are uncertain whether you are holding shares under our employee share ownership plan or employee recognition share award plan, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or +1-514-982-8705 (other countries).

Caution regarding forward-looking information

Certain disclosures contained in this circular may include forward-looking statements within the meaning of applicable securities laws. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, are based on assumptions, are subject to important risks and uncertainties and 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 the factors identified in Section 18 of Air Canada's MD&A for the year ended December 31, 2022.

The forward-looking statements contained in this circular represent Air Canada's expectations as of the date of this circular 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.

Disponibilité en français

Ce rapport est publié dans les deux langues officielles du Canada. Pour en recevoir un exemplaire en français, veuillez communiquer avec les Relations avec les actionnaires.

Schedule "A" | Non-binding advisory resolution on executive compensation

"BE IT RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular provided in advance of the 2023 annual meeting of shareholders of Air Canada."

Schedule "B" | Ordinary resolution regarding renewal of the shareholder rights plan

"BE IT RESOLVED THAT:

1. The rights plan, as set forth in the shareholder rights plan agreement between Air Canada and TSX Trust Company adopted on March 21, 2023, be, and it is hereby, ratified; and
2. Any director or officer of Air Canada be, and each is hereby, authorized and directed, for and on behalf of Air Canada, to sign and execute all documents, to conclude any agreement and to do and perform all acts and things deemed necessary or advisable in order to give effect to this resolution, including compliance with all securities laws and regulations."

Schedule "C" | Summary of principal terms of the shareholder rights plan

This summary is qualified in its entirety by reference to the text of the shareholder rights plan agreement entered into on March 21, 2023, between Air Canada (the Corporation) and TSX Trust Company, as amended from time to time in accordance with its terms (the Rights Plan), a copy of which is available on SEDAR at www.sedar.com. The Rights Plan will come into force on the date immediately following the meeting or any adjournment or postponement thereof (the Effective Time), provided that the Rights Plan is ratified by the requisite majority of Independent Shareholders of Air Canada. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

The Corporation will issue one right (a Right) in respect of each Class B Voting Share (the Voting Shares) and Class A variable voting share (the Variable Voting Shares and, together with the Voting Shares, the Shares) outstanding at the close of business on the Business Day immediately preceding the Effective Time (the Record Time). The Corporation will issue Rights on the same basis for each Voting Share and Variable Voting Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

Rights Certificates and Transferability

Before the Separation Time, the Rights will be evidenced by the registered ownership of the Shares (whether or not evidenced by a certificate representing such Shares) and the Rights will not be transferable separate from the Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Shares.

Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Voting Shares or Variable Voting Shares, as the case may be, having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of \$100 (subject to certain anti-dilution adjustments). Effectively, this means that a shareholder of the Corporation, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Shares from treasury at half their Market Price after the Separation Time.

Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of 20% or more of the outstanding Voting Shares and Variable Voting Shares on a combined basis.

Definition of "Beneficial Ownership"

Under the Rights Plan, a person shall be deemed the "Beneficial Owner" of, and to have "Beneficial Ownership" of, and to "Beneficially Own":

1. any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity;
2. any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has or shares the right or obligation to acquire or become the owner at law or in equity upon the exercise of any Convertible Securities or pursuant to any agreement, arrangement or understanding, in each case if such right or obligation is exercisable immediately or within a period of 60 days thereafter; and
3. any securities which are subject to a lock-up or similar agreement to tender or deposit them into any Take-over Bid (as defined in the Rights Plan) made by such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person.

However, a person is not deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own" securities under the Rights Plan where:

1. such securities have been deposited or tendered pursuant to a Take-over Bid, unless those securities have been taken up or paid for;
2. by reason of the holders of such securities having agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-Up Agreement (as defined below);
3. such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or
4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of "Separation Time"

Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board of Directors:

1. the first date of public announcement of facts indicating that a person has become an Acquiring Person;
2. the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid or Competing Bid (as such terms are defined below)) or such later date as determined by the Board of Directors; and
3. the date on which a Permitted Bid or Competing Bid ceases to qualify as such; or
4. such later date as determined by the Board of Directors.

Definition of "Expiration Time"

The Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
2. the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2026 or, if the Independent Shareholders ratify the renewal of the Rights Plan at or prior to such annual meeting of shareholders, then on the close of business on the date immediately following the annual meeting of the shareholders of the Corporation to be held in 2029.

Definition of a "Flip-in Event"

A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights or whom are successors in title of Rights of the Acquiring Person will become null and void as a result of which the Acquiring Person's investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

Definition of "Permitted Bid"

A Permitted Bid is a Take-over Bid made by an Offeror (as defined in the Rights Plan) pursuant to a Take-over Bid circular that complies with the following conditions:

1. the Take-over Bid is made to all registered holders of Voting Shares and Variable Voting Shares (other than Shares held by the Offeror);
2. the Take-over Bid must contain the irrevocable and unqualified conditions that no Shares shall be taken up or paid for:
 - (a) prior to the close of business on a date which is not less than 105 days following the date of the bid, or such shorter minimum period as determined in accordance with section 2.28.2 or section 2.28.3 of National Instrument 62-104 – Take-Over Bids and Issuer Bids

(NI 62-104) for which a Take-over Bid (that is not exempt from any of the requirements of Division 5 (Bid Mechanics) of NI 62-104) must remain open for deposits of securities thereunder, in the applicable circumstances at such time, pursuant to NI 62-104; and

- (b) unless, at the close of business on the date Shares are first taken up or paid for under such bid, more than 50% of the then outstanding Voting Shares and Variable Voting Shares (on a combined basis) held by Independent Shareholders shall have been tendered or deposited pursuant to the bid and not withdrawn;
3. unless the Take-over Bid is withdrawn, Shares may be tendered or deposited at any time during the period which applies pursuant to the clause summarized in 2(a) above, and any Shares tendered or deposited pursuant to the take-over bid may be withdrawn until taken up and paid for; and
 4. if the condition summarized in 2(b) above is satisfied, the Offeror must make a public announcement of that fact and the Take-over Bid must be extended for a period of not less than ten days from the date of such public announcement.

Definition of "Competing Bid"

The Rights Plan allows a competing Permitted Bid (a Competing Bid) to be made while a Permitted Bid is in existence. A Competing Bid must satisfy all the requirements of a Permitted Bid other than the requirement that no Shares shall be taken up and paid for prior to the close of business on a date which is not less than 105 days following the date of the Permitted Bid. The Competing Bid shall also contain an irrevocable and unqualified condition that no Shares shall be taken up or paid for pursuant to the take-over bid prior to the close of business on the last day of the minimum initial deposit period that such take-over bid must remain open for deposits of securities thereunder pursuant to NI 62-104 after the date of the take-over bid constituting the Competing Bid.

Definition of "Permitted Lock-Up Agreement"

A Permitted Lock-Up Agreement is an agreement between a person making a Take-over Bid (the Lock-up Bid) and one or more holders (each a Locked-up Person) of Shares pursuant to which such Locked-up Persons agree to deposit or tender Shares to the Lock-up Bid and where the agreement:

1. permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Share that exceeds, or provides a value for each Share that is greater than, (i) the offering price or value represented by or proposed to be represented by the Lock-up Bid; or (ii) the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount not greater than 7% of the offering price or value that is represented by the Lock-up Bid; and

2. permits the Locked-up Person to withdraw Shares in order to tender or deposit such Shares to another Take-over Bid (or terminate the agreement in order to support another transaction) if the number of Shares to be purchased under such other Take-over Bid or transaction exceeds the number of Shares offered to be purchased under the Lock-up Bid by as much or more than a specified number of Shares not greater than 7% of the number of Shares offered to be purchased under the Lock-up Bid, at an offering price for each Share that is not less, or provides a value for each Share that is not less than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; and
3. provides for no “break-up” fees, “top-up” fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Shares pursuant thereto or withdraws Shares previously tendered thereto in order to tender such Shares to another Take-over Bid or support another transaction.

Fiduciary Duties of Directors

The Rights Plan will not detract from or lessen duties of the Board of Directors, including the duty to act honestly and in good faith with a view to the best interests of the Corporation. The Board will continue to have the duty and power to take such actions and make such recommendations to the Corporation's shareholders as are considered appropriate.

Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-in Event occurs at a redemption price of \$0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan. The Corporation shall not be obligated to make payment of the redemption price owed to a holder of Rights unless such holder is entitled to receive at least \$1.00 in respect of the Rights held by them in connection with the redemption of their Rights by the Corporation.

Waiver

Before a Flip-in Event occurs, the Board may waive the application of the “Flip-in” provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Voting Shares and Variable Voting Shares before the expiry of that first bid.

The Board may also waive the “Flip-in” provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Finally, the Board may waive the “Flip-in” provisions of the Rights Plan in respect of any Flip-in Event provided that the Acquiring Person has reduced its ownership or has entered into a contractual arrangement with the Corporation or other acceptable undertaking to do so such that at the time the waiver becomes effective such person is no longer an Acquiring Person.

Other waivers of the “Flip-in” provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

Term of the Rights Plan

The Rights Plan will be in effect until the close of business on the date immediately following the date of the Corporation's annual meeting of shareholders to be held in 2026, unless terminated earlier in accordance with the Rights Plan.

The Rights Plan shall be renewed immediately following the date of the Corporation's annual meeting of shareholders to be held in 2026 until the close of business on the date immediately following the annual meeting of the shareholders of the Corporation to be held in 2029, if the Independent Shareholders ratify the renewal of the Rights Plan at or prior to the annual meeting of shareholders of the Corporation to be held in 2026.

Amending Power

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation or regulations or rules thereunder, including the Air Canada Public Participation Act and the Canada Transportation Act, consent of shareholders (other than shareholders who do not qualify as Independent Shareholders pursuant to the terms of the Rights Plan) is required for amendments to the Rights Plan before the Separation Time and consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

Rights Agent

TSX Trust Company

Rightsholder not a Shareholder

Until a Right is exercised, the holder thereof as such will have no rights as a shareholder of the Corporation.

Schedule "D" | Charter of the Board of Directors

I. Purpose

This charter describes the role of the board of directors (the Board) of Air Canada (the Corporation), the powers and responsibilities of which are governed by the Corporation's articles and by-laws and applicable law and are not limited, expanded, or otherwise changed by the provisions hereof.

II. Role

The Board is responsible for the stewardship of Air Canada through the management of its business and affairs, and retains plenary decision-making authority, subject to delegation.

The Board works with management through oversight, review and counsel to establish the Corporation's fundamental policies and overall strategic direction, and to advance its business objectives and priorities.

Directors act in the best interests of Air Canada, with a view to creating sustainable long-term value for the Corporation and its investors, thereby benefiting stakeholders generally. In doing so, they draw on their business judgment and consider relevant factors, such as business risks and opportunities, and environmental, social and governance matters.

III. Responsibilities

The Board's general responsibilities include the following:

Strategic and business plans

- (a) annually review and approve management's strategic and business plans, including developing an in-depth knowledge of the relevant business functions, understanding and questioning the plans' assumptions, and forming an independent judgment as to the reasonableness of the plans;
- (b) monitor corporate performance against the strategic and business plans and budgets, including overseeing operating results to evaluate whether the business is being properly managed;
- (c) as part of the strategic planning process, evaluate and review public issues of significance that may affect the Corporation's business, operations, and stakeholders, including specific risks and opportunities relating to the Corporation's activities as well as broader social and environmental trends;

Chief Executive Officer and executive management

- (d) appoint the Corporation's Chief Executive Officer, satisfying itself that a succession plan is in place and developing their position description with the recommendation of the Governance and Nominating Committee;
- (e) review, through the Human Resources, Compensation and Pension Committee, the compensation of the Chief Executive Officer, including the integration of environmental, social and governance (ESG) matters in the Corporation's approach to compensation;

- (f) review, through the Human Resources, Compensation and Pension Committee, succession and contingency plans for executive management;
- (g) satisfy itself that members of management possess the ability required for their roles, are adequately trained, and overseen and motivated, and that planning for their succession is ongoing;
- (h) satisfy itself that the Chief Executive Officer and the other members of management have the attributes required for their roles and are able and motivated to promote a culture of integrity and accountability within the Corporation;

Corporate and Board governance

- (i) select a Chair of the Board;
- (j) satisfy itself that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;
- (k) satisfy itself with respect to the proper and efficient functioning of its Committees;
- (l) review with the Governance and Nominating Committee that the Board as a whole, the Committees of the Board, and the directors, are capable of carrying out and do carry out their roles effectively;
- (m) provide a source of advice and counsel to management;
- (n) select, upon the recommendation of the Governance and Nominating Committee, nominees for election as directors;
- (o) discuss and develop the Corporation's approach to corporate governance, with the involvement of the Governance and Nominating Committee;
- (p) through the Governance and Nominating Committee, regularly assess the effectiveness and contributions of the Board, its Committees, and directors, including the Chair in that capacity, and review this Charter to consider any changes to it that it may consider advisable;

Risks oversight, corporate policies, and controls

- (q) review and discuss the key enterprise risk exposures of the Corporation identified by management and the steps management has taken to monitor and mitigate those exposures, including:
 - (i) to satisfy itself through the Audit, Finance and Risk Committee that appropriate systems to identify and mitigate enterprise risks have been developed and implemented;
 - (ii) to oversee through the Audit, Finance and Risk Committee, the Human Resources, Compensation and Pension Committee, and the Safety, Health, Environment and Security Committee, the effectiveness of the management of those specific enterprise risks for which oversight responsibility has been delegated to them respectively;

- (r) review and approve major corporate policies developed by management;
- (s) with the assistance of the Audit, Finance and Risk Committee, oversee the Corporation's disclosure controls, policy and procedures as adopted or recommended by management, and oversee as required compliance therewith by directors, officers and other management personnel and employees;
- (t) with the assistance of the Audit, Finance and Risk Committee, monitor compliance with the Corporate Policy and Guidelines on Business Conduct (the Code of conduct);
- (u) oversee, through the Audit, Finance and Risk Committee, the Corporation's (i) internal controls, (ii) risks relating to information technology, systems, and security, including in relation to cybersecurity, and (iii) the development of environmental, social and governance disclosures, processes, and controls;

Sustainability Policies and Practices

- (v) oversee, through the Governance and Nominating Committee, the Corporation's overall activities, policies, and programs with respect to environmental, social and governance matters, including sustainability and diversity, equity and inclusion policies, and the evaluation of strategies, targets, and performance relating thereto;

Safety, Health, Environment and Security

- (w) oversee, through the Safety, Health, Environment and Security Committee, the Corporation's safety, health, environment and security policies and practices; and

Human resources, retirement plan policies and practices

- (x) oversee, through the Human Resources, Compensation and Pension Committee, the integration of ESG matters in the Corporation's human resources strategies and organizational culture;
- (y) in respect of the pension and retirement plans established by the Corporation, through the Human Resources, Compensation and Pension Committee, oversee their funding, governance and policies.

IV. Matters requiring prior Board approval

In addition to those matters which require Board approval under applicable law or the Corporation's by-laws or resolutions, the Board is responsible for approving the following:

- (a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;
- (b) strategic plans, business plans and capital expenditure budgets;
- (c) raising of debt or equity capital and other major financial activities;
- (d) hiring, compensation and succession for the Chief Executive Officer and other executives;
- (e) major organizational restructurings, including spin-offs;

- (f) material acquisitions and divestitures;
- (g) major corporate policies; and
- (h) in respect of the retirement plans:
 - (i) Plan Design: approve a policy on materiality of benefit changes which shall define materiality in the context of plan and benefit changes and assist in determining who is authorized to approve plan text amendments and other changes to the Corporation's retirement plans; provided that unless otherwise referred to the Board by the Human Resources, Compensation and Pension Committee, such Committee shall approve all decisions to initiate, merge, split, terminate, or otherwise fundamentally restructure any retirement plans, where the expected impact of such decisions on the Corporation is material, as defined in such materiality policy;
 - (ii) Governance: approve a governance structure for the retirement plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities;
 - (iii) Valuation and Funding: review the contributions to the pension funds of the defined benefit pension plans as approved or recommended by the Human Resources, Compensation and Pension Committee; and
 - (iv) Supplemental Executive Retirement Plans: (1) Initiation, Change and Termination – approve any decision to initiate, terminate, or otherwise fundamentally restructure any supplemental executive retirement plan, and (2) Funding and Contributions – (A) approve whether or not to fund or otherwise secure the liabilities of a supplemental executive retirement plan, how those liabilities should be funded or secured, and, if plan liabilities are to be funded, a funding policy which sets out guidelines with respect to the valuation and funding thereof, and (B) review the contributions to the plan's trust fund as approved or recommended by the Human Resources, Compensation and Pension Committee.

V. Board Committees

There are four standing Committees of the Board, namely the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources, Compensation and Pension Committee, and the Safety, Health, Environment and Security Committee, the roles and responsibilities of which are described in their respective charters. The Board may appoint other standing or ad hoc committees to assist it in its oversight functions or to exercise decision-making authority, or parts thereof, or amend the charters of existing committees, subject to applicable laws. A reference to a committee whose designation has changed is read as a reference to the redesignated committee.

The membership of each committee shall include sufficient independent directors as required under applicable laws, regulations, and listing rules, or any committee charter.

VI. General

This Charter and the manner in which the Board governs itself are supplemented by the Governance Code and Organizational Guidelines adopted by the Board.

Effective as of March 21, 2023.

At Air Canada, we believe that being accountable for the impact of our operations on the environment is one part of building sustainable, healthier communities. The adoption of notice-and-access to deliver this circular to our shareholders has resulted in significant cost savings and less impact on the environment.

This circular is printed on FSC® certified paper. The fibre used in the manufacture of the paper stock comes from well-managed forests and controlled sources.

