Notice of 2018 Annual Meeting of Shareholders and Management Proxy Circular

AIR CANADA

WHAT'S INSIDE

LETTER FROM THE CHAIRMAN AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 19, 2018

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Monday, April 30, 2018 at 10:30 a.m. (Eastern time), at the International Civil Aviation Organization (ICAO) Conference Centre, 999 Robert-Bourassa Boulevard, Montréal, Québec.

As a shareholder of Air Canada, you have the right to vote your shares on all items that come before the meeting. You can vote your shares either by proxy or in person at the meeting. This management proxy circular will provide you with information about these items and how to exercise your right to vote. It will also tell you about the director nominees, the proposed auditors, the compensation of directors and certain executives, our corporate governance practices and our approach to executive compensation.

During the meeting, we will present management's report for 2017 and discuss our corporate priorities for 2018. Once again in 2017, our 80th anniversary year, we have been able to achieve outstanding results in a number of key metrics, including the outperformance of our shares compared to our North American airline peers for the second consecutive year. This is testimony to the successful ongoing transformation of our airline towards long-term, sustainable profitability. We reported our fifth consecutive year of record EBITDAR and achieved records for operating revenue and free cash flow. Passenger revenue grew in each major market where we operate, signaling the effectiveness of our global franchise, and we carried a record 48 million customers. Moreover, for the last several years, we have been a North American industry leader in reducing adjusted CASM. As Air Canada's business strategy continues to evolve, its overall risk profile has also been significantly reduced. In addition, building on the positive momentum achieved in prior years, Air Canada established more ambitious key financial targets for the 2018-2020 period at its 2017 Investor Day.

Another key area of progress is our ongoing evolution in both customer service and corporate culture which has been recognized by a number of industry awards. This included being named Best Airline in North America by Skytrax and Best Long-Haul Airline in the Americas for 2018 by AirlineRatings.com, which also gave Air Canada its top Seven-Star rating for both safety and product. We remain the only Four-Star international network carrier in North America as rated by Skytrax. These and other honours, such as Mediacorp Canada's Top 100 Employers (for the fifth consecutive year) and One of Canada's Best Diversity Employers, as well as One of the 50 Most Engaged Workplaces in North America by Achievers, are the result of our focus on employee engagement, improving the customer experience and fostering a positive corporate culture.

We continue to make sustainability central to our decision-making and business processes. In early 2018, we were pleased to announce that our 2016 *Citizens of the World*, the airline's sixth corporate sustainability report, had been selected as the Best Sustainability Report in the Transportation category from The Finance and Sustainability Initiative. Air Canada was also named the 2018 Eco-Airline of the Year by Air Transport World in its 44th Annual Airline Industry Achievement Awards, recognizing Air Canada's environmental accomplishments.

Finally, on behalf of all shareholders, we would like to acknowledge the dedicated service and invaluable contribution of Joseph B. Leonard and Roy J. Romanow to the transformation at Air Canada. Joe retired from the Board of Directors in September 2017 after nearly a decade of service and Roy will retire this year after joining our Board in 2010. We wish our colleagues the very best in their retirement.

We look forward to seeing you at our annual shareholder meeting. If you are unable to attend the meeting in person, please complete and return a proxy by the date indicated on your form.

Sincerely,

Vagn Sørensen
Chairman

Calin Rovinescu
President and Chief Executive Officer

NOTICE OF 2018 ANNUAL SHAREHOLDER MEETING

When

Monday, April 30, 2018 at 10:30 a.m. (Eastern time)

Where

International Civil Aviation Organization (ICAO)
Conference Centre
999 Robert-Bourassa Boulevard
Montréal, Québec

Webcast

A live webcast of the meeting will be available on our website at www.aircanada.com.

Business of the 2018 Annual Shareholder Meeting

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

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2017, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
3. appointment of auditors;
4. consideration and the approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of the accompanying management proxy circular, in respect of Air Canada's approach to executive compensation; and
5. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

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 5, 2018.

Your vote is important.

As a shareholder of Air Canada, it is very important that you read this material carefully and vote your shares, either by proxy or in person at the meeting.

The following pages tell you more about how to exercise your right to vote your shares and provide additional information relating to the matters to be dealt with at the meeting.

By Order of the Board of Directors,

Carolyn M. Hadrovic
Vice President and Corporate Secretary

Montréal, Québec
March 19, 2018

MANAGEMENT PROXY CIRCULAR

In this management proxy circular ("**circular**"), *you* and *your* refer to the shareholder. *We*, *us*, *our*, *Air Canada* and the *Corporation* refer to Air Canada. Unless otherwise stated, all dollar amounts contained in this circular are expressed in Canadian dollars.

This circular is for our annual shareholder meeting to be held on April 30, 2018 (the "**meeting**"). As a shareholder of Air Canada, you have the right to vote your shares on the election of the directors, the appointment of the auditors, the non-binding advisory resolution on the Corporation's executive compensation practices and on any other items that may properly come before the meeting or any adjournment thereof.

To help you make an informed decision, please read this circular. This circular tells you about the meeting, the director nominees, the proposed auditors, our corporate governance practices, the compensation of directors and certain executives, the non-binding advisory resolution on the Corporation's executive compensation practices and other matters. The information in this document is current as at March 19, 2018, unless otherwise indicated. Financial information on Air Canada and its subsidiaries is provided in its consolidated financial statements and management's discussion and analysis for the year ended December 31, 2017.

Your proxy is solicited by or on behalf of the management of Air Canada for use at the meeting. In addition to solicitation by mail, our employees or agents may solicit proxies by other means. The cost of any such solicitation will be borne by the Corporation. The Corporation 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.

This year, as permitted by Canadian securities regulators, Air Canada is 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, substantially reduces our printing and mailing costs, and is more environmentally friendly as it reduces materials and energy consumption. You will still receive a form of proxy or a voting instruction form in the mail (unless you have chosen to receive proxy materials electronically) so you can vote your shares but, instead of automatically receiving a paper copy of this circular, you will receive a notice with information about how you can access the circular electronically and how to request a paper copy.

Air Canada has retained Kingsdale Advisors, as its shareholder advisor and proxy solicitation agent, to solicit proxies from shareholders and has agreed to pay a fee of $48,000 for proxy solicitation services plus additional fees for other services provided. If you have any questions regarding the voting procedures or completing your proxy form or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or collect call outside North America at 416-867-2272, or by email at contactus@kingsdaleadvisors.com.

APPROVAL OF THIS CIRCULAR

The board of directors of Air Canada (the "**Board of Directors**" or "**Board**") approved the contents of this circular and authorized it to be provided to each shareholder who is eligible to receive notice of, and vote his or her shares at, our annual shareholder meeting, as well as to each director and to the auditors.

Carolyn M. Hadrovic

Carolyn M. Hadrovic
Vice President and Corporate Secretary

Montréal, Québec
March 19, 2018

VOTING YOUR SHARES

YOUR VOTE IS IMPORTANT

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

VOTING

You can attend the meeting or you can appoint someone else to vote for you as your proxyholder. A shareholder entitled to vote at the meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. 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 persons who are named on the form of proxy or voting instruction form are directors or officers of the Corporation and will vote your shares for you. You have the right to appoint someone else to be your proxyholder. If you appoint someone else, he or she must attend the meeting to vote your shares.

How to vote – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact AST Trust Company (Canada) ("**AST**") at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

By proxy

By facsimile or by mail

Complete your form of proxy and return it by facsimile at 1-866-781-3111 (toll free in Canada and the United States) or 416-368-2502 (other countries), or return it in the business reply envelope we have provided or by delivering it to one of AST's principal offices in Montréal, Toronto, Calgary or Vancouver for receipt before 4:00 p.m. (Eastern time) on April 26, 2018. A list of addresses for the principal offices of AST is set forth on page 79 of this circular.

If you return your proxy by facsimile or mail, you can appoint a person other than the directors or officers named in the form of proxy as your proxyholder. This person does not have to be a shareholder. Fill in the name of the person you are appointing in the blank space provided on the form of proxy. Complete your voting instructions, and date and sign the form. Make sure that the person you appoint is aware that he or she has been appointed and attends the meeting.

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

In person at the meeting

You do not need to complete or return your form of proxy.

You will receive a shareholder card at the meeting upon registration at the registration desk for admittance to the meeting.

How to vote – non-registered shareholders

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 not sure whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

By proxy

Your nominee is required to ask for your voting instructions before the meeting. Please contact your nominee if you did not receive a request for voting instructions in this package.

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.

If you are submitting your proxy voting instructions via the Internet, you can appoint a person other than the directors or officers named on the voting instruction form 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 he or she has been appointed and attends the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on April 25, 2018.

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 April 25, 2018**.

In person at the meeting

You can vote your shares in person 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 and follow the instructions of your nominee.

How to vote – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada

Shares purchased by employees of Air Canada or its subsidiaries under the Employee Share Ownership Plan and shares received by employees of Air Canada or its subsidiaries under the Employee Recognition Share Award Plan (collectively, "**Employee Shares**") are registered in the name of Computershare Trust Company of Canada ("**Computershare**"), as administrative agent in accordance with the provisions of such plans unless the employees have withdrawn their shares from the plan.

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries).

In the event that an employee holds any shares other than Employee Shares, he or she must also complete a form of proxy or voting instruction form with respect to such additional shares in the manner indicated above for registered shareholders or non-registered shareholders, as applicable.

By proxy

A voting instruction form is enclosed with this circular which allows you to provide your voting instructions on the Internet or by mail.

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.

If you are submitting your proxy 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 he or she has been appointed and attends the meeting.

The cut-off time for voting over the Internet is 11:59 p.m. (Eastern time) on April 25, 2018.

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 April 25, 2018.**

In person at the meeting

You can vote your shares in person 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 election of the directors and the appointment of the auditors, and "For" or "Against" with respect to the approval of an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation. 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, Calin Rovinescu or Carolyn Hadrovic, who are directors and/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 who are named in this circular, FOR appointing PricewaterhouseCoopers LLP as auditors of the Corporation and FOR approving an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation.**

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

If you do not specify how you want your shares voted, the management proxy nominees named as proxyholders will vote your shares in favour of each item scheduled to come before the meeting and as he or she sees fit on any other matter that may properly come before the meeting.

You have the right to appoint someone other than the management proxy nominees to be your proxyholder. If you are appointing someone else to vote your shares for you at the meeting, fill in the name of the person voting for you in the blank space provided on the form of proxy. If you do not specify how you want your shares voted, your proxyholder will vote your shares as he or she sees fit on each item scheduled to come before the meeting and on any other matter that may properly come before the meeting.

A proxyholder has the same rights as the shareholder by whom it was appointed to speak at the meeting in respect of any matter, to vote by way of ballot at the meeting and, except where the proxyholder has conflicting instructions from more than one shareholder, to vote at the meeting in respect of any matter by way of any show of hands.

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

You must also complete the Declaration of Canadian Status contained in the form of proxy, voting instruction form or in the Internet voting instructions to inform the Corporation whether you are Canadian or not in order to enable Air Canada to comply with the requirements of the *Canada Transportation Act* that Air Canada be controlled in fact by Canadians and that at least 75% of its voting interests (or such lesser percentage as the Governor in Council may by regulation specify), be owned and controlled by Canadians. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting.

If you need assistance completing your form of proxy or voting instruction form, please contact Shareholder Relations at 514-422-6644 for service in English or in French.

CHANGING YOUR VOTE

In addition to revocation in any other manner permitted by law, a shareholder giving a proxy and submitting it by mail may revoke it by an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing and deposited either at the Montréal office of Air Canada's transfer agent, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, 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, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof. 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 and the approval of an advisory non-binding resolution on executive compensation will each be determined by a majority of votes cast at the meeting by proxy or in person. If there is a tie, the chairman of the meeting is not entitled to a second or casting vote. The Corporation's transfer agent, AST, counts and tabulates the votes.

For details concerning the Corporation's majority voting policy with respect to the election of its directors, please refer to the information under the heading "Election of Directors" at page 9 of this circular.

VOTING SHARES AND QUORUM

As of March 5, 2018, the record date for the meeting, there were 153,242,498 Class B voting shares and 119,950,577 Class A variable voting shares outstanding. Shareholders of record on March 5, 2018 are entitled to receive notice of and vote 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, AST, 2001 Robert-Bourassa Boulevard, Suite 1600, Montréal, Québec and at the meeting.

A quorum is present at the meeting if the holders of not less than 25% of the shares entitled to vote at the meeting are present in person or represented by proxy, irrespective of the number of persons actually at the meeting. If a quorum is present at the opening of the meeting, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the

meeting. If a quorum is not present at the opening of the meeting, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

If a body corporate or association is a shareholder of the Corporation, the Corporation shall recognize any individual authorized by a resolution of the directors or governing body of the body corporate or association to represent it at the meeting. An individual thus authorized may exercise on behalf of the body corporate or association all the powers it could exercise if it were an individual shareholder.

If two or more persons hold shares jointly, one of those holders present at the meeting may in the absence of the others vote the shares, but if two or more of those persons who are present, in person or by proxy, vote, they shall vote as one on the shares jointly held by them.

RESTRICTIONS ON VOTING SECURITIES

The *Air Canada Public Participation Act* requires the articles of the Corporation to contain provisions limiting ownership of the Corporation's voting interests by non-residents of Canada to a maximum of 25% or any higher percentage that the Governor in Council may by regulation specify. Also, the applicable provisions of the *Canada Transportation Act* require that national holders of domestic, scheduled international and non-scheduled international licences be Canadian. In the case of each licence holder, this requires that it be controlled in fact by Canadians and that at least 75% of its voting interests (or such lesser percentage as the Governor in Council may by regulation specify) be owned and controlled by Canadians. The articles of the Corporation contain restrictions to ensure that Air Canada remains Canadian under the *Canada Transportation Act*. The definition of the term "Canadian" under section 55(1) of the *Canada Transportation Act* may, currently, be summarized as follows:

(a) a Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);

(b) a government in Canada or an agent of such a government; or

(c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians.

Air Canada has two classes of shares: (i) Class B voting shares and (ii) 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. An issued and outstanding Class B voting share shall be converted into one Class A variable voting share, automatically and without any further act of Air Canada or the holder, 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. An issued and outstanding Class A variable voting share shall be converted into one Class B voting share, automatically and without any further act of Air Canada or the holder, 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.

Each Class A variable voting share confers the right to one vote unless: (i) the number of Class A variable voting shares outstanding, as a percentage of the total number of voting shares outstanding of Air Canada exceeds 25% (or any higher percentage that the Governor in Council may by regulation specify), or (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting exceeds 25% (or any higher

percentage that the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting. If either of the above noted thresholds would otherwise be surpassed at any time, the vote attached to each Class A variable voting share will decrease proportionately such that: (i) the Class A variable voting shares as a class do not carry more than 25% (or any higher percentage that the Governor in Council may by regulation specify) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Class A variable voting shares at any meeting do not exceed 25% (or any higher percentage that the Governor in Council may by regulation specify) of the votes that may be cast at such meeting.

In May 2017, the Minister of Transport tabled in the House of Commons Bill C-49, entitled *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts* (the "**Transportation Modernization Act**" or "**Bill C-49**"). Among other things, Bill C-49 proposes an increase in foreign ownership limits in Canadian airlines from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian airline. On February 8, 2018, the Transportation Modernization Act passed second reading in the Senate and was referred to the Standing Senate Committee on Transport and Communications. Management cannot predict the outcome or timing for the passage of Bill C-49.

The holders of Class A variable voting shares and Class B voting shares will vote together at the meeting and no separate meeting is being held for any such class of shares.

Shareholders who wish to vote at the meeting either by completing and delivering a proxy or a voting instruction form or by attending and voting at the meeting will be required to complete a Declaration of Canadian Status in order to enable Air Canada to comply with the restrictions imposed by its articles and the *Canada Transportation Act* on the ownership and voting of its voting securities. If you do not complete such declaration or if it is determined by Air Canada or its transfer agent that you incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, you will be deemed to be a non-Canadian for purposes of voting at the meeting. Such declaration is contained in the accompanying form of proxy or in the voting instruction form provided to you if you are a non-registered shareholder or an employee voting shares under the Employee Share Ownership Plan or the Employee Recognition Share Award Plan of Air Canada, as well as in the Internet voting instructions.

The Corporation has adopted various procedures and processes to ensure that the non-Canadian ownership restriction of voting shares is respected.

PRINCIPAL SHAREHOLDERS

On May 4, 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 was subject to shareholder approval of related amendments to Air Canada's shareholder rights plan which were approved at Air Canada's annual and special meeting of shareholders held on June 4, 2012. The Corporation's shareholders ratified the renewal of the shareholder rights plan for a period of three years at the annual and special shareholder meeting held on May 15, 2014.

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

As of March 19, 2018, to the knowledge of the officers or directors of the Corporation, the following 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.

Name of Shareholder	Number of Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)	% of Outstanding Class A Variable Voting Shares and Class B Voting Shares (on a Combined Basis)
Letko, Brosseau & Associates Inc.[1]	33,782,314 shares	12.4%

(1) Based on its most recent alternative monthly report which was filed on November 9, 2017.

BUSINESS OF THE MEETING

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

1. placement before shareholders of the consolidated financial statements of Air Canada for the year ended December 31, 2017, including the auditors' report thereon;
2. election of directors who will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed;
3. appointment of auditors;
4. consideration and the approval, in an advisory, non-binding capacity, of a resolution, a copy of which is reproduced at Schedule "A" of this circular, in respect of Air Canada's approach to executive compensation; and
5. consideration of such other business, if any, that may properly come before the meeting or any adjournment thereof.

As of the date of this circular, management is not aware of any changes to these items, and does not expect any other items to be brought forward at the meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

1. Placement of Air Canada's financial statements

The consolidated financial statements for the year ended December 31, 2017, including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com. Copies of such statements will also be available at the meeting.

2. Election of directors

Eleven directors are to be elected to the Board. Please see the section under the heading "The Nominated Directors" for more information. Directors elected at the meeting will serve until the end of the next annual shareholder meeting or until their successors are elected or appointed.

All of the individuals to be nominated as directors were previously elected to the Board by the shareholders of the Corporation, except for Rob Fyfe who was appointed to the Board on September 30, 2017 and Gary A. Doer who is a new nominee.

The Board has adopted a majority voting policy to the effect that if a director nominee in an uncontested election receives a greater number of votes "withheld" than votes "for", he or she must immediately tender his or her resignation to the Board. The Governance and Nominating Committee will consider the director's offer to resign and make a recommendation to the Board whether to accept it or not. The Board shall accept the resignation unless there are exceptional circumstances, and the resignation will be effective when accepted by the Board. The Board shall make its final determination within 90 days after the date of the shareholder meeting and promptly announce that decision (including, if applicable, the exceptional circumstances for rejecting the resignation) in a news release. A copy of the news release shall be provided to the TSX in accordance with their majority voting requirements. A director who tenders his or her resignation pursuant to the majority voting policy will not participate in any meeting of the Board or the Governance and Nominating Committee at which the resignation is considered. The majority voting policy does not apply to the election of directors at contested meetings; that is, where the number of directors nominated for election is greater than the number of seats available on the Board.

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.

3. Appointment of 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. PricewaterhouseCoopers LLP were first appointed as auditors of Air Canada on April 26, 1990. At the Corporation's annual meeting of shareholders held on May 5, 2017, Air Canada shares representing 93.04% of the votes at such meeting were voted in favour of the appointment of PricewaterhouseCoopers LLP as auditors of the Corporation, and Air Canada shares representing 6.96% of the votes at such meeting were voted to withhold their votes.

The auditors appointed at the meeting will serve until the end of the next annual shareholder meeting or until their successors are appointed.

Fees payable for the years ended December 31, 2017 and December 31, 2016 to PricewaterhouseCoopers LLP and its affiliates are $3,228,566 and $2,926,997 respectively, as detailed in the following table:

	Year ended December 31, 2017 ($)	**Year ended December 31, 2016 ($)**
Audit fees	1,950,000	1,852,876
Audit-related fees	684,171	650,101
Tax fees	346,365	162,490
All other fees	248,030	261,530
Total fees	3,228,566	2,926,997

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 filed by Air Canada on March 19, 2018 and which is available on SEDAR at www.sedar.com and on the Corporation's website at www.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.

4. Approval of the advisory resolution on executive compensation – Annual say-on-pay

The Board believes that shareholders should have the opportunity to fully understand the objectives and principles underlying executive compensation decisions made by the Board. At this year's meeting, the Corporation will present its annual non-binding advisory resolution on executive compensation as part of Air Canada's ongoing

process of shareholder engagement. At the 2017 annual shareholder meeting, shareholders expressed a high level of support (90.98%) for Air Canada's approach to executive compensation.

The Corporation is committed to providing shareholders with clear, comprehensive and transparent disclosure relating to executive compensation and to receive feedback from shareholders on this matter. In 2016, the Corporation began inviting major institutional shareholders to meet with the Chairman of the Board and the Chair of the Human Resources and Compensation Committee on an annual basis. This complements management's investor outreach program and allows directors to directly solicit and receive investors' views. The Human Resources and Compensation Committee reviewed the results of the 2017 say-on-pay vote, evaluated investor feedback and considered other factors used in assessing the Corporation's executive compensation policies and programs. These factors included the alignment of our executive compensation policies and programs with the long-term interests of our shareholders and the relationship between risk-taking and incentive compensation. After considering these factors, the Committee reaffirmed the elements of our executive compensation policies and programs.

The Corporation's executive compensation philosophy, policies and programs are intended to align the interests of our executive team with those of our shareholders. This compensation approach allows us to attract, motivate and retain executives who will be strongly incented to continue with the transformation of the Corporation to create value for our shareholders, in the future, on a sustainable basis. For further information concerning Air Canada's approach to executive compensation, please refer to the sections under the headings "Statement of Governance Practices – Compensation" and "Executive Compensation".

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 2018 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 and Compensation 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 in respect of Air Canada's approach to executive compensation.

5. Consideration of other business

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

THE NOMINATED DIRECTORS

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 has resolved to have 11 directors effective upon the election of the directors at the meeting. Directors are elected each year at the annual meeting of shareholders, except that the Board can appoint directors in certain circumstances between annual meetings. Directors elected at the meeting will hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed.

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. The tables below set out, among other things, the names of the proposed nominees for election as directors, together with their municipality of residence, the date they became directors (other than directors first nominated for election at this meeting), their principal occupation, other principal directorships, committee memberships, attendance record, total compensation received in their capacity as a director of Air Canada, independence, their areas of expertise and their voting results at the 2017 annual meeting of shareholders held on May 5, 2017. Also indicated is the number of securities beneficially owned, or over which control was exercised, directly or indirectly, as of March 19, 2018, the total market value of such securities and whether each director meets the Corporation's minimum share ownership requirements.

CHRISTIE J.B. CLARK
Toronto, Ontario, Canada
Age: 64

Director since June 27, 2013

Independent

Areas of Expertise:

Accounting
Finance
Risk Management
Human Resources

2017 Voting Results:

For: 98.33% Withheld: 1.67%

Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited, Hydro One Inc. and Hydro One Limited, and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2005.

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

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Audit, Finance and Risk Committee (Chair) Governance and Nominating Committee	9 of 9 5 of 5 5 of 5	19 of 19	100%	Loblaw Companies Limited Choice Properties Real Estate Investment Trust Hydro One Limited	October 2011 June 2013 August 2013

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	70,310 Class B voting shares(1) 13,999.95 Deferred share units	$2,342,974(2)	$2,342,974(3)	$525,000	Yes
March 24, 2017	70,310 Class B voting shares(1) 9,856.07 Deferred share units	$1.062,200(4)	$1,063,039(5)	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	200,000(6)
2016	203,750

(1) Mr. Clark holds his Air Canada shares indirectly through his spouse as permitted under the Corporation's share ownership requirements.
(2) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(3) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and the deferred share units.
(4) Class B voting shares are calculated at a market value of $13.25 per share (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(5) This amount represents the greater of: (i) the market value of the shares as at March 24, 2017 (described above), and (ii) the purchase price of the shares.
(6) For further details on director remuneration, see "Remuneration of Directors".

GARY A. DOER, O.M.
Winnipeg, Manitoba, Canada
Age: 69

First nomination for election as director of Air Canada

Independent

Areas of Expertise:

Global Business
Risk Management
Labour
Government Affairs & Public Policy

2017 Voting Results:

N/A

Gary A. Doer is a corporate director. Mr. Doer is a director of IGM Financial Inc., Great-West Lifeco Inc., Power Corporation of Canada and Power Financial Corporation[1]. He is also Senior Business Advisor to the law firm Dentons Canada LLP. Previously, Mr. Doer served as the Canadian ambassador to the United States from 2009 to 2016 and participated in the negotiations of the Canada-U.S. new border agreement and the Trans-Pacific Partnership tentative agreement. Mr. Doer also served as the 20th Premier of Manitoba from 1999 to 2009. He was elected a member of the Legislative Assembly of Manitoba in 1986 and during his tenure, he served as Minister of Urban Affairs and Minister of Crown Investments. From 1979 to 1986, Mr. Doer was the President of the Manitoba Government Employees' Association.

Mr. Doer is a Canadian member of the Trilateral Commission and serves as Co-Chair of the Wilson Centre's Canada Institute, a non-partisan public policy forum focused on Canada-U.S. relations. In 2010, he became a Member of the Order of Manitoba and, in 2011, he received a distinguished diplomatic service award from the World Affairs Council.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:[1]	
N/A	N/A	N/A	N/A	Great West Lifeco Inc. IGM Financial Inc. Power Corporation of Canada Power Financial Corporation	May 2016 May 2016 May 2016 May 2016

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements[2]
March 19, 2018	Nil	Nil	Nil	$525,000	N/A

Value of Total Compensation Received

Year	$
2017	N/A
2016	N/A

(1) Mr. Doer is also currently a director of Barrick Gold Corporation (since April 2016), but he will not be standing for re-election at its annual shareholder meeting to be held on April 24, 2018.
(2) Mr. Doer has until April 30, 2023 to meet Air Canada's share ownership requirements.

ROB FYFE
Auckland, New Zealand
Age: 56

Director since September 30, 2017

Independent

Areas of Expertise:

Global Business
Operational Experience
Human Resources & Compensation
Digital Transformation
Airline Industry

2017 Voting Results:

N/A

Rob Fyfe is a corporate director. Mr. Fyfe is Chair of Icebreaker Limited and a director of Michael Hill International Limited. He also serves as a director of Antarctica New Zealand, a government-sponsored scientific research program in Antarctica, and he is 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 twice 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.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Governance and Nominating Committee Human Resources and Compensation Committee	2 of 2 N/A N/A	2 of 2	100%	Michael Hill International Limited	June 2016

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements(1)
March 19, 2018	1,858.21 Deferred share units	$51,640(2)	$51,640(3)	$525,000	N/A

Value of Total Compensation Received

Year	$
2017	46,250(4)
2016	N/A

(1) Mr. Fyfe has until September 30, 2022 to meet Air Canada's share ownership requirements.
(2) Deferred share units are calculated at a market value of $27.79 per unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(3) This amount represents the greater of: (i) the market value of the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the deferred share units.
(4) For further details on director remuneration, see "Remuneration of Directors".

MICHAEL M. GREEN
Radnor, Pennsylvania, USA
Age: 59

Director since March 30, 2009

Independent

Areas of Expertise:

Global Business
Finance
Risk Management
Human Resources
Transportation

2017 Voting Results:

For: 97.85% Withheld: 2.15%

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/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:
Member of the Board Pension Committee (Chair) Human Resources and Compensation Committee	9 of 9 6 of 6 5 of 5	20 of 20	100%	None

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	105,714 Class B voting shares 24,683.52 Deferred share units	$3,623,741(1)	$3,623,741(2)	$525,000	Yes
March 24, 2017	108,214 Class B voting shares 20,539.64 Deferred share units	$1,705,983(3)	$1,707,192(4)	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	200,000(5)
2016	200,000

(1) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(2) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(3) Class B voting shares and deferred share units are calculated at a market value of $13.25 per share and unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(4) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(5) For further details on director remuneration, see "Remuneration of Directors".

JEAN MARC HUOT
Montréal, Québec, Canada
Age: 56

Director since May 8, 2009

Independent

Areas of Expertise:

Finance
Risk Management
Legal & Regulatory
Government Affairs & Public Policy

2017 Voting Results

For: 99.73% Withheld: 0.27%

Jean Marc Huot is a partner with the 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/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:
Member of the Board Pension Committee	9 of 9 6 of 6	15 of 15	100%	None

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	31,098 Class B voting shares 207,924.75 Deferred share units	$6,642,432(1)	$6,642,432(2)	$525,000	Yes
March 24, 2017	31,098 Class B voting shares 204,091.65 Deferred share units	$3,116,258(3)	$3,117,376(4)	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	185,000(5)
2016	185,000

(1) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(2) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(3) Class B voting shares and deferred share units are calculated at a market value of $13.25 per share and unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(4) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(5) For further details on director remuneration, see "Remuneration of Directors".

MADELEINE PAQUIN, C.M.
Montréal, Québec, Canada
Age: 55

Director since May 12, 2015

Independent

Areas of Expertise:

Global Business
Human Resources & Compensation
Government Affairs & Public Policy
Transportation
Labour

2017 Voting Results:

For: 95.64% Withheld: 4.36%

Madeleine Paquin is President and Chief Executive Officer and a director of Logistec Corporation, a North American marine and environmental services provider. She has held that position since 1996. Ms. Paquin is a member of the Marine Industry Forum and the Marine Transportation Advisory Council. Ms. Paquin currently holds directorship in the Maritime Employers Association and is also a director and Vice President of CargoM, the Logistics and Transportation Metropolitan Cluster of Montreal, 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 Montreal.

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.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Governance and Nominating Committee Human Resources and Compensation Committee	9 of 9 5 of 5 5 of 5	19 of 19	100%	Logistec Corporation	May 1987

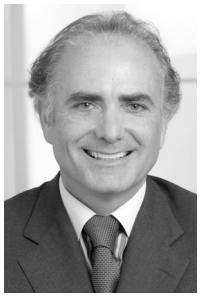
Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements(1)
March 19, 2018	6,500 Class B voting shares 31,621.11 Deferred share units	$1,059,386(2)	$1,059,386(3)	$525,000	Yes
March 24, 2017	24,433.95 Deferred share units	$323,750(4)	$326,200(5)	$525,000	N/A

Value of Total Compensation Received

Year	$
2017	185,000(6)
2016	188,750

(1) Ms. Paquin has until May 12, 2020 to meet Air Canada's share ownership requirements.
(2) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(3) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(4) Deferred share units are calculated at a market value of $13.25 per unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(5) This amount represents the greater of: (i) the market value of the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the deferred share units.
(6) For further details on director remuneration, see "Remuneration of Directors".



CALIN ROVINESCU
Montréal, Québec, Canada
Age: 62

Director since April 1, 2009

Not Independent

Areas of Expertise:

Global Business
Finance
Risk Management
Legal & Regulatory
Airline Industry

2017 Voting Results:

For: 99.78% Withheld: 0.22%

Calin Rovinescu has served as President and Chief Executive Officer of Air Canada since April 1, 2009. Mr. Rovinescu was the Executive Vice President, Corporate Development and Strategy of Air Canada from 2000 to 2004, and also held the position of Chief Restructuring Officer during the airline's 2003-2004 restructuring. From 2004 to 2009, Mr. Rovinescu was a Co-founder and Principal of Genuity Capital Markets, an independent investment bank. Prior to 2000, he was the Managing Partner of the law firm Stikeman Elliott LLP in Montréal, where he practiced corporate law for over 20 years and was a member of the firm's Partnership Board and Executive Committee.

Mr. Rovinescu was Chair of the Star Alliance Chief Executive Board from 2012 to 2016 and Chair of the International Air Transport Association in 2014-2015 and he continues to serve on its Board of Governors. He is also a member of the Board of Directors of BCE Inc. and of the Business Council of Canada.

Mr. Rovinescu holds Bachelor of law degrees from the Université de Montréal and the University of Ottawa and was awarded six Honorary Doctorates from universities in Canada, Europe and the United States. Mr. Rovinescu was named the 14th Chancellor of the University of Ottawa in November 2015. In 2016, Mr. Rovinescu was recognized as Canada's Outstanding CEO of the Year.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board	9 of 9	9 of 9	100%	BCE Inc.	April 2016

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	401,543 Class B voting shares(1) 76,148 Deferred share units 2,566,377 Options 196,472 Performance share units 246,266 Restricted share units	$79,865,558(2)	$19,473,648(3) (4)	5 times base salary ($7,000,000)	Yes
March 24, 2017	401,543 Class B voting shares(2) 3,837,460 Options 217,364 Performance share units 330,915 Restricted share units	$49,143,938(5)	$9,711,169(6)	5 times base salary ($7,000,000)	Yes

Value of Total Compensation Received as a Director

Year	$
2017	Nil(7)
2016	Nil

(1) 376,532 Class B voting shares are held by a family holding company controlled by Mr. Rovinescu.
(2) Class B voting shares are calculated at a market value of $27.79 per share (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares). Share units and options are calculated at a market value of $27.79 per share underlying the share units and in-the-money options (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares), less the applicable exercise price in the case of the options.
(3) This amount represents the sum of (a) the greater of: (i) the market value of the shares underlying the deferred share units and restricted share units as at March 19, 2018 (described above) and (ii) the price of the shares underlying the deferred share units and restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares as at March 19, 2018 (described above), and (ii) the purchase price of the shares. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.
(4) Mr. Rovinescu elected to receive an aggregate of 23,214 performance share units as deferred share units instead, as permitted under the Management Deferred Share Unit Plan. Such deferred share units are subject to performance-based vesting conditions and are therefore not included for purposes of the Corporation's minimum shareholding requirements.
(5) Class B voting shares are calculated at a market value of $13.25 per share (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares). Share units and options are calculated at a market value of $13.25 per share underlying the share units and in-the-money options (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares), less the applicable exercise price in the case of the options.
(6) This amount represents the sum of (a) the greater of: (i) the market value of the shares underlying the restricted share units as at March 24, 2017 (described above) and (ii) the price of the shares underlying the restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares as at March 24, 2017 (described above), and (ii) the purchase price of the shares. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements.
(7) Mr. Rovinescu is not remunerated as a director. See "Compensation of the President and Chief Executive Officer" on page 59 of this circular for details of his remuneration as President and Chief Executive Officer.

VAGN SØRENSEN
London, United Kingdom
Age: 58

Director since November 15, 2006 and Chairman since May 5, 2017

Independent

Areas of Expertise:

Global Business
Finance
Digital Transformation
Airline Industry
Transportation

2017 Voting Results:

For: 90.55% Withheld: 9.45%

Vagn Sørensen is a corporate director. Mr. Sørensen is Chairman of FLSmidth & Co. A/S and SSP Group plc, and serves as a director of Royal Caribbean Cruises Ltd[1]. He also represents the private equity fund EQT in some of their portfolio companies. Mr. Sørensen was previously President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System, including Deputy Chief Executive Officer.

Mr. Sørensen is the former Chairman of British Midland Ltd. and a former director of Lufthansa Cargo AG. He has also served as Chairman of the Association of European Airlines and a member of the Board of Governors of the International Air Transport Association (IATA).

Mr. Sørensen holds a Master of Science degree in Economics and Business Administration from Aarhus School of Business, University of Aarhus, Denmark.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:[1]	
Member of the Board Audit, Finance and Risk Committee Governance and Nominating Committee	9 of 9 5 of 5 5 of 5	19 of 19	100%	FLSmidth & Co. A/S Royal Caribbean Cruises Ltd. SSP Group plc	April 2009 July 2011 June 2014

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	19,300 Class A variable voting shares 129,520.55 Deferred share units	$4,135,723[2]	$4,135,723[3]	$875,000[4]	Yes
March 24, 2017	19,300 Class A variable voting shares 119,130.28 Deferred share units	$1,578,476[5]	$1,581,114[6]	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	339,485[7]
2016	200,000

(1) Mr. Sørensen is also currently Chairman of Scandic Hotels Group AB (and has served as a director since December 2015), but he will not be standing for re-election at its annual shareholder meeting to be held on April 26, 2018.
(2) Class A variable voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(3) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(4) The Chairman of the Board is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee.
(5) Class A variable voting shares and deferred share units are calculated at a market value of $13.25 per share and unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(6) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(7) For further details on director remuneration, see "Remuneration of Directors".

KATHLEEN TAYLOR, C.M.
Toronto, Ontario, Canada
Age: 60

Director since May 10, 2016

Independent

Areas of Expertise:

Global Business
Operational Experience
Finance
Human Resources & Compensation
Hotel Industry

2017 Voting Results:

For: 97.96% Withheld: 2.04%

Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada, Vice-Chair of the Adecco Group and a director of the Canada Pension Plan Investment Board. She is also Chair of the Board of the SickKids Foundation, a member of the Board of Trustees for the Hospital for Sick Children and a Co-Chair of the SickKids Capital Campaign. Ms. Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts where, over her 24-year career in a variety of senior leadership roles, she was instrumental in building the firm's global brand and its international portfolio of luxury properties.

Ms. Taylor is also a member of the C.D. Howe Institute's National Council and serves on the Dean's Advisory Council of the Schulich School of Business and on the Principal's International Advisory Board of McGill University. Ms. Taylor is a member of the Order of Canada and has received Honorary Doctorates of Laws from McGill University, York University and Trent University, and an Honorary Doctorate of Humane Letters from Mount Saint Vincent University.

Ms. Taylor holds a Masters of Business Administration from the Schulich School of Business, a law degree from Osgoode Hall Law School and a Bachelor of Arts (Honours) from the University of Toronto.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Audit, Finance and Risk Committee Governance and Nominating Committee Human Resources and Compensation Committee	9 of 9 5 of 5 5 of 5 3 of 3	22 of 22	100%	Royal Bank of Canada The Adecco Group	November 2001 April 2015

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements(1)
March 19, 2018	10,000 Class B voting shares 20,177.58 Deferred share units	$838,635(2)	$838,635(3)	$525,000	Yes
March 24, 2017	10,000 Class B voting shares 12,533.32 Deferred share units	$298,566(4)	$300,139(5)	$525,000	N/A

Value of Total Compensation Received

Year	$
2017	197,500(6)
2016	128,575

(1) Ms. Taylor has until May 10, 2021 to meet Air Canada's share ownership requirements.
(2) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(3) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(4) Class B voting shares and deferred share units are calculated at a market value of $13.25 per share (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(5) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(6) For further details on director remuneration, see "Remuneration of Directors".

ANNETTE VERSCHUREN, O.C.
Toronto, Ontario, Canada
Age: 61

Director since November 12, 2012

Independent

Areas of Expertise:

Global Business
Operational Experience
Risk Management
Government Affairs & Public Policy
Digital Transformation

2017 Voting Results:

For: 93.48% Withheld: 6.52%

Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc., an energy storage development company. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth from 19 to 179 Canadian stores and led its entry into China. Prior to joining The Home Depot, she was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco Ltd. and Executive Vice President of Canada Development Investment Corporation.

Ms. Verschuren is a director of Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc. She serves as Chancellor of Cape Breton University and is a board member of numerous non-profit organizations including the CAMH Foundation, the Rideau Hall Foundation and MaRS Discovery District. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility. At the request of the Federal Government, Ms. Verschuren sits on the NAFTA Advisory Council and the Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders.

Ms. Verschuren holds honorary doctorate degrees from six universities including St. Francis Xavier University where she also earned a Bachelor of Business Administration degree.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Governance and Nominating Committee (Chair) Audit, Finance and Risk Committee Human Resources and Compensation Committee	9 of 9 5 of 5 5 of 5 5 of 5	24 of 24	100%	Saputo Inc. Canadian Natural Resources Limited	August 2013 November 2014

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	63,093 Class B voting shares 42,029.37 Deferred share units	$2,921,341(1)	$2,921,341(2)	$525,000	Yes
March 24, 2017	63,093 Class B voting shares 37,885.48 Deferred share units	$1,337,960(3)	$1,339,160(4)	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	200,000(5)
2016	200,000

(1) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(2) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(3) Class B voting shares and deferred share units are calculated at a market value of $13.25 per share and unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(4) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(5) For further details on director remuneration, see "Remuneration of Directors".

MICHAEL M. WILSON
Bragg Creek, Alberta, Canada
Age: 66

Director from May 2008 to May 2009, and since October 1, 2014

Independent

Areas of Expertise:

Global Business
Operational Experience
Risk Management
Human Resources & Compensation

2017 Voting Results:

For: 98.53% Withheld: 1.47%

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

Mr. Wilson is Chair of Suncor Energy Inc. and a director of Celestica Inc.

Mr. Wilson holds a Bachelor of Science degree in Chemical Engineering from the University of Waterloo.

Board/Committee Memberships at the Date Hereof:	2017 Attendance	Attendance (Total):		Public Company Directorships:	
Member of the Board Human Resources and Compensation Committee (Chair) Audit, Finance and Risk Committee Pension Committee	9 of 9 5 of 5 5 of 5 6 of 6	25 of 25	100%	Celestica Inc. Suncor Energy Inc.	November 2011 February 2014

Securities Held or Controlled:

As at	Total Securities	Total Market Value of Securities	Value of Securities for the Purpose of Minimum Shareholding Requirements	Minimum Shareholding Requirements	Meets Requirements
March 19, 2018	57,468 Class B voting shares 53,979.15 Deferred share units	$3,097,116(1)	$3,097,116(2)	$525,000	Yes
March 24, 2017	57,468 Class B voting shares 43,452.15 Deferred share units	$1,337,192(3)	$1,340,169(4)	$525,000	Yes

Value of Total Compensation Received

Year	$
2017	202,500(5)
2016	196,429

(1) Class B voting shares and deferred share units are calculated at a market value of $27.79 per share and unit (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares).
(2) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 19, 2018 (described above), and (ii) the purchase price of the shares and deferred share units.
(3) Class B voting shares and deferred share units are calculated at a market value of $13.25 per share and unit (based on the March 24, 2017 Toronto Stock Exchange closing price of Air Canada shares).
(4) This amount represents the greater of: (i) the market value of the shares and the shares underlying the deferred share units as at March 24, 2017 (described above), and (ii) the purchase price of the shares and deferred share units.
(5) For further details on director remuneration, see "Remuneration of Directors".

TRUST ARRANGEMENT IN CONNECTION WITH PENSION MOUs

Air Canada maintains several defined benefit pension plans. In July 2009, the Government of Canada approved pension funding relief pursuant to the *Air Canada Pension Plan Funding Regulations, 2009* (the "**2009 Regulations**") which were since repealed. The 2009 Regulations were adopted in coordination 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 the Pension MOUs, on October 26, 2009, Air Canada issued, to a trust (the "**Trust**"), 17,647,059 Class B voting shares. The Trust provides that the net proceeds of any sales of such shares by the Trust are to be contributed to the pension plans. For so long as the Trust continues to hold at least 2% of Air Canada's issued and outstanding shares, the trustee will have the right to designate one nominee to the Board of Directors (who shall not be a member or officer of any of Air Canada's Canadian-based unions), subject to completion by Air Canada of its usual governance process for selection and confirmation of director nominees.

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 the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (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. This requires that directors be adequately and competitively compensated. Air Canada measures its director compensation practices against the market practices of large Canadian based companies including those in the S&P/TSX 60 Index.

Non-executive directors of Air Canada receive an annual Board retainer of $175,000. The Chairman of the Board receives an additional retainer of $220,000 for the year and the Chairs of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee, respectively, receive an additional retainer of $20,000, $20,000, $10,000 and $10,000 for the year. The members of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee, respectively, receive an additional retainer of $10,000, $10,000, $5,000 and $5,000 for the year. Transportation privileges are also provided to directors of Air Canada in line with airline industry practice.

The annual fees are payable in cash, deferred share units ("**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. Non-employee directors of Air Canada must receive a minimum of 40% of their annual Board retainer fee and Committee fees in DSUs or in shares of the Corporation.

The President and Chief Executive Officer of Air Canada receives no compensation as a director of Air Canada or of any of its subsidiaries (see the "Executive Compensation" section starting on page 42 of this circular for additional details on the remuneration of the President and Chief Executive Officer). All of the current directors of the Corporation's subsidiaries are also executive officers or members of senior management of Air Canada and receive no compensation as directors of any such subsidiary.

The following table shows the amounts earned by individual directors of Air Canada for the year ended December 31, 2017 in respect of memberships on the Board and its committees:

Name	Fees Earned			Share and option based awards ($)	Non-equity incentive plan ($)	Pension value ($)	All other Compensation ($)	Total ($)	Allocation of Total Fees		
	Board retainer ($)	Board Chair & Committee Chair retainer ($)	Committee member retainer ($)						In cash ($)	In DSUs ($)	In shares ($)
Christie J.B. Clark	175,000	20,000	5,000	Nil	Nil	Nil	Nil	200,000	120,000	80,000	Nil
Rob Fyfe(1)	43,750	Nil	2,500	Nil	Nil	Nil	Nil	46,250	21,875	24,375	Nil
Michael M. Green	175,000	20,000	5,000	Nil	Nil	Nil	Nil	200,000	120,000	80,000	Nil
Jean Marc Huot	175,000	Nil	10,000	Nil	Nil	Nil	Nil	185,000	111,000	74,000	Nil
Joseph B. Leonard(2)	131,250	Nil	11,250	Nil	Nil	Nil	Nil	142,500	85,500	57,000	Nil
Madeleine Paquin	175,000	Nil	10,000	Nil	Nil	Nil	Nil	185,000	46,248	138,752	Nil
David I. Richardson(3)	60,577	76,154	5,193	Nil	Nil	Nil	Nil	141,924	115,616	26,308	Nil
Roy J. Romanow	175,000	Nil	10,000	Nil	Nil	Nil	Nil	185,000	111,000	74,000	Nil
Calin Rovinescu(4)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Vagn Sørensen(5)	175,000	149,485	15,000	Nil	Nil	Nil	Nil	339,485	149,743	189,742	Nil
Kathleen Taylor	175,000	Nil	22,500	Nil	Nil	Nil	Nil	197,500	49,376	148,124	Nil
Annette Verschuren	175,000	10,000	15,000	Nil	Nil	Nil	Nil	200,000	120,000	80,000	Nil
Michael M. Wilson	175,000	5,000	22,500	Nil	Nil	Nil	Nil	202,500	Nil	202,500	Nil

(1) Mr. Fyfe was appointed to the Board on September 30, 2017.

(2) Mr. Leonard retired from the Board on September 30, 2017.

(3) Mr. Richardson served as Chairman of the Board and retired on May 5, 2017.

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

(5) Mr. Sørensen was appointed Chairman of the Board on May 5, 2017.

SHARE OWNERSHIP REQUIREMENTS FOR DIRECTORS

Under the Corporation's share ownership guidelines, non-executive directors are required to own a minimum of securities of Air Canada representing an amount equivalent in value to three times their annual Board retainer fee, through shares and/or DSUs, except in the case of the Chairman of the Board who is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee. The value of the securities is based on the greater of the market value of the shares and/or DSUs and the purchase price of the securities. Such ownership must have been achieved by August 6, 2016 or within five years of the date of the director's appointment, whichever occurs later.

Effective as of February 17, 2017, the President and Chief Executive Officer is required to own a minimum of securities of the Corporation representing an amount equivalent in value to five times the annual base salary of the President and Chief Executive Officer, through shares, DSUs and/or restricted share units (options and performance share units are not included in the calculation of the President and Chief Executive Officer's share ownership requirements). The value of the securities is based on the sum of: (a) the greater of: (i) the market value of the shares underlying the DSUs or restricted share units; and (ii) the price of the shares underlying the DSUs or restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares and (ii) the purchase price of the shares. Such ownership must be achieved by February 17, 2022.

Name	Number of Shares Owned	Number of DSUs or RSUs Owned	Total Value of Shares, DSUs and RSUs for Purposes of Guidelines(1)	Value of Shares, DSUs and RSUs Required to Meet Guidelines	Latest Date to Meet Share Ownership Requirements	Value Held as Multiple of Annual Retainer or Base Salary
Christie J.B. Clark	70,310(2)	13,999.95 DSUs	$2,342,974	$525,000	June 27, 2018	13.4 times
Rob Fyfe	Nil	1,858.21 DSUs	$51,640	$525,000	September 30, 2022	0.3 times
Michael M. Green	105,714	24,683.52 DSUs	$3,623,741	$525,000	August 6, 2016	20.7 times
Jean Marc Huot	31,098	207,924.75 DSUs	$6,642,432	$525,000	August 6, 2016	38.0 times
Madeleine Paquin	6,500	31,621.11 DSUs	$1,059,386	$525,000	May 12, 2020	6.1 times
Calin Rovinescu	401,543(3)	52,934 DSUs 246,266 RSUs	$19,473,648(4)	$7,000,000	February 17, 2022	13.9 times
Vagn Sørensen	19,300	129,520.55 DSUs	$4,135,723	$875,000(5)	May 5, 2022	23.6 times
Kathleen Taylor	10,000	20,177.58 DSUs	$838,635	$525,000	May 10, 2021	4.8 times
Annette Verschuren	63,093	42,029.37 DSUs	$2,921,341	$525,000	November 12, 2017	16.7 times
Michael M. Wilson	57,468	53,979.15 DSUs	$3,097,116	$525,000	October 1, 2019	17.7 times

(1) The amounts reported in this column, except as described below, represent the greater of: (i) the market value of the shares and/or DSUs (based on the March 19, 2018 Toronto Stock Exchange closing price of Air Canada shares ($27.79) and (ii) the purchase price of the securities.

(2) Mr. Clark holds his Air Canada shares indirectly through his spouse as permitted under the Corporation's share ownership guidelines.

(3) 376,532 Class B voting shares are held by a family holding company controlled by Mr. Rovinescu.

(4) This amount represents the sum of (a) the greater of: (i) the market value of the shares underlying the DSUs or restricted share units as at March 19, 2018 and (ii) the price of the shares underlying the DSUs or restricted share units at the time of grant; and (b) the greater of: (i) the market value of the shares as at March 19, 2018 described above, and (ii) the purchase price of the shares.

(5) Mr. Sørensen, who assumed the chairmanship of the Board on May 5, 2017, is subject to the 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 19, 2018.

STATEMENT OF GOVERNANCE PRACTICES

The Board and management believe that a strong, effective, independent board plays a crucial role in protecting the interests of stakeholders and maximizing the value they receive from their investment in the Corporation. The Board is committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs.

To comply with the applicable corporate governance standards and achieve those best practices, the Corporation has adopted a Corporate Policy and Guidelines on Business Conduct, as further described below in "Air Canada Code of Conduct". A copy of this document can be obtained on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com.

The Board has extensively reviewed the Corporation's governance practices and concludes that the Corporation complies with or exceeds the requirements of *National Instrument 58-101*, "Disclosure of Corporate Governance Practices". The Corporation regularly reviews its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

BOARD OF DIRECTORS

Director Independence

The Charter of the Board of Directors provides that the Board shall at all times be constituted of a majority of individuals who are independent. Based on the information received from each director nominee and having taken into account the independence criteria set forth below, the Board concluded that all director nominees standing for election to the Board, with the exception of the President and Chief Executive Officer of Air Canada, Calin Rovinescu, are independent.

Ten of 11 director nominees are independent.

Ten of the 11 director nominees standing for election to the Board, namely, Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Michael M. Green, Jean Marc Huot, Madeleine Paquin, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are "independent" in that each of them has no material relationship with the Corporation and, in the reasonable opinion of the Board, are independent under the laws, regulations and listing requirements to which the Corporation is subject. The Board determined that Calin Rovinescu is not independent because of his position held as an officer of Air Canada.

Directorships of Other Reporting Issuers

Director nominees Christie J.B. Clark, Gary A. Doer, Rob Fyfe, Madeleine Paquin, Calin Rovinescu, Vagn Sørensen, Kathleen Taylor, Annette Verschuren and Michael M. Wilson are currently directors of other public entities. Christie J.B. Clark is a director of Loblaw Companies Limited, Hydro One Limited and a trustee of Choice Properties Real Estate Investment Trust. Gary A. Doer is a director of Barrick Gold Corporation (only until its annual shareholder meeting on April 24, 2018), IGM Financial Inc., Great-West Lifeco Inc., Power Corporation of Canada and Power Financial Corporation. Rob Fyfe is a director of Michael Hill International Limited. Madeleine Paquin is a director of Logistec Corporation. Calin Rovinescu is a director of BCE Inc. Vagn Sørensen is Chair of FLSmidth & Co. A/S, Scandic Hotels Group AB (only until its annual shareholder meeting on April 26, 2018) and SSP Group plc, and a director of Royal Caribbean Cruises Ltd. Kathleen Taylor is Chair of the Royal Bank of Canada and Vice-Chair of The Adecco Group. Annette Verschuren is a director of Canadian Natural Resources Limited and Saputo Inc. Michael M. Wilson is Chair of Suncor Energy Inc. and a director of Celestica Inc.

Please see the section under the heading "The Nominated Directors" in this circular for additional information relating to each director nominee standing for election, including other company boards on which they serve.

Skills of Director Nominees

The skills matrix below lists the key areas of expertise and/or experience for each director nominee in areas that the Board considers important to Air Canada. The matrix presumes that each director nominee has experience in governance and strategy, and shares a commitment to corporate social responsibility.

	Global Business	Operational Experience	Finance & Accounting	Risk Management	Legal & Regulatory	Human Resources & Compensation	Labour	Government Affairs & Public Policy	Digital Transformation	Airline Industry Experience	Related Industries Experience(1)
Christie J.B. Clark			✓	✓		✓					
Gary A. Doer	✓			✓			✓	✓			
Rob Fyfe	✓	✓				✓			✓	✓	
Michael M. Green	✓		✓	✓		✓					✓
Jean Marc Huot			✓	✓	✓			✓			
Madeleine Paquin	✓					✓	✓	✓			✓
Calin Rovinescu	✓		✓	✓	✓					✓	
Vagn Sørensen	✓		✓						✓	✓	✓
Kathleen Taylor	✓	✓	✓			✓					✓
Annette Verschuren	✓	✓		✓				✓	✓		
Michael M. Wilson	✓	✓		✓		✓					

(1) Related industries include freight forwarders, logistics, cruise, hotel and distribution companies.

Chairman of the Board

The Chairman of the Board is appointed by resolution of the Board. The Chairman of the Board is Vagn Sørensen who is an independent director of Air Canada. The responsibilities of the Chairman of the Board are set out in a position description, which is described below under "Position Descriptions – Chairman 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 be comprised of 11 directors in the event all of the director nominees are elected. Please refer to the section under the heading "The Nominated Directors" in this circular for further details. 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 which sets out, among other things, its roles and responsibilities. The Charter of the Board of Directors can be found as Schedule "B" to this circular.

Independent Directors' Meetings

At every meeting, the independent directors of the Board meet without the presence of management (except the Vice-President and Corporate Secretary) and under the chairmanship of the Chairman of the Board. During the year ended December 31, 2017, *in-camera* sessions were held at each of the nine Board meetings, and the sole non-independent director, Calin Rovinescu, and management (except the Vice-President and Corporate Secretary) were not in attendance.

Board and Committee Meeting Attendance

The table below shows the record of attendance by directors at meetings of the Board and its committees during the 12-month period ended December 31, 2017.

Name	Board	Audit, Finance and Risk Committee	Pension Committee	Human Resources and Compensation Committee	Governance and Nominating Committee	Committees (Total)	Overall Attendance(1)
Christie J.B. Clark	9/9 (100%)	5/5 (Chair)	–	–	5/5	10/10 (100%)	19/19 (100%)
Rob Fyfe(2)	2/2 (100%)	–	–	–	–	–	2/2 (100%)
Michael M. Green	9/9 (100%)	–	6/6 (Chair)	5/5	–	11/11 (100%)	20/20 (100%)
Jean Marc Huot	9/9 (100%)	–	6/6	–	–	6/6 (100%)	15/15 (100%)
Madeleine Paquin	9/9 (100%)	–	–	5/5	5/5	10/10 (100%)	19/19 (100%)
Calin Rovinescu	9/9 (100%)	–	–	–	–	–	9/9 (100%)
Vagn Sørensen	9/9 (100%)	5/5	–	2/2	5/5	12/12 (100%)	21/21 (100%)
Kathleen Taylor	9/9 (100%)	5/5	3/3	3/3	5/5	16/16 (100%)	25/25 (100%)
Annette Verschuren	9/9 (100%)	5/5	–	5/5	5/5 (Chair)	15/15 (100%)	24/24 (100%)
Michael M. Wilson	9/9 (100%)	5/5	6/6	5/5 (Chair)	–	16/16 (100%)	25/25 (100%)

(1) David I. Richardson, who retired from the Board on May 5, 2017, attended 9 out of 9 (100%) Board and committee meetings held up to his retirement, Joseph B. Leonard, who retired on September 30, 2017, attended 16 out of 16 (100%) Board and committee meetings held up to his retirement, and Roy J. Romanow, who will retire on April 30, 2018, attended 14 out of 15 (93%) Board and committee meetings in 2017.

(2) Mr. Fyfe was appointed to the Board on September 30, 2017. He was appointed to the Governance and Nominating Committee and the Human Resources and Compensation Committee on October 24, 2017.

POSITION DESCRIPTIONS

President and Chief Executive Officer

The Board has adopted a position description for Calin Rovinescu, the President and Chief Executive Officer. As President and Chief Executive Officer ("**CEO**"), the CEO shall have full responsibility for the day-to-day operations of the Corporation's business in accordance with its strategic plan and operating and capital budgets as approved by the Board. The CEO is accountable to shareholders, through the Board, for the overall management of the Corporation, and for conformity with policies agreed upon by the Board. The approval of the Board (or appropriate committee) shall be required for all significant decisions outside of the ordinary course of the Corporation's business. More specifically, the primary responsibilities of the CEO include the following: (i) developing, for the Board's approval, a strategic direction and positioning to ensure the Corporation's success; (ii) ensuring that the day-to-day business affairs of the Corporation are appropriately managed by developing and implementing processes that will ensure the achievement of financial and operating goals and objectives; (iii) fostering a corporate culture that promotes customer focus and service; (iv) keeping the Board aware of the Corporation's performance and events affecting its business, including opportunities in the marketplace and adverse or positive developments; and (v) ensuring, in cooperation with the Board, that there is an effective succession plan in place for the CEO position.

Chairman of the Board

The Board has adopted a position description for the Chairman of the Board. The Chairman, Vagn Sørensen, chairs Board meetings and establishes procedures to govern the Board's work. More specifically, as Chairman of the Board, the primary responsibilities include the following: (i) adopting procedures to enable the Board to conduct its work effectively and efficiently, including committee structures and composition, scheduling, and management of meetings; (ii) developing the agenda for Board meetings, Board procedures and the composition of Board committees; (iii) providing the proper flow of information to the Board; (iv) being satisfied that the Board has access to such members of senior management as may be required by the Board; and (v) chairing every meeting of the Board and encouraging free and open discussion at meetings of the Board.

Chair of Each Standing Committee

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

Position descriptions have been adopted by the Board for the Chair of each of the Audit, Finance and Risk Committee, the Pension Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee. According to such position descriptions, the Chair of each committee shall, among other things: (i) be satisfied that the committee fulfills the objectives and responsibilities set out in its charter; (ii) be satisfied that enough time and attention is given to each aspect of the committee's responsibilities; (iii) be satisfied that members of the committee maintain the level of independence required by applicable legislation; (iv) review the annual assessment of the committee and take the appropriate measures to correct the weaknesses underlined by the assessment; (v) be satisfied that the other members of the committee understand the role and responsibilities of the committee; (vi) be satisfied that sufficient information is provided by management to enable the committee to exercise its duties; and (vii) carry out other duties as requested by the Board, depending on need and circumstances.

ORIENTATION AND CONTINUING EDUCATION

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management of the Corporation as well as with the CEO to improve their understanding of the Corporation's business. Each new director is also asked to review the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman and the Chair of each committee in order to fully grasp the role he or she is expected to play as a director and a committee member. Extensive documentation on the Corporation is also provided to enable the directors to better understand the Corporation and his or her role and responsibilities.

As part of its mandate, the Governance and Nominating Committee is also responsible for providing a continuous education program for directors of the Board. The continuous education program provides directors with opportunities to develop skills that are essential to their directorship at Air Canada and to ensure that they are up to date in their awareness of company and industry issues and their duties and responsibilities as directors. Extensive documentation and selected presentations are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. In the past year, the Board of Directors participated in sessions on particular aspects of the aviation business, global development and operations. The Board also participated in strategy sessions, receiving presentations from external consultants and management. Each session includes an element of general education as context for the discussions (e.g., the industry, competitors, trends and risks/opportunities). Directors also have complete access to management to understand and keep up-to-date with Air Canada's business and for any other purposes that may help them fulfill their responsibilities.

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 and short summaries of relevant information on material developments that could affect Air Canada's business. Furthermore, aircraft and airport facility tours are available for directors so they can enhance their understanding of the operational aspects of Air Canada's business.

The Corporation encourages the attendance by directors of conferences, seminars or courses relevant to their directorship at Air Canada. The Corporation reimburses directors for expenses incurred by attending such events.

The following table provides details on certain director training initiatives undertaken in 2017.

Director Continuing Education 2017		
Topic	**Presentation By**	**Directors Attending**
Recent trends in executive compensation	Independent Consultant	Human Resources and Compensation Committee, David I. Richardson, Calin Rovinescu
Exponential organizations	Technology Strategist	All directors
Managing cyber security risks Cyber security operations centre tour	Deloitte LLP	All directors
Digital strategy	Mark Nasr, Vice President, Loyalty and eCommerce	All directors
Revenue management systems	Lucie Guillemette, Executive Vice President and Chief Commercial Officer	All directors
Global airline alliances	John MacLeod, Vice President, Commercial Strategy	All directors
Tour operator industry	Craig Landry, Senior Vice President, Revenue Optimization and President, Air Canada Vacations	All directors

AIR CANADA CODE OF CONDUCT

The Corporation has adopted a Corporate Policy and Guidelines on Business Conduct (the "**Code**") which was last amended by the Board on August 11, 2015. The Code applies to all directors, officers and employees of Air Canada and its wholly-owned subsidiaries, to the extent that policies and guidelines have not been adopted separately by them. A copy of the Code can be obtained on SEDAR at www.sedar.com and on the Corporation's website at www.aircanada.com. The Code addresses, among other things, conflicts of interest, use of company assets, confidential information, fair dealing with other people and organizations, compliance with laws, rules and regulations, employment policies, computer, e-mail and internet policies, and reporting suspected non-compliance.

The Board, with the assistance of the Audit, Finance and Risk Committee, has the responsibility for monitoring compliance with the Code. The Code has been communicated or brought to the attention of all employees of Air Canada and its wholly-owned subsidiaries that have not adopted their own policies and guidelines. All new employees are required to complete an acknowledgment form whereby they confirm that they have read the Code and will follow its terms, and also undertake to promote the guidelines and principles of the Code and take all reasonable measures to ensure that the employees under their supervision fully comply with the Code. In addition, all directors of Air Canada and members of management are required to complete the acknowledgment form on an annual basis. The Code also includes a "whistle-blower policy" whereby employees can report violations of the Code including via an anonymous reporting telephone hotline and online system administered by

an independent third party. The Board has concluded that such measures are appropriate and sufficient. Since the adoption of the Code, Air Canada has not filed any material change report pertaining to any conduct of a director or executive officer that would constitute a departure from the Code.

The Code also provides that all employees, including executive officers, are required to disclose to the Corporation any and all business, commercial or financial interests or activities that may create a conflict of interest. As for directors, in addition to the relevant provisions of the *Canada Business Corporations Act*, the Charter of the Board provides that each director shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. The Charter of the Board also provides that a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

NOMINATION OF DIRECTORS

The Governance and Nominating Committee, composed entirely of independent directors, recommends to the Board criteria for the composition of the Board, annually assesses the overall composition of the Board by considering the competencies, skills and personal attributes the Board needs to fulfill its responsibilities, and identifies individuals qualified to become director nominees. In so doing, it invites suggestions from other directors and management, and uses the resources of organizations and seeks advice from experienced and independent search consultants, where necessary. The Chair of the Governance and Nominating Committee leads the process and the CEO is included with a number of directors in the interview process. The Corporation maintains an evergreen list of potential director candidates. The Governance and Nominating Committee regularly considers potential candidates even when the Board does not have an immediate vacancy.

Upon the recommendation of the Governance and Nominating Committee, the Board annually recommends the director nominees to shareholders, who may vote on each new director nominee at the annual shareholder meeting. The nominees identified in "The Nominated Directors" section of this circular were recommended to the Board by the Governance and Nominating Committee.

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 and the ability to satisfactorily represent the Corporation domestically and internationally. For more information concerning the skills possessed by the director nominees, please refer to the skills matrix contained under the heading "Board of Directors – Skills of Director Nominees".

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 reached between Air Canada and its Canadian-based unions, the whole as was further detailed at page 23 of this circular under the heading "Trust Arrangement in connection with Pension MOUs".

Other Considerations

Directors selected should be able to commit the requisite time for all of the Board's business. Board members are expected to possess the following characteristics and traits:

(a) demonstrate high ethical standards and integrity in their personal and professional dealings;

(b) act honestly and in good faith with a view to the best interest of the Corporation;

(c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as committee members;

(d) provide independent judgment on a broad range of issues;

(e) understand and challenge the key business plans and the strategic direction of the Corporation;

(f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each committee;

(g) make all reasonable efforts to attend all Board and committee meetings; and

(h) review the materials provided by management in advance of the Board and committee meetings.

Diversity Policy

Board of Directors: The Board is committed to maintaining high standards of corporate governance in all aspects of Air Canada's business and affairs, and recognizes the benefits of fostering greater diversity, both in the boardroom and within our workforce in Canada. 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 was confirmed in a written diversity policy adopted by the Board in February 2015.

The diversity policy states that candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board including gender. Accordingly, consideration of the number of women on the Board, along with consideration of whether other diverse attributes are sufficiently represented, is an important component in the search for and selection of candidates. When identifying potential candidates, the Governance and Nominating Committee will, in addition to its own search, strive to use resources of organizations advancing diversity in Canada or abroad, and seek advice from experienced and independent search consultants, where necessary.

In August 2014, the Board established as its target that women represent at least 25% of the directors of Air Canada by 2017 and this target was achieved in 2016 following the election of directors at the annual meeting of shareholders held on May 10, 2016. Currently, three out of 11 directors (28%) are women, and following the meeting and assuming all director nominees are elected, three out of 11 directors (28%) will be women. In October 2017, the Board established as its new target that women represent at least 30% of the directors of Air Canada by 2020.

The Governance and Nominating Committee will conduct periodic assessments to consider the level of women representation on the Board, and the Board members will also evaluate the effectiveness of the director selection and nomination process, including compliance with the diversity policy, through the Board's annual evaluation process.

Executive and Senior Management: The Corporation pursues a comprehensive diversity management strategy with the goal of ensuring an inclusive and diverse workplace based on respect where all employees can utilize their talents. This strategy includes a cross-functional employee task force with responsibility to champion diversity objectives throughout the Corporation, increased awareness on the importance of a diverse workforce in management training programs, and imbedded diversity considerations in the hiring process, promotions and employee development.

Air Canada has established as its target that women represent more than 30% of senior management by 2020. Currently, 66 out of 233 senior management positions (28%) are held by women, and five out of 25 executive officers (20%) are women. The talent and engagement team pays focused attention to diversity make-up in senior manager and emerging leader programs which are considered to be the conduit for future executives. This critical layer of management is developed and vetted at various levels and an equal representation of women and men

participate in all emerging leader programs. In addition, when recruiting externally, both the internal acquisition team and external search consultants are instructed to present a diverse mix of candidates to ensure the talent pipeline continues to be reinforced with appropriate representation.

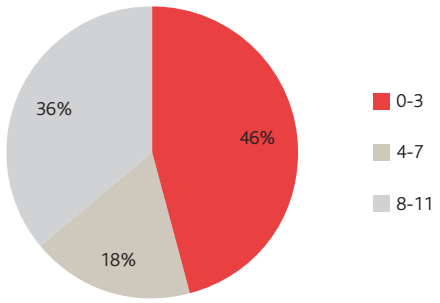
Moreover, to greater promote gender diversity, the Corporation is committed to provide mentoring, resource groups and development opportunities for women, to partner with organizations to attract women into male-dominated positions, to establish ambassadors for diversity, and to further propel its "Women in Aviation" conference series by introducing female managers to successful women in leadership positions at Air Canada and in the aviation industry.

MECHANISMS OF BOARD RENEWAL

The Board's goal is to be a balanced board comprised of members with diverse backgrounds, experience and tenure. In furtherance of that goal, the Board has implemented two primary mechanisms of Board renewal, namely, a retirement policy and an annual evaluation process, each of which are described below. The Board has not adopted term limits for directors, as the Board believes the retirement policy and the annual evaluation process are effective in achieving the appropriate level of renewal of the Board's membership.

Since 2012, six new directors have joined the Board and five directors have retired, in addition to Mr. Romanow who will retire on April 30, 2018 at the meeting. The average tenure of the director nominees standing for election to the Board is 5.14 years. The following chart shows the number of completed years of Board service of the director nominees:

Completed Years of Board Service



Retirement Policy

The retirement policy of the Board, as reflected in the Charter of the Board of Directors, is that no person shall be appointed or elected as a director of the Corporation if the person exceeds 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his or her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

Assessment of Directors

It is the role of the Chair of the Governance and Nominating Committee to assess, on an annual basis, the effectiveness of the Board and the effectiveness of the committees. For this purpose, the Chair of the Governance and Nominating Committee oversees the evaluation process described below.

Each year directors are asked to complete a detailed evaluation survey on the effectiveness of the Board and its committees, as well as the effectiveness of the Chairman of the Board and each Committee Chair. The survey provides for quantitative ratings in key areas and seeks subjective comment in each of those areas. The survey is administered by the Corporate Secretary and responses are reviewed by the Corporate Secretary and the Chair of

the Governance and Nominating Committee. 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 each Committee Chair to discuss the results of the survey on his or her effectiveness, and together with the President and Chief Executive Officer, provides feedback to the Chairman on his assessment.

Individual interviews with directors are also conducted by the Chairman to discuss the contribution of members of the Board.

COMPENSATION

The Human Resources and Compensation Committee is composed entirely of independent directors. Please see the section titled "Executive Compensation – Compensation Discussion and Analysis" for the process and criteria used to determine the compensation of the officers of Air Canada.

The Human Resources and Compensation Committee has the authority to retain and does retain, from time to time, the services of executive compensation consultants to provide advice on executive compensation matters. The Human Resources and Compensation Committee also has the authority to determine and pay the fees of its consultants.

In 2017, Willis Towers Watson was engaged by the Human Resources and Compensation Committee to review executive compensation practices relative to its advisory shareholder assessments. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to the Corporation. The executive compensation consulting services provided by Willis Towers Watson include:

- A review of Air Canada's executive compensation practices and program design;
- Updates on ongoing and emerging trends in executive compensation and governance best practices;
- Perspective on appropriate total compensation mix and levels, based on competitive practice and Air Canada's performance; and
- Review of materials in advance of committee meetings; identification of discussion points and issues for the committee's consideration when evaluating compensation design proposals.

The Human Resources and Compensation Committee's decisions with regard to compensation or the compensation programs for the President and Chief Executive Officer and other executive officers of the Corporation are its sole responsibility and may reflect factors and information other than information and recommendations provided by Willis Towers Watson. Willis Towers Watson was first engaged by Air Canada in 1980.

The following table details the aggregate fees incurred on behalf of the Human Resources and Compensation Committee in consideration of the services provided by Willis Towers Watson.

Type of Fee	Billed in 2017	Percentage of Total Fees Billed in 2017	Billed in 2016	Percentage of Total Fees Billed in 2016
Executive-Compensation-Related Fees	$80,311	100%	$69,813	100%
All Other Fees	Nil	0%	Nil	0%
Total Annual Fees	$80,311	100%	$69,813	100%

EXECUTIVE SUCCESSION PLANNING

The Board formally reviews and discusses executive succession planning with the President and Chief Executive Officer. More particularly, the Board reviews the succession plan status for all executive officers and assesses whether there is a readiness to fill potential vacancies, identifies the qualified individuals to fill such vacancies on both an immediate and longer-term basis and determines whether there are any gaps in readiness, as well as how the executive succession planning process 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 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 through informal meetings throughout the year, which allows Board members to get to know members of the management team who are potential future leaders of the Corporation.

COMMITTEES

The Board has four standing committees:

- the Audit, Finance and Risk Committee;
- the Pension Committee;
- the Governance and Nominating Committee; and
- the Human Resources and Compensation Committee

All committees of the Board are composed of independent directors. The roles and responsibilities of each committee are set out in formal written charters. These charters are reviewed annually to ensure that they reflect best practices as well as applicable regulatory requirements.

This section contains information about the members, objectives and responsibilities of each committee.

AUDIT, FINANCE AND RISK COMMITTEE

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

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

The objectives of the Audit, Finance and Risk Committee include the following:

- To assist the Board in the discharge of its responsibility to monitor the component parts of the Corporation's financial reporting and audit process.
- To maintain and enhance the quality, credibility and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls.
- To assist the Board in its oversight of the independence, qualifications and appointment of the external auditor.
- To monitor the performance of the internal financial and accounting controls and of the internal and external auditors.
- To provide independent communication between the Board and the internal auditor and the external auditor.
- To facilitate in-depth and candid discussions between the Audit, Finance and Risk Committee and management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

- To assist the Board in the discharge of its oversight responsibility in relation to the Corporation's enterprise risk management process.

The Audit, Finance and Risk Committee's responsibilities include the following:

- Monitor and review the quality and integrity of the Corporation's accounting and financial reporting process through discussions with management, the external auditor and the internal auditor.
- Determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related Management's Discussion and Analysis, and the financial disclosure in any such annual information forms, earnings press releases, prospectuses and other similar documents.
- Review with management, the external auditor and legal counsel, the Corporation's procedures to be satisfied that it complies with applicable laws and regulations.
- Meet with the Corporation's external auditor to review and approve their audit plan.
- Review and approve estimated audit and audit-related fees and expenses.
- Review and approve the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of work.
- Review a report from the external auditor that describes any relationship between the external auditor and the Corporation and states that in the external auditor's professional judgment it is independent of the Corporation.
- Evaluate the performance of the external auditor.
- Review and approve the mandate, reporting relationships and resources of the internal audit department to ensure that it is independent of management and has sufficient resources to carry out its mandate.
- Review significant emerging accounting and reporting issues.
- Establish policies and procedures for the receipt, retention and treatment of complaints received by the Corporation from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal accounting controls and internal or external auditing matters.
- Review and approve the Corporation's public disclosure policy.
- Review with the internal audit department and management all key enterprise risk exposures and the steps management has taken to monitor/control and mitigate those exposures.
- Review with management regular reports with respect to the Corporation's system of disclosure controls and procedures and internal controls over financial reporting.
- Monitor contingent liabilities of the Corporation and its subsidiaries.
- Periodically review any administrative resolutions adopted pursuant to the Corporation's by-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations.
- Review and approve the corporate donations policy and the annual corporate donations budget.
- Monitor the Corporation's performance compared to budget for both its annual operating and capital plans.

The Audit, Finance and Risk Committee met five times during the period from January 1, 2017 to December 31, 2017.

The Audit, Finance and Risk Committee is currently composed of:

Members: Christie J.B. Clark (Chair)
Vagn Sørensen
Kathleen Taylor
Annette Verschuren
Michael M. Wilson

PENSION COMMITTEE

The Pension Committee shall be composed of three or more directors as determined by the Board. The primary objective of the Pension Committee is to assist the Board in fulfilling its responsibilities for the monitoring and oversight of the Corporation's retirement plans to ensure that pension liabilities are appropriately funded as required, pension assets are prudently invested, the risk is managed at an acceptable level for the stakeholders, and retirement benefits are administered in a proper and effective manner.

The Pension Committee's responsibilities include the following, subject to certain exceptions that apply to retirement plans in the United Kingdom and other foreign countries, the Air Canada Rouge™® pension plan for flight attendants and supplemental executive retirement plans:

- Unless otherwise referred to the Board by the Pension Committee, approve all decisions to initiate, merge, split, terminate and/or otherwise fundamentally restructure any of the Corporation's retirement plans where the expected impact of such decisions on the Corporation is material, as defined in a policy on materiality of benefits changes approved by the Board.
- Approve, in concept, changes to plan provisions that affect the cost of retirement benefits in a material way.
- Recommend a governance structure for the retirement plans.
- Review the process, upon recommendation from the Chief Financial Officer, for appointing or hiring the President of Air Canada Pension Investments.
- Approve the appointment of the actuary for the pension plans.
- Approve the major actuarial assumptions for the valuation of the liabilities of the defined benefit pension plans.
- Approve on an annual basis the manner of funding of consent benefits, as provided under certain plan provisions, and determine on at least a quarterly basis to grant or deny consent benefits to members.
- Approve the contributions to the pension funds of the defined benefit pension plans, subject to actuarial valuation reports.
- Establish a statement of investment principles and beliefs with respect to managing the investments for defined benefit and capital accumulation plans.
- Approve the long-term asset mix policy for the defined benefit pension plans.
- Approve the broad nature of the investment program for the capital accumulation plans.
- Recommend a funding policy which sets out guidelines with respect to the valuation and funding of the liabilities of any supplemental executive retirement plan.

- Approve any contributions to a supplemental executive retirement plan within the guidelines of the funding policy, subject to review by the Board.

The Pension Committee met six times during the period from January 1, 2017 to December 31, 2017.

The Pension Committee is currently composed of:

Members: Michael M. Green (Chair)
Jean Marc Huot
Roy J. Romanow
Michael M. Wilson

GOVERNANCE AND NOMINATING COMMITTEE

The Governance and Nominating Committee shall be composed of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable legislation). The primary objective of the Governance and Nominating Committee is to assist the Board in fulfilling its responsibilities by being satisfied that corporate governance guidelines are adopted, disclosed and applied including director qualification standards, director responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, and annual performance evaluation of the Board, and by identifying individuals qualified to become new Board members and recommending to the Board the nominees for each annual meeting of shareholders of the Corporation.

The Governance and Nominating Committee's responsibilities include the following:

- Review criteria regarding the composition of the Board and the committees of the Board.
- Review criteria relating to director tenure such as retirement age.
- Assess the effectiveness of the Board as a whole and its committees.
- Review the adequacy and form of director compensation in the context of the responsibilities and risks involved in being an effective director and make recommendations to the Board.
- Review and develop position descriptions for the Chairman, the Committee Chairs and the President and CEO.
- Recommend the types, charters and composition of the Board committees.
- Recommend the nominees to the chairmanship of the Board committees.
- Be satisfied that appropriate structures and procedures are in place so that the Board can function independently of management.
- Put in place an orientation and continuing education program for new and existing directors on the Board.
- Review and recommend any proposed amendments to the Corporation's by-laws.
- Review and recommend the Corporate Policy and Guidelines on Business Conduct and any amendments thereto.
- Review and recommend the annual corporate sustainability report and company policy relating to the Corporation's commitment to corporate social responsibility and any amendments thereto.
- Approve proposed outside directorships extended to officers of the Corporation.

- Assist the Board in determining what competencies and skills the Board, as a whole, should possess and what competencies and skills each existing director possesses.
- Assist the Board in determining the appropriate size of the Board, with a view to facilitating effective decision-making.
- Develop and review criteria regarding personal qualification for Board membership, such as background, experience, technical skill, affiliations and personal characteristics, and develop a process for identifying candidates.
- Review the Board diversity policy annually and make recommendations to the Board.
- Identify individuals qualified to become new Board members and recommend the nominees for each annual meeting of shareholders.
- Recommend candidates to fill vacancies on the Board occurring between annual meetings of shareholders.

The Governance and Nominating Committee met five times during the period from January 1, 2017 to December 31, 2017.

The Governance and Nominating Committee is currently composed of:

Members: Annette Verschuren (Chair)
Christie J.B. Clark
Rob Fyfe
Madeleine Paquin
Vagn Sørensen
Kathleen Taylor

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee shall be composed of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in the field of human resources and compensation including compensation of officers and compensation philosophy.

The responsibilities of the Human Resources and Compensation Committee include the following:

- Develop compensation philosophy and guidelines.
- Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO. The Chairman of the Board and the Chair of the Committee shall evaluate the CEO's performance in light of those goals, objectives and business performance measures, and based on this evaluation, the Committee shall make recommendations to the Board with respect to the CEO's compensation.
- Make recommendations to the Board with respect to other senior officers' (including chief executive officers of subsidiaries) compensation, incentive compensation and equity-based plans.
- Review and make recommendations to the Board with respect to incentive compensation plans and equity-based plans and any amendments thereto.
- Review and approve, on behalf of the Board, salary ranges for all positions including executive management.

- Generally oversee the administration of the long-term incentive plan of the Corporation.
- Review executive compensation disclosure before public dissemination, including the review of the annual report of executive management compensation for inclusion in the Corporation's management proxy circular, in accordance with applicable rules and regulations.

The Human Resources and Compensation Committee met five times during the period from January 1, 2017 to December 31, 2017.

The Human Resources and Compensation Committee is currently composed of:

Members: Michael M. Wilson (Chair)
Rob Fyfe
Michael M. Green
Madeleine Paquin
Kathleen Taylor
Annette Verschuren

EXECUTIVE COMPENSATION

INTRODUCTION

A key focus of the Board's approach to Air Canada's executive compensation program is to provide clear disclosure. In this report, you will find the:

- **Report of the Human Resources and Compensation Committee** on pages 43 to 46 discussing the Committee's composition, responsibilities, 2017 activities, risk oversight and our 2017 corporate performance and the Board's decisions about executive compensation.

More specifics on the Corporation's executive compensation program are provided in:

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

COMPOSITION AND RESPONSIBILITIES

A key role of the Human Resources and Compensation Committee ("**HRCC**") is to assist the Board in fulfilling its oversight responsibilities in human resources and compensation, including compensation of executives and compensation philosophy. In keeping with best practices, the HRCC is composed entirely of independent directors who are knowledgeable about human resources and compensation issues, associated incentives and risk management. Through their experience, the members of the HRCC acquired direct knowledge related to the management of executive compensation, making day-to-day decisions concerning executive pay and designing short and long-term incentive plans with objectives tied to sustained shareholder value creation. To assist in executing its responsibilities, an independent compensation advisor is hired by the HRCC from time-to-time (as further described on page 34 of this circular).

The table below sets out the members of the HRCC in 2017 and the basis of their experience.

Committee Member	Member Since	Direct Experience	Basis of Experience
Michael M. Wilson, Chair	October 17, 2014	Yes	Former President and CEO, Agrium Inc.; Former President, Methanex Corporation; Chair, Suncor Energy Inc., Director, Celestica Inc.
Rob Fyfe	October 24, 2017	Yes	Chair, Icebreaker; Director, Michael Hill International; Director, Antarctica New Zealand; Honorary Advisor, Asia New Zealand Foundation; Former CEO, Air New Zealand.
Michael M. Green	May 8, 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.
Madeleine Paquin	May 12, 2015	Yes	President and CEO and Director, Logistec Corporation; Member, Marine Industry Forum and Marine Transportation Advisory Council; Director, Maritime Employers Association; Director and Vice President, CargoM, the Logistics and Transportation Metropolitan Cluster of Montreal and Co-Chair of its Working Group I – L&T Development Opportunities; Former director, Canadian Pacific Railway Limited, Sun Life Financial Inc., Aéroports de Montréal.
Kathleen Taylor	May 5, 2017	Yes	Chair, Royal Bank of Canada; Vice-Chair, The Adecco Group; Director, Canada Pension Plan Investment Board; Chair, Board of the SickKids Foundation; Member, Board of the Trustees for the Hospital for Sick Children; Co-Chair, SickKids Capital Campaign; Former President and CEO, Four Seasons Hotels and Resorts; Member, Order of Canada.
Annette Verschuren	November 12, 2012	Yes	Chair and CEO, NRStor Inc.; Former President, The Home Depot Canada; Former President and co-owner, Michaels of Canada; Former Vice President, Corporate Development, Imasco Ltd.; Former Executive Vice President, Canada Development Investment Corporation; Director, Canadian Natural Resources Limited, Liberty Mutual Insurance Group and Saputo Inc.; Chancellor, Cape Breton University; Board member, CAMH Foundation, the Rideau Hall Foundation and MaRS Discovery District; Officer, Order of Canada; Member, NAFTA Advisory Council and the Canada-United States Council for Advancement of Women Entrepreneurs and Business Leaders.

2017 COMMITTEE ACTIVITIES

Each year, the HRCC reviews and evaluates the Corporation's overall executive compensation philosophy and programs, the comparator group used to benchmark executive compensation and executive compensation trends and issues. Activities of the HRCC over the course of 2017 included the following:

- Reviewed the President and Chief Executive Officer's performance, the recommendations for his performance related compensation, his objectives for the upcoming year and the terms of his overall compensation relative to market practices;
- Reviewed and approved performance-linked compensation of each executive, including base salary increases, short-term incentive awards and long-term incentive grants;
- Reviewed with the President and Chief Executive Officer the Corporation's executive, managing director and senior management resources and succession plans for each executive position;
- Reviewed with the President and Chief Executive Officer proposed key changes in management organization and personnel; and
- Reviewed and approved new compensation arrangements further to the promotions of the Senior Vice President, Revenue Optimization, Senior Vice President, People, Culture and Communications, Senior Vice President, Operations, Vice President, Safety, Vice President, Loyalty and eCommerce, Vice President, System Operations Control, Vice President, Product and the hiring of the Senior Vice-President and Chief Information Officer, Vice President, Commercial Strategy and Vice President, Cargo.

RISK OVERSIGHT

So as to continue to support the long-term viability of the Corporation, the HRCC ensures appropriate mitigation of compensation risk. The HRCC undertakes such responsibility by reviewing and approving the Corporation's compensation policies and practices, including applicable risk management policies and the design and oversight of our executive compensation programs.

The application of risk oversight presents itself in the following practices of the HRCC:

- Consideration of numerous factors when considering executive pay, including: Air Canada's strategy and priorities; Air Canada's compensation philosophy and objectives; the competitive market; achievement of the Corporation's financial and operational objectives; shareholder value creation; individual performance; advice from the independent advisor to the Committee and sound risk management practices;
- Using quantitative analysis and best practices in analyzing executive pay together with discretion, judgment and the prior compensation experience of the Committee members;
- Following a rigorous process when establishing and setting objectives for different pay-at-risk programs. For example, to receive an incentive at target, executives must meet objectives that are considered stretched and there is no payment allowed for participants before the end of the performance period;
- Reviewing annual operational and strategic business plans to set objectives for executives and establish pay-at-risk programs. Compensation policies and practices are designed to promote financial performance year-over-year and a stable growth in shareholder return by mitigating inappropriate behaviours and excessive risk-taking only aimed at a short-term increase of the share price. As such, payouts under both the short and long-term incentive plans are based on participants achieving objectives that are considered stretched, and the Board of Directors retains discretion in its award of amounts to be paid thereunder;

- Executive compensation clawback policy, further described under the heading "Our compensation programs - Executive Compensation Clawback". The executive compensation clawback policy addresses situations in which business activities are undertaken by executives that engaged in gross negligence, intentional misconduct or fraud that require the restatement of all or a portion of Air Canada's financial statements; and

- Policy and Guidelines on Business Conduct which prohibits directors and executives of Air Canada from purchasing financial instruments (including, without limitation, options, puts, calls, forward contracts, futures, swaps, collars or units of exchange traded funds) that are designed to hedge or offset a decrease in the market value of securities of Air Canada, that are beneficially owned, directly or indirectly, by such directors and executives, or in the value of any Air Canada equity-based compensation award (including, without limitation, stock options, restricted share units and performance share units, all as described under the heading "Our compensation programs").

The HRCC 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 LINKED TO 2017 CORPORATE PERFORMANCE

In 2017, the Corporation's Adjusted Net Income, before deducting the Annual Incentive Plan and Long-Term Incentive Plan accruals, was $1.240 billion (or $1.158 billion after deducting the Annual Incentive Plan and Long-Term Incentive Plan accruals and tax expense of $16 million affecting the fourth quarter and full year 2017 results). This exceeded the target for Adjusted Net Income, as approved by the Board in February 2017, by more than $51 million. The Corporation's 2017 EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent) was $2.921 billion, compared to a target of $2.769 billion (special items are excluded from all of Air Canada's reported EBITDAR calculations). The price of Air Canada's shares appreciated nearly 90 percent in 2017, outperforming all of its North American network carrier peers for a second consecutive year, the Dow Jones U.S Airlines Index and the S&P/TSX Composite Index.

In addition to the airline's financial success, in 2017, the Corporation served over 48 million passengers, a record and an increase of 7.3% from 2016 and expanded its global footprint with the launch of 30 new routes serving all six continents. At the same time, the Corporation continued to win numerous awards including being named Best Airline in North America while maintaining its Four-Star airline ranking by Skytrax, being recognized amongst Canada's Top 100 Employers, as one of Canada's Best Diversity Employers and 50 Most Engaged Workplaces in North America and as one of Canada's most valuable brands.

In 2017, the Corporation continued delivering on its four key corporate priorities, namely:

(i) Identifying and implementing cost reduction and revenue enhancing initiatives;

(ii) Pursuing profitable international growth opportunities and leveraging competitive attributes to appropriately expand margins, in large part by increasing connecting traffic through its strategic international gateways in Toronto, Vancouver and Montreal, and growing and competing effectively in the leisure market to and from Canada;

(iii) Engaging customers by continually enhancing their travel experience and providing a consistently high level of customer service, with additional emphasis on premium and business passengers and products; and

(iv) Fostering positive culture change through employee engagement programs. This includes meaningful investments in training and other tools that support delivering exceptional customer experiences and that also promote improved collaboration and an appreciation of how the airline and its talented employees can better work together in a supportive and enriching environment.

The Board of Directors approved, in accordance with the terms of the Annual Incentive Plan, awards to approximately 3,350 participants under the Annual Incentive Plan based on achievement of corporate, department and individual objectives. See "Short-term Incentives – Air Canada Annual Incentive" on pages 52 and 53 of this circular for additional details on the Annual Incentive Plan. In addition, the Board of Directors approved a profit sharing payout to all eligible employees of the Corporation.

EBITDAR, Adjusted CASM, Adjusted Net Income and return on invested capital are each non-GAAP financial measures. Such measures are provided here solely for the purpose of reporting on the targets relating to Air Canada's executive compensation program (in the case of EBITDAR and Adjusted Net Income) and comparing Air Canada's performance relative to airline peers and against key corporate financial metrics (in the case of Adjusted CASM and return on invested capital). Such measures are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for or superior to GAAP results. For information on Air Canada's EBITDAR, Adjusted CASM, Adjusted Net Income and return on invested capital, including a reconciliation to GAAP, please refer to the "Management's Discussion and Analysis" section of Air Canada's 2017 Annual Report.

COMPENSATION DISCUSSION AND ANALYSIS

OUR COMPENSATION PRACTICES

Air Canada's principal objective is to become one of the world's best global airlines. To do so, and to successfully overcome the economic, competitive and other challenges it faces, Air Canada requires a strong and capable executive team, underscoring the need for an executive compensation program that will attract, retain and motivate the key people necessary to achieve Air Canada's goals and enhance shareholder value.

The executive compensation program is reviewed annually to align it with the Corporation's business plan. Air Canada's executive compensation practices are designed to provide competitive total executive compensation consistent with market-based compensation practices to recruit, retain and motivate top talent. It is also designed to align the Corporation's business strategy, values and management interests with those of its shareholders. To achieve these objectives, the Corporation has established the following guiding principles as the target objectives for its executive compensation practices:

- Competitive base salaries in markets in which Air Canada competes for talent and skills;
- Incentive programs linked to Air Canada's annual and long-term financial performance to align executive and shareholders' interests; and
- Total compensation benchmarked to reward its Chief Executive Officer and other executives at the market median (50th percentile) of Air Canada's comparator group for positions with similar responsibilities and scope. However, in specific circumstances, total compensation may be set below or above this percentile (but no higher than the 75th percentile) depending on each executive's profile, experience and performance in his or her role.

THE COMPARATOR GROUP (BENCHMARK COMPANIES)

Compensation and performance under Air Canada's executive compensation program are benchmarked against a comparator group of companies. An annual comparative analysis of compensation practices is conducted by an independent third-party consulting firm and this analysis, for the current period, consisted of a comparator group of 25 companies comprised of:

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

Using a point factor system, the comparator group, detailed on the following page, was selected, and is validated annually, by the Board of Directors.

The table below describes the companies which have been identified in accordance with the above criteria and included in Air Canada's comparator group, as well as each organization's level of alignment to Air Canada's peer profile requirements in the list below. The comparator group for the President and Chief Executive Officer excludes the four financial institutions named below and indicated by an*.

Company	Relevant Criteria					
	Large Airline	Transportation Sector or Aviation Related	Revenues Exceeding $5 Billion	Extensive Customer Service	Highly Technological Environment	Large Asset Base
Agrium Inc.			✓			✓
American Airlines Group Inc.	✓		✓	✓	✓	✓
Bank of Montreal*			✓	✓	✓	
BCE Inc.			✓	✓	✓	✓
Bombardier Inc.		✓	✓		✓	✓
CAE Inc.		✓			✓	✓
Canadian National Railway Company		✓	✓			
Canadian Pacific Railway Limited		✓	✓			✓
Canadian Tire Corporation, Limited			✓	✓		✓
Celestica Inc.			✓		✓	
Delta Airlines Inc. / Northwest Airlines Corp.	✓		✓	✓	✓	✓
Domtar Corp.			✓			✓
Enbridge Inc.			✓			✓
EnCana Corp.			✓			✓
Rogers Communications Inc.			✓	✓	✓	✓
Royal Bank of Canada*			✓	✓	✓	
SNC-Lavalin Group Inc.			✓		✓	✓
Southwest Airlines Co.	✓		✓	✓	✓	✓
SunLife Financial Inc.*			✓	✓	✓	
Telus Corporation			✓	✓	✓	✓
Toronto-Dominion Bank*			✓	✓	✓	
Transat AT Inc.	✓			✓	✓	✓
TransCanada Corp.			✓		✓	✓
United Continental Holdings, Inc.	✓		✓	✓	✓	✓
WestJet Airlines Ltd.	✓			✓	✓	✓

Further to its annual validation, in the view of the HRCC 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 insurance benefits and executive pension plan are each in-line with remuneration practices of the above listed comparator group.

PERFORMANCE RELATIVE TO AIRLINE PEERS

For 2017, Air Canada's relative performance was assessed against six other large North American airline companies (the "**Performance Peer Group**") in order to provide additional context in determining the compensation of the CEO.

The table below shows how Air Canada ranks relative to the peer airline companies of the Performance Peer Group on key size and performance metrics.

Metric 2017	Air Canada	Performance Peer Group Median[1]	Air Canada Rank out of 7[2]
One-Year Total Shareholder Return[3]	89.32%	14.30%	1
Cash and Short Term Investments as a percentage of last 12 Months Revenue[4]	23.41%	11.03%	2
Year-over-Year Passenger Revenue Variance[4]	10.06%	3.79%	1
Year-over-Year Adjusted Cost per Available Seat Mile (CASM) Variance (excludes fuel expense, special/non-recurring items and other items as reported)	-3.00%	4.27%	1

(1) Performance Peer Group consists of: WestJet Airlines Ltd., Delta Air Lines Inc., United Continental Holdings Inc., American Airlines Group Inc., Southwest Airlines Co. and JetBlue Airways Corporation.

(2) Out of seven airline companies.

(3) One-year total shareholder return as at December 31, 2017 and is based on local currencies.

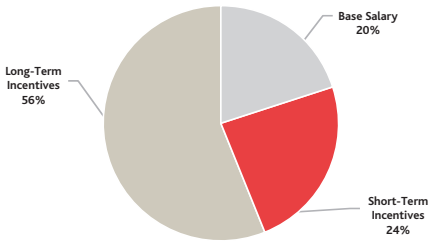
(4) For fiscal year 2017, based on information in public filings. Year-over-year variances are for fiscal year 2017 compared to fiscal year 2016.

OUR COMPENSATION PROGRAMS

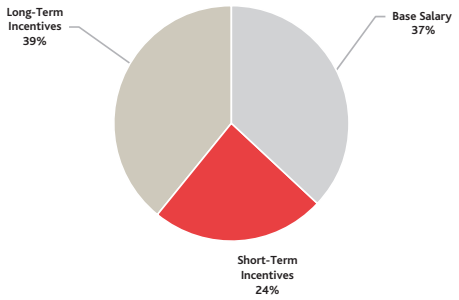
COMPONENTS OF EXECUTIVE COMPENSATION

The following charts set forth the relative weight of current compensation attributable to base salary, short-term incentive targets[1] and long-term incentive targets for Air Canada's (1) Chief Executive Officer, (3) Designated Executive Officers (which consists of Air Canada's President, Passenger Airlines; Chief Financial Officer; and Chief Commercial Officer); (7) Senior Vice Presidents and (14) Vice Presidents.

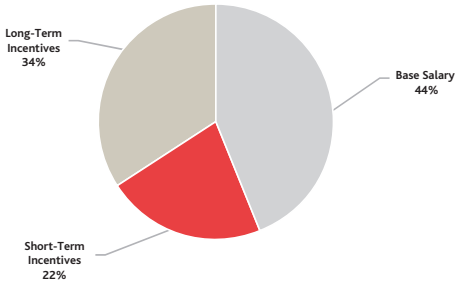
Compensation of Chief Executive Officer



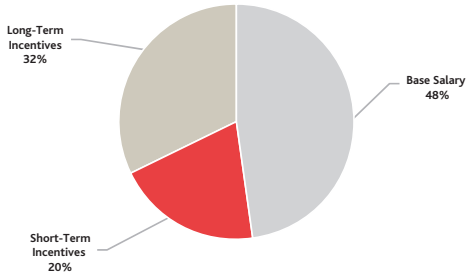
Compensation of Designated Executive Officers



Compensation of Senior Vice-Presidents



Compensation of Vice-Presidents



(1) The mid-point for each component of the Annual Incentive Plan having a target bonus range is used for the purposes of the charts.

The principal roles and inter-play of the components of Air Canada's executive compensation program are presented in the table below. The form of compensation provided, employees eligible for each element of compensation and the relevant performance period for each form of compensation is also set out.

Current Compensation	Form	Eligibility	Performance Period
Base Salary • Reflects skills, competencies and experience • Influences short-term incentive, long-term incentive, pension and benefits • Established by Air Canada's Board based on the executive's skills, competencies and experience	Cash	All salaried employees	Annual
Short-term Incentive – Annual Incentive Plan • Rewards executives based on corporate, department and individual performance • Reflects annual achievement of Air Canada's financial performance against pre-established targets See "Short-term Incentives – Air Canada Annual Incentive" on pages 52 and 53 of this circular for additional details on the Annual Incentive Plan.	Cash	Eligible management and administrative and technical support (non-unionized) employees (approximately 3,350 individuals)	1 year
Long-term Incentive – Stock Options and Share Units • Links interests of executives with interests of shareholders • The Long-Term Incentive Plan allows for an annual target grant of stock options and share units in the amounts described in the table under the heading "Long-Term Incentives – Stock Options and Share Units" • The options to purchase Air Canada shares granted under the Long-Term Incentive Plan have an exercise price based on the market price of Air Canada's shares at the time of the option grant • The Corporation issues share units under the Long-Term Incentive Plan which may be either performance-based (referred to as either a "**performance share unit**" or a "**PSU**") or time-based (referred to as either a "**restricted share unit**" or a "**RSU**"). 50% of share units granted under the Corporation's Long-Term Incentive Plan are PSUs and may vest after a three-year period, subject to the Corporation's achievement of its cumulative annual EBITDAR target over such three-year period. The remaining 50% of the share units granted under the Corporation's Long-Term Incentive Plan are RSUs which vest after three years from the date of their grant, based on the passage of time only • Participants receive on the redemption date in respect of all vested share units, a value equal to the market price of the Air Canada shares on such date, with payment being made with Air Canada shares or cash, at the discretion of the Corporation See "Long-term Incentives – Stock Options and Share Units" on pages 54 to 57 of this circular for additional details on the Long-Term Incentive Plan.	Stock Options, and Share Units (comprised of Performance Share Units and Restricted Share Units)	All senior management, managing directors and executives of Air Canada (approximately 225 individuals)	4 year vesting, 10 year option term 3 year vesting term for share units
DSU Plan • The DSU Plan allows eligible participants to voluntarily receive all or a part of their Annual Incentive Plan incentive award or annual PSU and/or RSU grant in DSUs • DSUs granted in lieu of any annual share unit grant vest in the identical manner as PSUs/RSUs • DSUs are redeemed in cash following termination of employment and for the eligible period prescribed under the Income Tax Act See "Management Deferred Share Unit Plan" on page 57 of this circular for additional details on the DSU Plan.	Deferred Share Units	All senior management, managing directors and executives of Air Canada (approximately 225 individuals)	3 year vesting term if granted in lieu of share units

Pension	Form	Eligibility	Measurement Period
Defined Benefit Pension Plan and Supplementary Retirement Plan • Provides for replacement income upon retirement, based on years of service with the Corporation • Benefits are calculated multiplying (i) 2% of the final average salary during the executive's highest paid 36 successive months of company service, less 0.25% of the Canada/Québec pension plan's average annual maximum pensionable earnings during that period, by (ii) the executive's years of service (maximum 35 years) • Effective January 1, 2014, executives are generally eligible to retire with an unreduced pension at the earliest of (i) when their age plus years of service equals the sum of 80, their age is at least 55, and they obtain the consent from the Corporation as administrator of the pension plan, or (ii) at age 65	Cash	All executives of Air Canada hired prior to December 31, 2011 (14 individuals)	Pensionable service period to a maximum of 35 years
Defined Contribution Pension Plan and Supplementary Retirement Plan • Provides for income upon retirement • Benefits are provided by contributions made by the Corporation to individual defined contribution accounts equal to a percentage of the individual's salary, subject to the outcome of any investments on contributions	Cash	All executives of Air Canada hired after October 1, 2012 (10 individuals)	N/A
Other Benefits	**Form**	**Eligibility**	**Applicable Period**
Group Benefits • Provides protection in case of sickness, disability or death	Cash, Insurance and Other Benefits	All employees	N/A
Employee Share Ownership Plan • Encourages employee investment in Air Canada shares See "Employee Share Ownership Plan" on page 59 of this circular for additional details on the employee share ownership plan.	Cash	All employees in North America	Annual
Perquisites • Provides tools to support the conduct of the business • Perquisites include leased automobiles, a medical top-up plan, health counseling and a flexible perquisite spending account	Cash and Other Benefits	All executives of Air Canada (24 individuals)	N/A

SHORT-TERM INCENTIVES – AIR CANADA ANNUAL INCENTIVE

Annual Incentive Plan

Air Canada's Annual Incentive Plan ("**Annual Incentive Plan**" or "**AIP**") is designed to pay a cash award to eligible management and administrative and technical support (non-unionized) employees based on the Corporation's achievement of its annual financial results as measured by Adjusted Net Income (consolidated net income (or loss, if applicable) of Air Canada attributable to the shareholders of Air Canada as reported under GAAP and, adjusted to remove the effects of (to the extent included in consolidated net income (or loss, if applicable)) foreign exchange, net financing income (or expense, if applicable) relating to employee benefits, mark-to-market adjustments on derivatives and other financial instruments recorded at fair value and special items), and excluding a tax expense of $16 million affecting the fourth quarter and full year 2017 results, while reflecting the Board of Directors' authority to recognize and adjust actual Adjusted Net Income results for variances when warranted.

With the intention of encouraging the development of a corporate culture focused on Air Canada's key priorities, Air Canada's Annual Incentive Plan grants an award based on the achievement of a number of corporate objectives, of which:

(i) 50% relates to the Corporation's annual financial results as measured by Adjusted Net Income; and

(ii) 50% relates to (A) department-specific objectives and performance, and (B) individual objectives and performance (other than in respect of the President and Chief Executive Officer and the Designated Executive Officers where the breakdown is below).

For the President and Chief Executive Officer and the Designated Executive Officers, the breakdown of the AIP objectives was as follows for 2017:

Objective	Weighting
Financial Component: Adjusted Net Income	50%
Special Projects Advancement / Progress	20%
Fleet Growth / International Expansion	10%
Employee Engagement and Talent	10%
Customer Service and Operational Goals	10%

For the other executives, the breakdown of the AIP objectives was as follows for 2017:

Objective	Weighting
Financial Component: Adjusted Net Income	50%
Department Specific objectives	25%
Individual Objectives	25%

For 2017, target AIP bonuses for executives were within the following ranges:

Executive Level	Target AIP Bonus (as a % of base salary)
Chief Executive Officer	100%-135%
Designated Executive Officers	55%-110%
Senior Vice President	35%-65%
Vice President	30%-50%

For 2017, the trigger to grant the financial component of the AIP was based on Air Canada's Adjusted Net Income, determined as follows:

Adjusted Net Income	Percentage of the Target Bonus Payable (Financial Component of the Annual Incentive Plan)
$150 million below target Adjusted Net Income or less	0%
$75 million below target Adjusted Net Income	50%
Target Adjusted Net Income	100%
$75 million above target Adjusted Net Income	150%
$150 million above target Adjusted Net Income or greater	200%

For 2017, this resulted in a payout of 134% in respect of the financial component of the AIP.

The Annual Incentive Plan provides full discretion to the Board of Directors to grant different awards including for special or extenuating circumstances.

LONG-TERM INCENTIVES – STOCK OPTIONS AND SHARE UNITS

Air Canada's Long-Term Incentive Plan is intended to attract, retain and motivate management in key positions at Air Canada and its subsidiaries and to align their interests with those of Air Canada's shareholders. The HRCC 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.

The Long-Term Incentive Plan provides for the grant of options and share units to all senior management and executives of Air Canada. Options and share units held by any person under the Long-Term Incentive Plan, including any insider of the Corporation, may not at any time exceed 5% of the aggregate number of shares of the Corporation outstanding from time-to-time. Additionally, the aggregate number of shares: (i) issued to insiders of Air Canada under the Long-Term Incentive Plan or any other security-based compensation arrangement within any one-year period, and (ii) issuable to insiders of Air Canada at any time under the Long-Term Incentive Plan or any other security-based compensation arrangement, shall, in each case, not exceed 10% of the issued and outstanding shares of the Corporation.

Subject to the limit of the number of shares that remain available under the Long-Term Incentive Plan at the relevant time, the plan allows for an annual target grant of stock options and/or share units to all eligible senior management and executives.

Air Canada's formula respecting target grants of stock options and share units provides for: (i) a mix between stock option and share unit grants; and (ii) discretion to award high performing individuals at a target level which is market competitive. The plan provides minimum target grants as follows:

Executive Level	Target Stock Option Grant (% of base salary)	Target Performance Share Unit Grant based on Performance (% of base salary)	Target Restricted Share Unit Grant based on Time (% of base salary)
Chief Executive Officer	250%	100%	100%
Designated Executive Officers	90%-130%	40%-60%	40%-60%
Senior Vice President	60%	30%	30%
Vice President	55%	25%	25%

AIR CANADA STOCK OPTIONS

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 optionee 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.

The options to purchase Air Canada shares granted under the Long-Term Incentive Plan must have an exercise price based on the market price of Air Canada's shares at the time of the option grant. For these purposes, the market price of Air Canada's shares at the time of the option grant (the "**Market Price**"), except in certain exceptional circumstances, equals the "volume-weighted average trading price" of the shares on the 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).

Unless a particular employment agreement otherwise provides, the vesting of options is as follows: (i) 50% of options granted under the Long-Term Incentive Plan vest over four years in an equal amount of 12.5% at the anniversary of each grant, and (ii) the remaining 50% are performance-based, and may vest after four years, as detailed in the table below, based on the Corporation's achievement of its annual operating margin target for the four-year period.

Achievement of Annual Target Operating Margin over the Four-Year Period	Performance-based Stock Options Vested
85% or less	0%
90%	33%
95%	66%
100%	100%

The performance-based stock options vest on a straight-line basis between the reference points above. For example, if the Corporation's operating margin over the four-year period equals 92.5% of the target operating margin, 50% of the performance-based stock options will vest and the remainder of the performance-based stock options will lapse and be null at such time, unless the Board of Directors determines otherwise.

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

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 such amendment shall:

(i) not adversely alter or impair any option or share unit previously granted;

(ii) be subject to any regulatory approvals including, where required, the approval of the TSX; and

(iii) be subject to shareholder approval where required by law or the requirements of the TSX, provided, however, that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are 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.

Notwithstanding the foregoing, Air Canada must obtain shareholder approval in order to enact any of the following amendments to the Long-Term Incentive Plan:

(i) any change to the maximum number of shares issuable from treasury under the Long-Term Incentive Plan, including an increase to the fixed maximum number of shares or a change from a fixed maximum number of shares to a fixed maximum percentage;

(ii) any amendment which reduces the exercise price of any option previously granted or any cancellation of an option and its substitution by a new option with a reduced price or any cancellation of a share unit and its substitution by a new share unit;

(iii) any amendment that extends the term of options or share units beyond their original expiry;

(iv) any amendment which would permit any option or share unit to be transferable or assignable by any optionee or participant other than for normal estate settlement purposes;

(v) any amendment which would permit a change to the eligible participants, including a change which would have the potential of broadening or increasing participation by insiders, including non-employee directors, in the Long-Term Incentive Plan;

(vi) any amendment which increases the maximum number of shares that may be issued in a one-year period to insiders of the Corporation and associates of such insiders or any one insider of the Corporation and associates of such insider under the Long-Term Incentive Plan or any other compensation arrangements described in the Long-Term Incentive Plan; and

(vii) amendments to the amendment provisions of the Long-Term Incentive Plan.

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 provisions, and except in respect of options or share units that are held by an insider of the Corporation, 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 three years in the case of share units from the date such option or share unit is granted.

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.

AIR CANADA SHARE UNITS

Share units, comprised of a mix of both performance share units and restricted 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. Share units have a maximum term of three years. Except as otherwise may be determined by the Board of Directors, the vesting of performance share units is based on the Corporation achieving its cumulative annual EBITDAR target over a three-year period based on the table below, while restricted share units will vest after three years from their date of grant.

Achievement of cumulative annual EBITDAR target over a Three-Year Period	Performance Share Units Vested
85% or less	0%
90%	33%
95%	66%
100%	100%

The performance share units vest on a straight-line basis between the reference points above. For example, if the Corporation's EBITDAR over the three-year period equals 92.5% of the EBITDAR target, 50% of the units will vest and the remainder of the performance share units will lapse and be null at such time, unless the Board of Directors determines otherwise.

At the end of the three-year term, all vested share units are, at the discretion of the Corporation, redeemed for Air Canada shares (either issued from treasury or purchased on the secondary market at the discretion of the Corporation) or for their cash equivalent based on the Market Price (as such term is defined at page 54 of this circular) of Air Canada shares on the redemption date.

Participants receive, therefore, on the redemption date in respect of all vested share units, a value equal to the Market Price of the Air Canada shares on such date, with payment being made with Air Canada shares or cash at the discretion of the Corporation.

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.

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

MANAGEMENT DEFERRED SHARE UNIT PLAN

Under the DSU Plan, eligible participants may voluntarily elect to receive in full or part, as 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.

Further to the terms of the DSU Plan, DSUs shall be settled entirely in cash following retirement, termination or death and 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.

EMPLOYMENT CONDITIONS

Unless otherwise provided for in an individual's employment agreement with the Corporation and except as otherwise may be determined by the Board, the following table summarizes the treatment of a participant's stock options and share units upon a participant's retirement, resignation, termination without cause or for cause, death, injury or disability or voluntary leave of absence.

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Share Units and Payment Limitations
Retirement	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) the third anniversary date of the retirement and (ii) the scheduled expiry date 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
Resignation	No further options vest. All vested options must be exercised within 30 days from the date of the resignation	Forfeiture of unvested share units
Termination without cause	No further options vest. All vested options must be exercised within 30 days from the termination notice date for reasons other than cause	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 for cause	Forfeiture of all unexercised options	Forfeiture of all unvested share units
Death	No further options vest. All vested options at the time of death must be exercised by his/her heirs by the earlier of: (i) one year of his/her death and (ii) the scheduled expiry date 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
Injury or disability	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) three years after the cessation of employment and (ii) the scheduled expiry date of the options	Prorated number of 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

Event	Vesting of Stock Options and Exercise Limitations	Vesting of Share Units and Payment Limitations
Voluntary leave of absence	Rights to vesting continue to accrue. All vested options must be exercised by the earlier of: (i) one year after the commencement of the leave of absence and (ii) the scheduled expiry date 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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

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)	6,121,252	$8.46	9,607,273

(1) As at December 31, 2017.

(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 "Our compensation programs – Long-Term Incentives – Stock Options and Share Units".

(3) Does not include shares underlying an aggregate of 2,432,518 share units granted over various dates between 2015 and 2017 as these share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at 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, 2017. 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 if the holder thereof is a non-Canadian or Canadian. A maximum of 19,381,792 Air Canada shares (which represent approximately 7.15% of the issued and outstanding shares of Air Canada on December 31, 2017) have been authorized for issuance under the Long-Term Incentive Plan.

Shares issuable		Shares issued to date		Shares underlying outstanding options		Shares underlying outstanding share units		Shares underlying options granted in 2017		Shares underlying share units granted in 2017	
Number(1)	Dilution rate(2)	Number(3)	Dilution rate(2)	Number	Dilution rate(2)	Number	Dilution rate(5)	Number	Dilution rate(2)(6)	Number	Dilution rate(5)
9,607,273	3.5%	3,653,267	1.3%	6,121,252	2.2%	2,432,518(4)	nil	1,219,976	0.4%	922,716	nil

(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, 2017, a total of 273,076,646 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. Air Canada shares delivered in connection with the redemption of share units are not issued from treasury.

(4) Represents the number of share units outstanding under the Long-Term Incentive Plan. The 2,432,518 share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash.

(5) The zero-dilution percentage is due to the fact that all share units will either be redeemed for Air Canada shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

(6) Dilution of options granted during the 2017 year compared to the total number of outstanding Air Canada shares on December 31, 2017.

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 three years. Outstanding share units are not currently redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash, at the discretion of the Corporation. As a result, the dilution, overhang and burn rate for outstanding share units was nil for each of the last three years indicated in the table below.

	2017	2016	2015
Dilution(1)	2.2%	3.3%	3.1%
Overhang(2)	5.8%	6.1%	6.3%
Burn Rate(3)	0.45%	0.57%	0.35%

(1) Dilution represents: (total options outstanding) ÷ (total Air Canada shares outstanding).

(2) Overhang represents: (total Air Canada shares available for issue + options outstanding) ÷ (total Air Canada shares outstanding).

(3) Burn rate represents: (total options granted during the year) ÷ (average of total Air Canada shares outstanding).

EXECUTIVE COMPENSATION CLAWBACK

On March 30, 2011, the Board of Directors adopted an executive clawback compensation policy concerning awards made after December 31, 2010 under Air Canada's annual and long-term incentive plans. Under this policy, which applies to all executives, the Board of Directors may, in its sole discretion, to the full extent permitted by governing 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. The Board of Directors may seek reimbursement of full or partial compensation from an executive or former executive in situations where:

(a) the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of Air Canada's financial statements;

(b) the executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and

(c) the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

EMPLOYEE SHARE OWNERSHIP PLAN

An ongoing share purchase plan (the "**Employee Share Ownership Plan**") permits eligible employees of Air Canada to invest up to 10% of their salary for purchase of Air Canada shares with a contribution by Air Canada at 33.33% for the investment made by each employee, subject to an annual maximum contribution by Air Canada of $10,000. The funds contributed by participants and Air Canada are used to purchase Air Canada shares on the secondary market on behalf of such participants.

2017 COMPENSATION OF THE NAMED EXECUTIVES

Compensation of the President and Chief Executive Officer

Mr. Calin Rovinescu was appointed President and Chief Executive Officer on April 1, 2009. Over the 18 months preceding his appointment, Air Canada's operations were impacted by many factors, including an unprecedented spike in the price of fuel, adverse fluctuations in foreign exchange and the onset of a severe global recession. Air Canada, as well as the airline industry as a whole, continued to operate under challenging circumstances. In Air Canada's case, these challenges included limited access to capital, deteriorating liquidity, revenue and yield, a significant pension fund deficit and the expiry of all of its Canadian collective agreements in 2009. In this context,

the Board recruited Mr. Rovinescu to rejoin Air Canada as its President and Chief Executive Officer based on his leadership skills and broad experience in corporate strategy, finance and law.

The recruitment of top corporate executives, including the CEO, is very competitive. Mr. Rovinescu's compensation arrangements pursuant to his 2009 employment agreement (the "**Employment Agreement**") were structured so as to induce him to forego his then existing employment, as well as his interest in the investment bank of which he was a co-founder and other business interests and opportunities, and to incentivize him to remain with the Corporation over a minimum period of time. In completing the Employment Agreement, the Board of Directors at that time was advised by an independent third-party consulting firm as to the terms of his compensation and how these arrangements compared to other CEO compensation arrangements.

Mr. Rovinescu's base salary for the year ended December 31, 2017 remained unchanged from the prior year.

Annual incentive awards to the President and Chief Executive Officer pursuant to the Annual Incentive Plan are described at pages 52 and 53 of this circular.

Annual target grants of stock options and share units to the President and Chief Executive Officer pursuant to the Long-Term Incentive Plan are described at pages 54 to 57 of this circular.

Mr. Rovinescu's pension benefits, including his pension entitlements in the event he is terminated, are described at pages 72 to 76 of this circular.

2017 Key Accomplishments

The HRCC evaluated Mr. Rovinescu's performance for 2017 based on the achievement of the evolution and execution of Air Canada's strategy and key priorities and objectives, including the following key corporate financial and non-financial accomplishments for 2017:

- Record operating revenue of $16,252 million, $1,575 million or 11% above 2016.
- Record 48.1 million passengers carried, 7.3% above 2016.
- EBITDAR margin of 18.0%, consistent with the 2017 EBITDAR margin of 17% to 19% forecasted in Air Canada's news release dated October 25, 2017.
- Adjusted CASM decreased 3.0% from 2016, in line with the 3.0% to 4.0% decrease forecasted in Air Canada's news release dated October 25, 2017.
- Liquidity levels of $4,181 million.
- Return on invested capital of 13.9%.
- Pension plan aggregate solvency surplus of $2.6 billion.
- Added 30 new routes of which 15 were to international destinations.
- Continued the successful expansion of Air Canada Rouge, the airline's lower-cost leisure carrier.
- Added nine Boeing 787 aircraft into the mainline fleet, allowing the airline to serve new international destinations.
- Successfully introduced the first two of 61 Boeing 737 MAX 8 aircraft into the mainline fleet, commencing Air Canada's narrow-body fleet renewal program which will allow the airline to further improve unit costs and provide greater deployment opportunities throughout the network.
- Advanced the Corporation's strategy to build its own loyalty program and launched requests for proposals for financial and technology partners.

- Continued to execute on numerous customer service enhancements. The airline was named Best Airline in North America for the sixth time in eight years while maintaining a Four Star ranking by SkyTrax.
- Selected for a fifth consecutive year, and an indicator of continued culture change, as one of Canada's Top 100 Employers, selected as one of Canada's Best Diversity Employers for 2017, reflecting the Corporation's commitment to achieving its diversity targets, and voted one of 50 most engaged workplaces in North America.

Mr. Rovinescu's current Employment Agreement provides that, in the event he is terminated without cause, he is entitled to receive a lump sum severance payment equal to two times his overall cash compensation (comprised of annual salary and bonus calculated at the midpoint of the target bonus range). In addition, if terminated without cause, Mr. Rovinescu is also entitled to the continuation of certain benefits and perquisites until the earlier of the end of 24 months or his re-employment with any other employer that provides equivalent benefits.

Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis), shall immediately vest upon such termination without cause and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Rovinescu's compliance with the non-competition provisions of his Employment Agreement which have a duration of 18 months.

The table below shows the estimated amount of cash that would become payable to Mr. Rovinescu and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2017:

	CALIN ROVINESCU – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion(1)**	**Value of Exercisable/Vested Options and Share Units(2)**	**Other Benefits(3)**	**Total Value**
Calin Rovinescu	$6,090,000	$26,553,897	$128,464	$32,772,361

(1) Based on Mr. Rovinescu's salary for the year ended December 31, 2017.

(2) Based on the December 31, 2017 closing price of Air Canada's shares ($25.88). Pursuant to a 2014 retention arrangement, if Mr. Rovinescu is terminated without cause or retires after December 31, 2017, the Corporation agreed to underwrite any sale by him of up to one-third of his equity securities at $9.31 per share. In the event Mr. Rovinescu ceases to be employed as President and Chief Executive Officer of Air Canada as a result of his death or incapacity, or as a result of a termination of his employment other than for cause, the foregoing provisions shall continue to apply to him, his successors or assigns.

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

In the event Mr. Rovinescu voluntarily terminates his employment with Air Canada or is terminated by Air Canada with cause, Mr. Rovinescu will generally be entitled to any salary, expense reimbursement and other benefits that were earned by him prior to the termination date and that remain unpaid as of the termination date. Additionally, all unvested stock options will expire on his last day of active employment and any remaining vested options will remain exercisable for a period of thirty (30) days from the date of termination. All unvested share units granted shall be forfeited and cancelled on Mr. Rovinescu's last day of active employment.

In the event of the termination of Mr. Rovinescu's employment as a result of retirement, death or disability, Mr. Rovinescu or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or the scheduled option expiry.

The following table sets out Mr. Rovinescu's accumulated Air Canada shares and share units and the value of each type of holding as at March 19, 2018 having an aggregate value of $25,578,722 as of such date.

Type of Security	Number of Securities	Market Value of Securities
Class B voting shares	401,543	$11,158,880(1)
Restricted share units(3)	246,266	$6,843,732(2)
Performance share units(4)	196,472	$5,459,957(2)
Deferred share units(5)	76,148	$2,116,153(2)

(1) Class B voting shares are calculated at a market value of $27.79 per share (based on the March 19, 2018 Toronto Stock Exchange closing price of the Air Canada shares).

(2) Share units are calculated at a market value of $27.79 per unit (based on the March 19, 2018 Toronto Stock Exchange closing price of the Air Canada shares).

(3) Vest after three years from the date of their grant, based on the passage of time only (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 54 of this circular for more detail).

(4) May vest after a three-year period, subject to the Corporation's achievement of its cumulative annual EBITDAR target over such three-year period (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 54 of this circular for more detail).

(5) Vest after three years (DSU-R) or may vest after a three-year period (DSU-P), subject to the Corporations achievement of its cumulative annual EBITDAR target over such three-year period (refer to the heading "Long-Term Incentives – Stock Options and Share Units" at page 54 of this circular for more detail). 29,720 DSUs are vested.

Compensation of the Executive Vice President and Chief Financial Officer

The base salary of Mr. Michael Rousseau, as Executive Vice President and Chief Financial Officer, for the year ended December 31, 2017 was $580,000, unchanged from the prior year.

Annual incentive awards to Mr. Rousseau pursuant to the Annual Incentive Plan are described at pages 52 and 53 of this circular.

Annual target grants of stock options and share units to Mr. Rousseau are described at pages 54 to 57 of this circular.

Mr. Rousseau's pension benefits are described at pages 72 to 76 of this circular.

Mr. Rousseau's employment agreement provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis) shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Rousseau's compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Rousseau's employment as a result of retirement, death or disability, Mr. Rousseau or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or scheduled option expiry.

The table below shows the estimated amount of cash that would become payable to Mr. Rousseau and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2017:

	MICHAEL ROUSSEAU – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion(1)**	**Value of Exercisable/Vested Options and Share Units(2)**	**Other Benefits(3)**	**Total Value**
Michael Rousseau	$2,146,000	$7,938,628	$135,180	$10,219,808

(1) Based on Mr. Rousseau's salary for the year ended December 31, 2017.

(2) Based on the December 31, 2017 closing price of Air Canada's shares ($25.88).

(3) This amount represents the estimated cost of the continuation of group health, other insurance benefits and perquisites during the severance period, as well as the difference between the December 31, 2017 termination value of his pension entitlements and the termination value payable from age 60, both taking into account the additional 5 years of credited service he is entitled to receive on the earlier of age 60, death or involuntary termination for reasons other than cause.

Compensation of the President, Passenger Airlines

The base salary of Mr. Benjamin Smith, as President, Passenger Airlines, for the year ended December 31, 2017 was $650,000, unchanged from the prior year.

Annual incentive awards to Mr. Smith pursuant to the Annual Incentive Plan are described at pages 52 and 53 of this circular.

Annual target grants of stock options and share units to Mr. Smith are described at pages 54 to 57 of this circular.

Mr. Smith's pension benefits are described at pages 72 to 76 of this circular.

Mr. Smith's employment agreement provides that, in the event he is terminated without cause or if he terminates his employment for "good reason", he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis), shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Smith's compliance during the severance period with the non-competition provisions of his employment agreement.

In the event of the termination of Mr. Smith's employment as a result of retirement, death or disability, Mr. Smith or his estate, as the case may be, will generally be entitled to any unpaid salary and pro-rata target bonus for that year that was earned prior to the termination date, as well as expense reimbursement and other benefits that were earned prior to the termination date and that remain unpaid as of such date. All unvested stock options and unvested share units (on a prorated basis) will immediately vest, and all options must be exercised within the earlier of 90 days or scheduled option expiry.

The table below shows the estimated amount of cash that would become payable to Mr. Smith and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause or if he terminates his employment for "good reason", as if it had occurred on the last business day of 2017:

	BENJAMIN SMITH – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion(1)**	**Value of Exercisable/Vested Options and Share Units(2)**	**Other Benefits(3)**	**Total Value**
Benjamin Smith	$2,535,000	$13,831,937	$102,492	$16,469,429

(1) Based on Mr. Smith's salary in effect as at December 31, 2017.

(2) Based on the December 31, 2017 closing price of Air Canada's shares ($25.88).

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

Compensation of the Executive Vice President and Chief Commercial Officer

On January 1, 2017, Ms. Lucie Guillemette, formerly the Senior Vice President Revenue Optimization, was appointed Executive Vice President and Chief Commercial Officer of the Corporation. As Executive Vice President and Chief Commercial Officer, Ms. Guillemette's base salary for the year ended December 31, 2017 was $425,000. Ms. Guillemette's compensation package is based on the Corporation's compensation policies as they apply at the level of Executive Vice President.

Annual incentive awards to Ms. Guillemette pursuant to the Annual Incentive Plan are described at pages 52 and 53 of this circular.

Annual target grants of stock options and share units to Ms. Guillemette are described at pages 54 to 57 of this circular.

Ms. Guillemette's pension benefits are described at pages 72 to 76 of this circular.

Ms. Guillemette's employment agreement provides that, in the event she is terminated without cause she is entitled to receive a severance payment that is equal to nineteen and half months of her then current annual base salary.

The table below shows the estimated amount of cash that would become payable to Ms. Guillemette and the value of her options and share units that would accelerate as well as other benefits to which she would be entitled in the event of the termination of her employment by Air Canada without cause or if she terminates her employment for "good reason", as if it had occurred on the last business day of 2017:

	LUCIE GUILLEMETTE – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion(1)**	**Value of Exercisable/Vested Options and Share Units(2)**	**Other Benefits(3)**	**Total Value**
Lucie Guillemette	$690,625	1,244,157	Nil	1,934,782

(1) Based on Ms. Guillemette salary for the year ended December 31, 2017.

(2) Based on the December 31, 2017 closing price of Air Canada's shares ($25.88).

(3) This represents group health, other insurance benefits and perquisites during the severance period, as per Air Canada's plans.

Compensation of the Senior Vice President, International and Regulatory Affairs and Chief Legal Officer

On September 14, 2017, Mr. David Shapiro, formerly the Senior Vice-President and Chief Legal Officer, was appointed Senior Vice President, International and Regulatory Affairs and Chief Legal Officer of the Corporation. As Senior Vice President, International and Regulatory Affairs and Chief Legal Officer, Mr. Shapiro's base salary for the year ended December 31, 2017 was $425,000.

Annual incentive awards to Mr. Shapiro pursuant to the Annual Incentive Plan are described at pages 52 and 53 of this circular.

Annual target grants of stock options and share units to Mr. Shapiro are described at pages 54 to 57 of this circular.

Mr. Shapiro's pension benefits are described at pages 72 to 76 of this circular.

Mr. Shapiro's termination agreement provides that, in the event he is terminated without cause, he is entitled to receive a severance payment that is equal to two years of his then current annual base salary and payment of the Annual Incentive Plan Award at two times the midpoint of his target range, as well as the continuation of certain benefits and perquisites until the earlier of the end of the severance period or his re-employment with any other employer. Additionally, all unexercised options granted, as well as any of the share units granted (on a prorated basis) shall immediately vest upon such termination and, in the case of the options, must be exercised within 90 days following the date of termination. The above payments and conditions are subject to Mr. Shapiro's compliance during the severance period with non-competition provisions.

The table below shows the estimated amount of cash that would become payable to Mr. Shapiro and the value of his options and share units that would accelerate as well as other benefits to which he would be entitled in the event of the termination of his employment by Air Canada without cause, as if it had occurred on the last business day of 2017:

	DAVID SHAPIRO – IF TERMINATED WITHOUT CAUSE			
Name	**Cash Portion(1)**	**Value of Exercisable/Vested Options and Share Units(2)**	**Other Benefits(3)**	**Total Value**
David Shapiro	$1,275,000	$3,114,243	$86,416	$4,475,659

(1) Based on Mr. Shapiro's salary in effect as at December 31, 2017.

(2) Based on the December 31, 2017 closing price of Air Canada's shares ($25.88).

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

SHARE OWNERSHIP REQUIREMENTS FOR EXECUTIVES

On February 17, 2017, the Board approved amendments to the share ownership guidelines that requires all executives to own a minimum of securities of Air Canada representing an amount equivalent in value to a multiple of his or her annual base salary through shares and/or restricted share units and/or vested deferred share units. Options and performance share units are not included in the calculation of the share ownership requirements applicable to executives. Such ownership must be achieved by February 17, 2022 or within five years of the date of appointment of such executive, whichever occurs later. The table below sets out the newly expanded share ownership guidelines for each executive level:

EXECUTIVE LEVEL	NEW SHARE OWNERSHIP GUIDELINES
President and Chief Executive Officer	5 times annual salary
Designated Officers	3 times annual salary
Senior Vice Presidents	2 times annual salary
Vice Presidents	1 time annual salary

The table below sets out the application of the new share ownership guidelines on the Named Executive Officers. The value of the securities is based on the sum of: (a) the greater of: (i) the market value of the shares underlying the restricted share units or vested deferred share units; and (ii) the price of the shares underlying the restricted share units or vested deferred share units at the time of grant; and (b) the greater of: (i) the market value of the shares; and (ii) the purchase price of the shares.

Name	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
Calin Rovinescu – President and Chief Executive Officer	401,543 Class B voting shares 246,266 restricted share units 52,934 deferred share units	$19,473,648	Five times base salary	February 17, 2022	Yes
Michael Rousseau – Executive Vice President and Chief Financial Officer	97,500 Class B voting shares 64,287 restricted share units	$4,496,061	Three times base salary	February 17, 2022	Yes
Benjamin Smith – President, Passenger Airlines	74,449 Class B voting shares 83,150 restricted share units	$4,379,676	Three times base salary	February 17, 2022	Yes
Lucie Guillemette – Executive Vice President and Chief Commercial Officer	18,204 Class B voting shares 26,886 restricted share units	$1,253,051	Three times base salary	February 17, 2022	No
David Shapiro – Senior Vice President, International and Regulatory Affairs and Chief Legal Officer	439 Class B voting shares 27,536 restricted share units	$777,425	Two times base salary	February 17, 2022	No

(1) This amount represents the sum of (a) the greater of the market value of the shares and the purchase price of the shares (based on the March 19, 2018 Toronto Stock Exchange closing price of the Air Canada shares ($27.79)), and (b) the greater of: (i) the market value of the shares underlying the restricted share units as at March 19, 2018 described above, and (ii) the price of the shares underlying the restricted share units at the time of grant. Options and performance share units are not taken into account for the purposes of Air Canada's share ownership requirements. The number of Class B voting shares held under the Employee Share Ownership Plan are as of December 31, 2017.

SUMMARY COMPENSATION TABLE

The following table provides a summary of the compensation earned for the years ended December 31, 2017, 2016 and 2015 by each of Calin Rovinescu, Air Canada's President and Chief Executive Officer, Michael Rousseau, Air Canada's Executive Vice President and Chief Financial Officer and the three next most highly compensated executives of Air Canada at the end of the 2017 year (collectively, the "**Named Executive Officers**").

Name and principal position	Year	Salary ($)	Share-based awards ($)[1]	Option-based awards ($)[2]	Non-equity incentive plan compensation Annual incentive plans ($)	Pension value ($)	All other compensation ($)[3]	Total compensation ($)
Calin Rovinescu	2017	1,400,000[4]	1,970,379	1,537,170	3,156,300[5]	942,000	Nil	9,005,849
President and Chief	2016	1,400,000	1,814,479	1,752,046	3,243,500	789,200	Nil	8,999,225
Executive Officer	2015	1,400,000	1,560,045	740,813	2,970,006	517,000	Nil	7,187,864
Michael Rousseau	2017	580,000	439,541	565,961	990,000[6]	266,900	Nil	2,842,402
Executive Vice President	2016	580,000	387,320	589,308	1,051,000	350,600	Nil	2,958,228
and Chief Financial Officer	2015	551,250	417,120	257,168	832,500	294,200	Nil	2,352,238
Benjamin Smith	2017	650,000	591,111	1,143,097	1,270,000[7]	85,500	250,000[8]	3,989,708
President, Passenger	2016	650,000	519,225	906,619	1,415,000	259,000	250,000	3,999,844
Airlines	2015	615,003	476,528	905,862	930,000	670,200	250,000	3,847,593
Lucie Guillemette[9]	2017	425,000	257,669	138,744	580,000[10]	706,300	Nil	2,107,713
Executive Vice President and	2016	345,100	140,275	99,453	350,000	160,000	Nil	1,094,828
Chief Commercial Officer	2015	335,000	113,909	79,488	325,000	318,500	Nil	1,171,897
David Shapiro	2017	425,000	187,347	77,300	420,000[11]	144,200	Nil	1,253,847
Senior Vice President,	2016	412,000	167,487	87,906	375,000	135,200	Nil	1,177,593
International and	2015	396,258	168,428	100,529	350,000	127,400	Nil	1,142,615
Regulatory Affairs and Chief Legal Officer								

(1) The grant date fair value of the annual grant of share units awarded in 2017 under the Corporation's Long-Term Incentive Plan (LTIP), as reported in this table, reflects a valuation factor of 55% 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 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 $13.69 for the April 3, 2017 grants and $17.69 for the June 1, 2017 grants. The share prices at the time of the grants is equal to the volume weighted average of the trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. The grant date fair value of the share units was $1,970,379 for Mr. Rovinescu, $439,541 for Mr. Rousseau, $591,111 for Mr. Smith, $257,669 for Ms. Guillemette and $187,347 for Mr. Shapiro. These share units have a term of three years and those which are performance based may vest upon the Corporation achieving its cumulative EBITDAR target over such three-year period. See "Air Canada Share Units" on page 56 of this circular for more details.

The accounting fair value of these share units was $3,253,791 for Mr. Rovinescu, $967,779 for Mr. Rousseau, $1,301,507 for Mr. Smith, $567,333 for Ms. Guillemette and $412,500 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is $1,283,412 for Mr. Rovinescu, $528,238 for Mr. Rousseau, $710,396 for Mr. Smith, $309,664 for Ms. Guillemette and $225,153 for Mr. Shapiro. 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 55% 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.

(2) The grant date fair value for options awarded in 2017 by the Corporation as reported in this table was calculated using the binomial lattice model, being 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 Incentives – Stock Options and Share Units" at page 54 of this circular for more details).

The grant date fair value for the options granted on April 3, 2017, using the binomial lattice model, was based on the following factors, key assumptions and plan provisions:

i. Binomial factor: 28.9563%
ii. Volatility: 38.08%
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 grant date fair value for the options granted on June 1, 2017, using the binomial lattice model, was based on the following factors, key assumptions and plan provisions, for Mr. Rovinescu and Mr. Rousseau:

i. Binomial factor: 28.6493%
ii. Volatility: 37.59%
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 grant date fair value for the options granted on June 1, 2017, using the binomial lattice model, was based on the following factors, key assumptions and plan provisions, for Mr. Smith:

i. Binomial factor: 28.7840%
ii. Volatility: 37.59%
iii. Dividend yield: 0%
iv. Expected life: 6.5 years
v. Term: 10 years
vi. Vesting: 50% time based and 50% performance based (any such vested options only becoming exercisable after 3 years from the date of grant)

The accounting fair value of these options was: $2,342,094 for Mr. Rovinescu, $816,705 for Mr. Rousseau, $1,605,596 for Mr. Smith, $211,751 for Ms. Guillemette and $117,975 for Mr. Shapiro. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: $804,924for Mr. Rovinescu, $250,744 for Mr. Rousseau, $462,499 for Mr. Smith, $73,007 for Ms. Guillemette and $40,675 for Mr. Shapiro. 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 choice of models used (Black-Scholes model for accounting purposes versus the binomial lattice model) and the use of different factors and assumptions.

(3) In 2017, 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.

Calin Rovinescu

(4) Mr. Rovinescu's base salary for 2017 remains unchanged since 2010. As described under the heading "Remuneration of Directors" at page 23 of this circular, Mr. Rovinescu did not receive any compensation for serving as a director of Air Canada or any of its subsidiaries in 2015, 2016 or 2017.

(5) Amounts earned pursuant to the terms of the Annual Incentive Plan.

Michael Rousseau

(6) Amounts earned pursuant to the terms of the Annual Incentive Plan.

Benjamin Smith

(7) Amounts earned pursuant to the terms of the Annual Incentive Plan.

(8) Following his appointment as President, Passenger Airlines, on September 1, 2014 as part of his retention arrangements, Mr. Smith was provided with a supplementary contribution of $250,000 payable annually between March 31, 2015 and March 31, 2019, provided the Corporation achieves its operating income plan for the applicable year.

Lucie Guillemette

(9) On January 1, 2017, Ms. Guillemette, formerly the Senior Vice President, Revenue Optimization of the Corporation, was appointed Executive Vice President and Chief Commercial Officer of the Corporation

(10) Amounts earned pursuant to the terms of the Annual Incentive Plan.

David Shapiro

(11) Amounts earned pursuant to the terms of the Annual Incentive Plan.

LONG-TERM INCENTIVE PLAN AWARDS

The following table details all unexercised options held by the Named Executive Officers as at December 31, 2017. By virtue of these options and subject to the applicable vesting restrictions under the Air Canada Long-Term Incentive Plan, the Named Executive Officers have the right to acquire Air Canada shares.

AIR CANADA STOCK OPTIONS

Name	Option-based awards			
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)[1]
Calin Rovinescu	819,149	3.04	April 1, 2020	18,709,363
	450,000	2.49	June 27, 2020	10,525,500
	252,294	5.39	April 1, 2021	5,169,504
	158,436	12.64	April 1, 2022	2,097,692
	443,902	9.23	January 13, 2023	7,390,968
	68,498	9.41	June 22, 2026	1,128,162
	325,000	13.69	April 3, 2027	3,961,750
	49,098	17.69	June 1, 2027	402,112
Michael Rousseau	90,302	5.39	April 1, 2021	1,850,288
	55,000	12.64	April 1, 2022	728,200
	100,000	9.23	January 13, 2023	1,665,000
	68,498	9.41	June 22, 2026	1,128,162
	80,000	13.69	April 3, 2027	975,200
	49,098	17.69	June 1, 2027	402,112
Benjamin Smith	51,113	5.39	April 1, 2021	1,047,305
	12,000	8.27	October 1, 2021	211,320
	61,000	12.64	April 1, 2022	807,640
	180,000	12.27	August 15, 2023	2,449,800
	120,976	9.23	January 13, 2023	2,014,250
	136,338	9.41	June 22, 2026	2,245,487
	92,857	13.69	April 3, 2027	1,131,927
	152,203	17.69	June 1, 2027	1,246,543
Lucie Guillemette	10,000	2.49	June 27, 2020	233,900
	18,234	5.35	April 1, 2021	373,614
	17,000	12.64	April 1, 2022	225,080
	29,415	9.23	January 13, 2023	489,760
	35,000	13.69	April 3, 2027	426,650
David Shapiro	45,447	3.04	April 1, 2020	1,038,009
	25,000	2.49	June 27, 2020	584,750
	33,946	5.39	April 1, 2021	695,554
	21,500	12.64	April 1, 2022	284,660
	26,000	9.23	January 13, 2023	432,900
	19,500	13.69	April 3, 2027	237,705

(1) Based on the closing price of the Air Canada shares ($25.88) on December 31, 2017.

AIR CANADA SHARE UNITS

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, 2017.

Performance Share Units:

Name	Share-based awards			
	Number of shares or units of shares that have not vested (#)	Performance Cycle	Market or payout value of share-based awards that have not vested ($)[1]	Market or payout value of vested share-based awards not paid out or distributed ($)
Calin Rovinescu	126,829 92,857[2]	Jan 1, 2016 to Dec 31, 2018 Jan 1, 2017 to Dec 31, 2019	3,282,335 2,403,139	Nil
Michael Rousseau	27,073 20,714	Jan 1, 2016 to Dec 31, 2018 Jan 1, 2017 to Dec 31, 2019	700,649 536,078	Nil
Benjamin Smith	36,293 27,857	Jan 1, 2016 to Dec 31, 2018 Jan 1, 2017 to Dec 31, 2019	939,263 720,939	Nil
Lucie Guillemette	9,805 12,143	Jan 1, 2016 to Dec 31, 2018 Jan 1, 2017 to Dec 31, 2019	253,753 314,261	Nil
David Shapiro	11,707 8,829	Jan 1, 2016 to Dec 31, 2018 Jan 1, 2017 to Dec 31, 2019	302,977 228,495	Nil

(1) Based on the closing price of the Air Canada shares ($25.88), on December 31, 2017.

(2) Includes 23,214 share units that were granted under the DSU Plan

Restricted Share Units:

Name	Share-based awards			
	Number of shares or units of shares that have not vested (#)	Performance Cycle	Market or payout value of share-based awards that have not vested ($)[1]	Market or payout value of vested share-based awards not paid out or distributed ($)
Calin Rovinescu	25,000 49,794 126,829 92,857[2]	Jan 23, 2015 to Jan 23, 2018 April 1, 2015 to April 1, 2018 Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020	647,000 1,288,669 3,282,335 2,403,139	Nil
Michael Rousseau	16,500 27,073 20,714	April 1, 2015 to April 1, 2018 Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020	427,020 700,649 536,078	Nil
Benjamin Smith	19,000 36,293 27,857	April 1, 2015 to April 1, 2018 Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020	491,720 939,263 720,939	Nil
Lucie Guillemette	4,938 9,805 12,143	April 1, 2015 to April 1, 2018 Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020	127,795 253,753 314,261	Nil
David Shapiro	7,000 11,707 8,829	April 1, 2015 to April 1, 2018 Jan 13, 2016 to Jan 13, 2019 April 3, 2017 to April 3, 2020	181,160 302,977 228,495	Nil

(1) Based on the closing price of the Air Canada shares ($25.88), on December 31, 2017.

(2) Includes 23,214 share units that were granted under the DSU Plan.

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, 2017 on the vesting date of such awards. As concerns non-equity plan compensation, the table below summarizes the aggregate amount of such compensation received by each Named Executive Officer during the year ended December 31, 2017. 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" at page 67 of this circular.

Name	Option-based awards					Non-equity incentive plan compensation
	Options Vested	Exercise Price ($)	Vesting Date	Market (closing) Price of Shares on the Date of Vesting ($)	Value Vested during the Year(1) ($)	Value Earned during the Year(2) ($)
Calin Rovinescu	55,488	9.23	January 13, 2017	13.83	255,245	3,156,300
	102,393	3.04	April 1, 2017	13.63	1,084,342	
	31,537	5.39	April 1, 2017	13.63	259,865	
	19,805	12.64	April 1, 2017	13.63	19,607	
	8,563	9.41	June 22, 2017	17.35	67,990	
	56,250	2.49	June 27, 2017	17.00	816,188	
	126,147	5.39	December 31, 2017	25.88	2,584,752	
Michael Rousseau	12,500	9.23	January 13, 2017	13.83	57,500	990,000
	11,288	5.39	April 1, 2017	13.63	93,013	
	6,875	12.64	April 1, 2017	13.63	6,806	
	8,563	9.41	June 22, 2017	17.35	67,990	
	45,151	5.39	December 31, 2017	25.88	925,144	
Benjamin Smith	15,122	9.23	January 13, 2017	13.83	69,561	1,270,000
	10,223	5.39	April 1, 2017	13.63	84,238	
	7,625	12.64	April 1, 2017	13.63	7,549	
	1,500	8.27	October 1, 2017	26.38	27,165	
	40,891	5.39	December 31, 2017	25.88	837,857	
Lucie Guillemette	3,677	9.23	January 13, 2017	13.83	16,914	580,000
	3,039	5.39	April 1, 2017	13.63	25,041	
	2,125	12.64	April 1, 2017	13.63	2,104	
	12,156	5.39	December 31, 2017	25.88	249,076	
David Shapiro	3,250	9.23	January 13, 2017	13.83	14,950	420,000
	4,243	5.39	April 1, 2017	13.63	34,962	
	2,688	12.64	April 1, 2017	13.63	2,661	
	3,125	2.49	June 27, 2017	17.00	45,344	
	16,973	5.39	December 31, 2017	25.88	347,777	

(1) Calculated as the difference between the market (closing) price of the shares on the date of vesting and the exercise price payable in order to exercise the options.

(2) Represents amounts paid pursuant to the Annual Incentive Plan in 2017 and corresponds to the amounts disclosed in the Summary Compensation Table on page 67 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 2017, based on the achievement of the Corporation's three-year annual EBITDAR target, are disclosed in the table below.

Name	Share-based awards			
	Performance Share Units Vested[1]	Vesting Date	Fair Market Value of Shares on the Date of Vesting ($)	Value vested during the Year[1] ($)
Calin Rovinescu	90,535	December 31, 2017	23.17	2,097,696
Michael Rousseau	30,000	December 31, 2017	23.17	695,100
Benjamin Smith	8,000 34,000	December 31, 2017	23.17	973,140
Lucie Guillemette	7,407	December 31, 2017	23.17	171,621
David Shapiro	11,500	December 31, 2017	23.17	266,455

(1) The vesting of the performance share units was in the form of cash for all NEOs.

The restricted share units of the Named Executive Officers that vested in 2017 are disclosed in the table below.

Name	Share-based awards			
	Restricted Share Units Vested	Vesting Date	Fair Market Value of Shares on the Date of Vesting ($)	Value vested during the Year[1] ($)
Calin Rovinescu	25,000 25,000 79,292 25,000 25,000	January 27, 2017 February 15, 2017 April 1, 2017 July 18, 2017 December 8, 2017	13.64 13.52 13.69 20.60 24.58	341,000 338,000 1,085,507 515,000 614,500
Michael Rousseau	27,785	April 1, 2017	13.69	533,956
Benjamin Smith	25,164 4,000	April 1, 2017 October 1, 2017	13.69 26.12	344,495 104,480
Lucie Guillemette	6,946	April 1, 2017	13.69	95,091
David Shapiro	12,123	April 1, 2017	13.69	165,964

(1) The vesting of the restricted share units was in the form of cash for all NEOs.

RETIREMENT PLAN BENEFITS

Air Canada provides any Named Executive Officers hired prior to October 1, 2012 with a non-contributory, final average earnings defined benefit registered pension plan (the "**Defined Benefit Pension Plan**"). In addition, Air Canada also provides the Named Executive Officers with a SERP integrated with the Canada / Québec pension plans. The defined benefit SERP is a funded supplemental arrangement that provides retirement income beyond the limitations of the Pension Plan.

Benefits under the Defined Benefit Pension Plan and SERP are calculated by multiplying (i) 2% of the final 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).

Effective January 1, 2014, changes were made to the defined benefit pension arrangement mainly with respect to the early retirement conditions. Under the amended provisions, if an executive retires after 2013, he or she will be 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. However, executives who reached the criteria of age 55 and 80 points by the end of 2013 will remain eligible to an unreduced pension without consent required by Air Canada. Under the terms of federal pension legislation, should any member leave employment at least 10 years prior to the date they become eligible for an unreduced pension without the consent of the administrator, he or she is entitled to elect a lump sum payment from the Defined Benefit Pension Plan in lieu of an immediate or deferred pension. Such eligibility is determined without regard to additional years of pensionable service which are credited in the SERP. In accordance with the terms of the SERP, the payment option that an executive elects in the Pension Plan is also applicable to the SERP.

In 2012, the Corporation established a non-contributory defined contribution pension plan for new executives. Under the plan, the Corporation contributes a percentage of the individual's salary into a registered defined contribution pension plan up to the maximum permissible under the *Income Tax Act* (Canada). A SERP was established in 2013 for contributions in excess of the maximum permitted by the *Income Tax Act* (Canada).

All Named Executive Officers were hired prior to October 1, 2012 and therefore participate in the Defined Benefit Pension Plan. The following table provides information on the pension benefits of each Named Executive Officer calculated as of December 31, 2017.

DEFINED BENEFIT PLAN

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)	At age 65(3)				
Calin Rovinescu(8)	25.6400	714,400	791,000	9,766,100	942,000	1,686,800	12,394,900
Michael Rousseau	15.2500	171,300	285,400	3,051,800	267,700	284,100	3,603,600
Benjamin Smith	23.0833	290,400	440,300	3,868,000	89,000	464,300	4,421,300
Lucie Guillemette	30.4167	217,800	250,600	3,358,100	697,000	234,700	4,289,800
David Shapiro	20.4167	164,200	235,300	2,473,800	143,900	237,800	2,855,500

(1) This column reflects the number of years of credited service for each Named Executive Officer as of the year ended December 31, 2017, including, as the case may be, any additional pensionable service credited pursuant to the Named Executive Officer's individual employment agreement. In respect of Mr. Rovinescu, this column includes years of credited pensionable service in respect of his previous period of employment with the Corporation. In respect of his current period of employment, Mr. Rovinescu had 8.75 years of credited pensionable service as of December 31, 2017.

In addition, two of the above Named Executive Officers have been credited with additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated, namely:

- 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 will be credited with an additional 5 years of pensionable service and will receive an unreduced pension on the earlier of age 60, death or involuntary termination for reasons other than cause. Consent to an unreduced pension is guaranteed; and
- Mr. Smith has been credited with an additional 3 years of pensionable service on March 1, 2012 upon his completion of 10 years of continuous service and has been credited with an additional 3 years of pensionable service effective January 1, 2014. Mr. Smith will be credited with an additional 3.25 years of pensionable service when he will attain age 55.

(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, 2017. 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 as of age 65, based on his average annual salary during his highest paid 36 successive months of company service as of December 31, 2017 and his credited service being projected to age 65 (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 2016 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 3.9%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2016 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 2017, 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 retroactive impact. The service cost was calculated using the same assumptions that were used for 2016 year-end financial statement reporting purposes, including a discount rate of 4.1%. The amounts disclosed with respect to changes in salary reflect 2017 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, 2017 and is based on 2017 year-end assumptions, assuming a going-concern basis. The 2017 assumptions used for determining the accrued obligation are the same as those used for 2017 year-end financial statement reporting purposes. In particular, a discount rate of 3.6% was used, which reflects corporate AA bond yields at the end of the year.

(8) Mr. Rovinescu was entitled to an annual benefit payable of $168,600 in relation to his previous period of employment with the Corporation. Effective November 1, 2009, all pension payments in relation to his previous employment with Air Canada were voluntarily suspended. Benefits related to his previous employment will continue to accrue and will become payable to Mr. Rovinescu upon his departure / retirement from Air Canada, together with the pension that will accrue from his current period of employment. In November 2014, his employment agreement was modified to bring his pension closer to market competitive levels and to serve as a retention incentive. Mr. Rovinescu's two periods of employment were combined and his current salary was used in the calculation of the final average earnings, both being conditional on Mr. Rovinescu continuing to be actively employed by Air Canada as its President and Chief Executive Officer as of December 31, 2017.

TERMINATION AND CHANGE OF CONTROL BENEFITS

The obligations of the Corporation vis-à-vis its Named Executive Officers in the event of termination were described above under the heading "2017 Compensation of the Named Executive Officers" at page 59 and following of this circular.

Air Canada is currently a party to change of control agreements with each of Messrs. Rovinescu, Rousseau, Smith and Shapiro. Under these agreements, a "Change of Control" is generally defined as follows:

> (i) any event or series of related events as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction, directly or indirectly, over thirty-five (35%) percent or more of all issued and outstanding voting securities carrying thirty-five (35%) percent or more of the votes attached to all voting securities then outstanding; (ii) any event as a result of or following which any person or two or more persons acting jointly or in concert, beneficially owns or exercises control or direction over voting 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 two 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 the composition of the Board, which occurs at a single meeting of the shareholders or upon the execution of a shareholders' resolution, such that individuals who are members of the Board immediately prior to such meeting or resolution cease to constitute a majority of the Board without the Board, as constituted immediately prior to such meeting or resolution, approving of such change; or (iv) any event or series of related events as a result of or following which the beneficial ownership or control or direction over the assets of Air Canada has decreased by an amount of not less than forty (40%) percent of the assets of Air Canada (on a consolidated basis), as shown on a consolidated balance sheet for Air Canada at the end of the last completed quarter (prior to the event or the first of the series of related events) of the then current financial year or as at the end of the last completed financial year if the event or the first of the series of related events occurs during the first quarter of a financial year.

Notwithstanding the foregoing, the term "Change of Control" as defined in the agreement expressly excludes:

> (i) any event in which all the holders of the outstanding equity securities and voting securities with identical attributes in the same relative amounts in a company which acquires all of the equity securities and voting securities and the composition of the board of directors of such company is identical to the composition of the board of directors of Air Canada at the time of such event and further provided that the executive holds the same position with the same title and responsibilities at such company; or (ii) any event forming part of the Plan of Arrangement of ACE Aviation Holdings Inc. as described in its press release dated December 10, 2008 and the material change report dated December 19, 2008 (Form 51-102F3) as filed with the Ontario Securities Commission.

In order for the benefits under the change of control agreements to become payable to Messrs. Rovinescu, Rousseau, Smith and Shapiro following the occurrence of a Change of Control (as summarized above), there must, within the subsequent 24 month period, be an involuntary termination (as defined in the agreements) of the respective executive's employment. In the event an involuntary termination of the respective executive's employment occurs within the subsequent 24 month period, the specified amounts would become payable under the agreement to such executive.

Each of Messrs. Rovinescu, Rousseau, Smith and Shapiro would become entitled to the payments and benefits to which they are entitled under the terms of their respective employment agreement in the event of a termination without cause. Additionally, Messrs. Rovinescu, Rousseau, Smith and Shapiro, will be entitled to receive an additional two years of pensionable service.

Air Canada and Mr. Rovinescu entered into an additional agreement whereby following a "Hostile Change of Control", Mr. Rovinescu has the right at any time within two years thereafter, to require the Board of Directors to terminate his employment and any such termination shall be considered to be (and have the same effect as) a termination without cause under the terms of his Employment Agreement (the payments and benefits to which he would then be entitled having been summarized at page 61 of this circular). Under this agreement, a "Hostile Change of Control" is defined as follows:

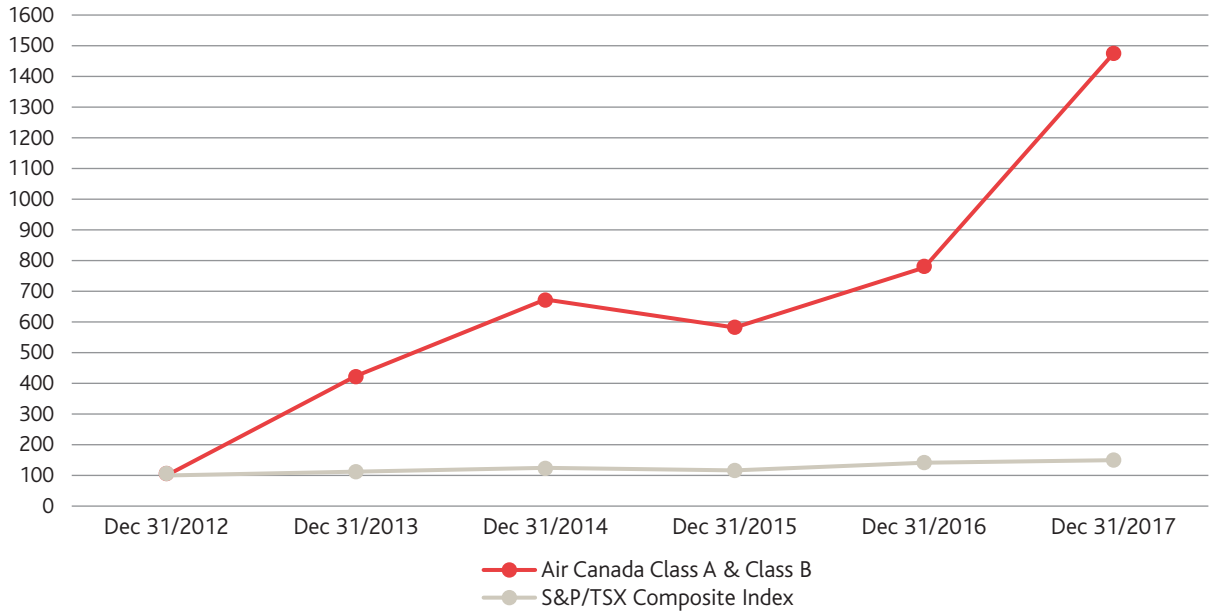
> a "Change of Control" (as was defined above) that results from the take-up of securities under a "take-over bid" (as such term is defined in Québec Regulation 62-104 respecting take-over bids and issuer bids ("**62-104**")) that is not exempt from the formal bid requirements set out in Part 2 of 62-104 including any acquisition of securities under a statutory right of compulsory acquisition or any second step business combination within the meaning of Québec Regulation 61-101 respecting protection of minority security holders in special transactions, in each case within 120 days following the completion of such take-over bid, and such take-over bid: (i) was not solicited, initiated, approved or recommended by the Board of Directors of Air Canada (a "Hostile Bid"), (ii) was solicited, initiated, approved or recommended by the Board of Directors of Air Canada in response to or as an alternative to a Hostile Bid, or (iii) was initially a Hostile Bid but was ultimately approved or recommended by the Board of Directors of Air Canada based on one or more modifications or variations to the take-over bid whether at the request or suggestion of the Board of Directors of Air Canada or otherwise.

STOCK PERFORMANCE GRAPH

FIVE YEAR TOTAL SHAREHOLDER RETURN COMPARISON

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, 2013 with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2013 and ended December 31, 2017. Effective November 3, 2014, the Class A variable voting shares and the Class B voting shares started trading on the TSX under the single ticker "AC". Prior to that date, the Class A variable voting shares and Class B voting shares traded on the TSX under their respective symbols AC.A and AC.B.

Air Canada Class A and Class B Shares Versus S&P/TSX Composite Index
5-Year Total Cumulative Return on $100 Investment of 1,379%



The price of Air Canada's Class A variable voting shares and Class B voting shares rose approximately 1,379% from December 31, 2012 to December 31, 2017.

The Corporation's executive compensation program, which includes base salary and short-term and long-term incentive programs, are designed to align Air Canada's financial and market performance with the value its Named Executive Officers receive from these performance-based programs. Cash compensation of Air Canada's Named Executive Officers has remained fairly constant relative to the Corporation's Adjusted Net Income and EBITDAR. The cash compensation of Air Canada's Named Executive Officers has remained largely unchanged over the past three years, whereas a large portion of compensation is in the form of long-term stock-based incentives, as described on page 50 of this circular under the heading "Components of Executive Compensation". Realized payouts related to Long-Term Incentive Plan awards are directly affected by share price, both negatively and positively, evidenced by the forfeiture of performance-based stock options and performance-based share units granted between 2006 and 2008, and conversely, in-the-money options and vesting of stock options and share units granted in and after 2009.

COST OF MANAGEMENT RATIO

The following table shows the total aggregate compensation awarded to the Named Executive Officers for the last three years, expressed as a percentage of Adjusted Net Income and of EBITDAR. The total aggregate NEO compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the 2015, 2016 and 2017 years.

	2015[1]	**2016**[1]	**2017**[2]
Total aggregate NEO compensation ($ millions)[3]	16.5	17.1	17.1
Adjusted Net Income ($ millions)[4]	1,222	1,147	1,158
As a percentage of Adjusted Net Income	1.3%	1.5%	1.5%
EBITDAR ($ millions)	2,542	2,768	2,921
As a percentage of EBITDAR	0.65%	0.62%	0.59%

(1) Named Executive Officers for each of the 2015 and 2016 years consist of:
Calin Rovinescu, Michael Rousseau, Benjamin Smith, Klaus Goersch and David Shapiro.

(2) Named Executive Officers for the 2017 year consists of:
Calin Rovinescu, Michael Rousseau, Benjamin Smith, Lucie Guillemette and David Shapiro.

(3) Total amount of compensation excludes pension value paid to the Named Executive Officers.

(4) For 2017, a tax expense of $16 million is excluded from Adjusted Net Income for purposes of the AIP.

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, 2017 to October 1, 2018 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 19, 2018, 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.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no director, senior officer or other insider, as applicable, of the Corporation, nor any associate or affiliate of the foregoing persons 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.

MAIL SERVICE INTERRUPTION

If there is a mail service interruption prior to the meeting, in order to return a completed proxy to AST, it is recommended that the shareholder deposit the completed form of proxy, in the envelope provided, at any of the following principal offices of AST:

Alberta

600 The Dome Tower
333 – 7th Avenue S.W.
Calgary, Alberta

British Columbia

1066 West Hastings Street
Suite 1600
Vancouver, British Columbia

Ontario

1 Toronto Street
Suite 1200
Toronto, Ontario

Québec

2001 Robert-Bourassa Boulevard
Suite 1600
Montréal, Québec

SHAREHOLDER PROPOSALS FOR OUR 2019 ANNUAL MEETING

We will include proposals from shareholders that comply with applicable laws in next year's management proxy circular for our 2019 annual shareholder meeting. Please send your proposal to the Corporate Secretary of Air Canada at P.O. Box 14,000, Station Airport, Dorval, Québec, H4Y 1H4 by December 18, 2018.

HOW TO REQUEST MORE INFORMATION

Documents you can request

Financial information with respect to Air Canada 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, 2017. You can ask us for a copy of the following documents at no charge:

- Air Canada's annual report for the year ended December 31, 2017, which includes our consolidated annual financial statements together with the accompanying auditors' report, and our related MD&A;
- any interim financial statements that were filed after the consolidated financial statements for the year ended December 31, 2017, and our related MD&A; and
- our Annual Information Form for the year ended December 31, 2017.

Please write to Shareholder Relations at Air Canada Centre, P.O. Box 14000, Station Airport, Dorval, Québec, H4Y 1H4.

These documents and additional information are available on our website at www.aircanada.com and on SEDAR at www.sedar.com. All of our news releases are also available on our website.

Receiving information electronically

You can choose to receive electronically our corporate documents, such as this circular and our annual report. You will receive an e-mail notifying you when they are available on our website.

How to sign up – registered shareholders

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

If you are not sure whether you are a registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

To sign up, go to the website ca.astfinancial.com/edelivery and follow the instructions.

How to sign up – non-registered shareholders

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 not sure whether you are a non-registered shareholder, please contact AST at 1-800-387-0825 (toll free in Canada and the United States) or 416-682-3860 (other countries).

To sign up, go to the website www.investordelivery.com and follow the instructions.

How to sign up – employees holding shares under the employee share ownership plan or the employee recognition share award plan of Air Canada

If you are not sure whether you are an employee holding your shares through Computershare, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or 514-982-8705 (other countries).

To sign up, go to the website www.computershare.com/employee/ca and follow the instructions.

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 2018 annual meeting of shareholders of Air Canada."

SCHEDULE "B"

AIR CANADA

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**"). This charter is subject to the provisions of the Corporation's articles of incorporation and by-laws and to applicable laws. This charter is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such articles, by-laws and applicable laws. Directors are elected annually by the shareholders of the Corporation and together with those appointed to fill vacancies or appointed as additional directors throughout the year, collectively constitute the Board.

II. ROLE

The Board is responsible for the stewardship of the Corporation and its business and is accountable to shareholders for the performance of the Corporation.

The Board establishes the overall policies for the Corporation, monitors and evaluates the Corporation's strategic direction, and retains plenary power for those functions not specifically delegated by it to its Committees or to management. Accordingly, in addition to the duties of directors of a Canadian corporation as prescribed by applicable laws, the mandate of the Board is to supervise the management of the business and affairs of the Corporation with a view to evaluate, on an ongoing basis, whether the Corporation's resources are being managed in a manner consistent with ethical considerations and stakeholder's interests and in order to enhance shareholder value. In discharging their duties, directors must act honestly and in good faith, with a view to the best interests of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

III. COMPOSITION

Selection

The Board shall be comprised of that number of directors as shall be determined from time to time by the Board upon recommendation of the Governance and Nominating Committee of the Board.

The Governance and Nominating Committee of the Board maintains an overview of the desired size of the Board, the need for recruitment and the expected skill-set of new candidates. The Governance and Nominating Committee reviews and recommends to the Board candidates for nomination as directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the industry and the geographical areas in which the Corporation operates. Directors selected should be able to commit the requisite time for all of the Board's business.

Chairman

A Chairman of the Board shall be appointed by the Board.

Independence

A majority of the Board shall be composed 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 the laws, regulations and listing requirements to which the Corporation is subject.

Criteria for Board Membership

Board members are expected to possess the following characteristics and traits:

(a) demonstrate high ethical standards and integrity in their personal and professional dealings;

(b) act honestly and in good faith with a view to the best interests of the Corporation;

(c) devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as Committee members;

(d) provide independent judgment on a broad range of issues;

(e) understand and challenge the key business plans and the strategic direction of the Corporation;

(f) raise questions and issues to facilitate active and effective participation in the deliberation of the Board and of each Committee;

(g) make all reasonable efforts to attend all Board and Committee meetings; and

(h) review the materials provided by management in advance of the Board and Committee meetings.

Retirement Age for Directors

The policy of the Board is that no person shall be appointed or elected as a director if the person exceeds 75 years of age. The policy allows for an exception where the Board determines it is in the interest of the Corporation to request a director to extend his or her term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

IV. COMPENSATION

The Board has determined that the directors should be compensated in a form and amount which is appropriate and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.

V. RESPONSIBILITIES

Without limiting the Board's governance obligations, general Board responsibilities shall include the following:

(a) discussing and developing the Corporation's approach to corporate governance, with the involvement of the Governance and Nominating Committee;

(b) reviewing and approving management's strategic and business plans on an annual basis, including developing an in-depth knowledge of the business being served, understanding and questioning the plans' assumptions, and reaching an independent judgment as to the probability that the plans can be realized;

(c) monitoring corporate performance against the strategic and business plans, including overseeing operating results on a regular basis to evaluate whether the business is being properly managed;

(d) appointing the Corporation's Chief Executive Officer, satisfying itself that a succession plan is in place and developing his or her position description with the recommendation of the Governance and Nominating Committee;

(e) reviewing, through the Human Resources and Compensation Committee, the compensation of the Chief Executive Officer;

(f) identifying the principal risks of the Corporation and satisfying itself that the appropriate systems have been identified to manage these risks;

(g) satisfying itself that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;

(h) satisfying itself with respect to the proper and efficient functioning of its Committees;

(i) providing a source of advice and counsel to management;

(j) reviewing and approving key policies developed by management;

(k) reviewing, approving and as required, overseeing compliance with the Corporation's disclosure policy by directors, officers and other management personnel and employees;

(l) overseeing the Corporation's disclosure controls and procedures;

(m) monitoring, through the Audit, Finance and Risk Committee, the Corporation's internal controls and information systems;

(n) reviewing management's organization plans and reporting structure, succession plans for executive management and contingency plans in the event of disability of key executives;

(o) satisfying itself that members of management possess the ability required for their roles, are adequately trained and monitored and that planning for their succession is ongoing;

(p) satisfying itself that the Chief Executive Officer and the other members of management have the integrity required for their roles and the capability to promote a culture of integrity and accountability within the Corporation;

(q) conducting, through the Governance and Nominating Committee, an annual assessment of the Board and the Committees and of individual members of the Board;

(r) selecting, upon the recommendation of the Governance and Nominating Committee, nominees for election as directors;

(s) selecting a Chairman of the Board;

(t) reviewing 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; and

(u) in respect of the retirement plans, ensuring that the plans are consistent with the goals and objectives of the Corporation, and that the plans are effectively governed and appropriately funded.

VI. MEETINGS

The Board will meet at least quarterly, with additional meetings scheduled as required. Each director has a responsibility to attend and participate in meetings of the Board. The Chairman will prepare and distribute the meeting agenda and minutes to the Board.

Information and materials that are important to the Board's understanding of the agenda items and related topics will be distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation, to the Board on an as-required basis.

On the occasion of each Board meeting, non-management directors will consider if an "in-camera" meeting under the chairmanship of the Chairman would be appropriate. Additional meetings may be held at the request of any

director with notice to all members of the Board. The Chairman will forward to the President and Chief Executive Officer any questions, comments or suggestions of the directors.

VII. DECISIONS REQUIRING PRIOR BOARD APPROVAL

In addition to those specific matters requiring prior Board approval pursuant to the Corporation's by-laws or applicable laws, the Board will be 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, the Board shall be responsible for the following:

(I) Plan Design

The Board shall approve a policy on materiality of benefit changes (the "Materiality Policy") 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.

Unless otherwise referred to the Board by the Pension Committee, such Committee shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally restructure any retirement plans, where the expected impact of such decisions on the Corporation is material, as defined in the Materiality Policy.

(II) Governance

The Board shall 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

The Board shall review the contributions to the pension funds of the defined benefit pension plans as approved by the Pension Committee.

(IV) Supplemental Executive Retirement Plans

(i) *Initiation, Change and Termination* – The Board shall approve all decisions to initiate, terminate, and/or otherwise fundamentally restructure a supplemental executive retirement plan.

(ii) *Funding and Contributions* – The Board shall approve any decision on whether or not to fund or otherwise secure the liabilities of a supplemental executive retirement plan and how those liabilities should be funded or secured. If the liabilities are to be funded, the Board shall approve a funding policy which sets out guidelines with respect to the valuation and funding of the plan's liabilities. The Board shall also review the contributions to the plan's trust fund as approved by the Pension Committee.

VIII. BOARD COMMITTEES

There are four Committees of the Board: the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Pension Committee. The roles and responsibilities of each Committee are described in the respective Committee charters.

Members of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, and the Human Resources and Compensation Committee shall be independent as required under the charter of each Committee and the laws, regulations and listing requirements to which the Corporation is subject.

IX. COMMUNICATION WITH THE BOARD

Shareholders and other constituencies may communicate with the Board and individual board members by contacting Shareholder Relations.

X. ADVISORS

The Board has determined that any director who wishes to engage a non-management advisor to assist on matters involving the director's responsibilities as a director at the expense of the Corporation should have its request reviewed by, and obtain the authorization of, the Chairman of the Board.

XI. OTHER MATTERS

The Board expects directors as well as officers and employees of the Corporation to act ethically at all times and to acknowledge their adherence to the policies comprising the Corporate Policy and Guidelines on Business Conduct (the "Code of Conduct"). The Board, with the assistance of the Audit, Finance and Risk Committee, is responsible for monitoring compliance with the Code of Conduct.

Directors shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the director has a conflict of interest. In addition, a director shall excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest or which otherwise affects his or her personal, business or professional interests.

February 17, 2017

AIR CANADA

A STAR ALLIANCE MEMBER