



2023 Annual Information Form

March 4, 2024

 **AIR CANADA**

A STAR ALLIANCE MEMBER 

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The purpose of the Audit, Finance and Risk Committee (the "Audit Committee") of the Board of Directors of Air Canada (the "Corporation") is as follows:	52
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(a) to assist the board of directors of the Corporation (the "Board") in its oversight responsibilities in relation to:	52
(i) the component parts of the Corporation's financial reporting and audit process,	52
(ii) the independence, qualifications, and appointment of the external auditor,	52
(iii) the oversight of the Corporation's enterprise risk management process, including that appropriate systems to identify and mitigate risks have been developed and implemented;	52
(iv) the oversight of those specific enterprise risks for which responsibility has been delegated to it; and	52
(v) the development of internal controls and disclosure processes for environmental, social and governance matters, such as climate action and related plans;	52
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1. EXPLANATORY NOTES

Each section of any Air Canada management's discussion and analysis or consolidated financial statements referred to in this Annual Information Form (AIF) is incorporated by reference herein. No other information including any contained on or accessed via Air Canada's websites (or any other website referred to in this AIF), and no document referred to in this AIF, is incorporated into or forms part of this AIF, except if it is expressly stated in this AIF to be incorporated into this AIF. The documents incorporated by reference herein are available on Air Canada's website at aircanada.com and on SEDAR+ website at www.sedarplus.com. Except as otherwise noted or where the context may otherwise require, (i) the information in this Annual Information Form is current as at December 31, 2023, and (ii) the information in any document incorporated by reference in this AIF is current as at the date specified in that document with respect to such information.

Air Canada and the Corporation – In this AIF, *Air Canada*, the *Corporation*, *our*, *we* or *us*, mean, as the context may require, Air Canada or Air Canada and one or more of its subsidiaries, including its wholly owned operating subsidiaries, Aeroplan Inc. (Aeroplan), Touram Limited Partnership, doing business under the brand name Air Canada Vacations® (Air Canada Vacations), and Air Canada Rouge LP, doing business under the brand name Air Canada Rouge® (Air Canada Rouge).

Subsidiaries – In this AIF, a *subsidiary* means, in relation to any entity, any other entity which is controlled, directly or indirectly, by that entity, and an *entity* includes a corporation or partnership.

Defined Terms – We further explain certain terms and expressions used in this AIF in the section entitled "Glossary of Terms" at the end thereof.

Currency – All dollar figures are in Canadian dollars, unless stated otherwise.

Financial information – All financial information of Air Canada included in this AIF has been prepared in accordance with generally accepted accounting principles in Canada (GAAP), as set out in the CPA Canada Handbook – Accounting (CPA Handbook), which incorporates International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IFRS Accounting Standards), except for any non-GAAP measures and any financial information specifically denoted otherwise.

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

Caution Regarding Forward-Looking Information – Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as "preliminary"; "anticipate"; "believe"; "could"; "estimate"; "expect"; "intend"; "may"; "plan"; "predict"; "project"; "will"; "would"; and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada.

Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic conditions as well as geopolitical conditions such as the military conflicts in the Middle East and between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, Air Canada's dependence on technology, cybersecurity risks, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), employee and labour relations and costs, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, epidemic diseases, changes in laws, regulatory developments or proceedings, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations, as well as the factors identified in Air Canada's public disclosure file available at www.sedarplus.ca and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2023 MD&A dated February 16, 2024, which section is incorporated into this AIF by this reference.

Air Canada has and continues to establish targets, make commitments and assess the impact regarding climate change, and related initiatives, plans and proposals that Air Canada and other stakeholders (including government, regulatory and other bodies) are pursuing in relation to climate change and carbon emissions. The achievement of our commitments and targets depends on many factors, including the combined actions of governments, industry, suppliers and other stakeholders and actors, as well as the development and implementation of new technologies. In particular, our 2030 and 2050 carbon emission-related targets are ambitious and heavily dependent on new technologies, renewable energies and the availability of a sufficient supply of sustainable aviation fuels, which continues to present serious challenges. In addition, Air Canada has incurred, and expects to continue to incur, costs to achieve its goal of net-zero carbon emissions and to comply with environmental sustainability legislation and regulation and other standards and accords. The precise nature of future binding or non-binding legislation, regulation, standards and accords, on which local and international stakeholders are increasingly focusing, cannot be predicted with any degree of certainty, nor can their financial, operational or other impact. There can be no assurance of the extent to which any of our climate goals will be achieved or that any future investments that we make in furtherance of achieving our climate goals will produce the expected results or meet increasing stakeholder environmental, social and governance expectations. Moreover, future events could lead Air Canada to prioritize other nearer-term interests over progressing toward our current climate goals based on business strategy, economic, regulatory and social factors, and potential pressure from investors, activist groups or other stakeholders. If we are unable to meet or properly report on our progress toward achieving our climate change goals and commitments, we could face adverse publicity and reactions from investors, customers, advocacy groups or other stakeholders, which could result in reputational harm or other adverse effects to Air Canada.

The forward-looking statements contained or incorporated by reference in this Annual Information Form represent Air Canada's expectations as of the date of this AIF (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required under applicable securities regulations.

Intellectual Property – Air Canada owns or has rights to trademarks, service marks or trade names used in connection with the operation of its business. In addition, Air Canada's names, logos and website names and addresses are owned or licensed by Air Canada, as applicable. Air Canada also owns or has the rights to copyrights that also protect the content of its products and/or services. Solely for convenience, the

trademarks, service marks, trade names and copyrights referred to in this AIF may be listed without the ©, ® and TM symbols, but Air Canada reserves all rights to assert, to the fullest extent under applicable law, its rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights. This AIF may also include trademarks, service marks or trade names of other parties. Air Canada’s use or display of other parties’ trademarks, service marks, trade names or products is not intended to, and does not imply a relationship with, or endorsement or sponsorship of Air Canada by, the trademark, service mark or trade name owners or licensees.

2. CORPORATE STRUCTURE

2.1 Name, address and incorporation

Air Canada was continued under the *Canada Business Corporations Act* (CBCA) in 1988. It is governed by a certificate and articles of amalgamation dated November 24, 2006, which gave effect to an acquisition it completed at that time, as restated through a restated certificate of incorporation dated February 20, 2017, and amended by a certificate and articles of arrangement dated May 8, 2019, to implement a plan of arrangement to align restrictions on the level of non-Canadian ownership and voting control with those prescribed by the then recently amended *Canada Transportation Act*.

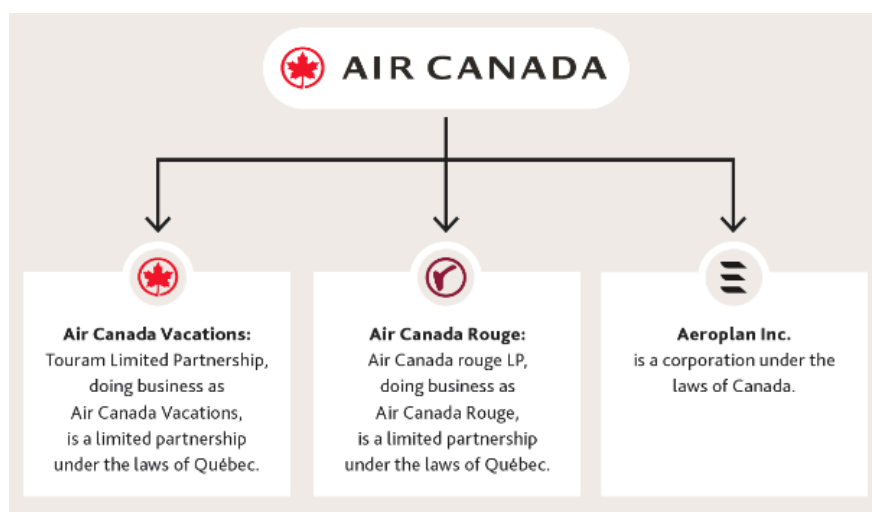
Air Canada’s Class A variable voting shares (the “Variable Voting Shares”) and Class B voting shares (the “Voting Shares,” together with the Variable Voting Shares, the “Shares”) are listed for trading on the Toronto Stock Exchange (TSX) under the single ticker “AC” and on the OTCQX International Premier in the United States under the single ticker symbol “ACDVF.”

The head office of Air Canada is located at 7373 Côte-Vertu Boulevard West, Saint-Laurent, Quebec, H4S 1Z3. Air Canada’s website address is aircanada.com.

2.2 Intercorporate relationships

At December 31, 2023, Air Canada did not have any subsidiary that represented 10 per cent or more of our consolidated assets, or 10 per cent or more of our consolidated sales and operating revenues, or any subsidiaries that in the aggregate represented 20 per cent or more of our total consolidated assets, or our total consolidated sales and operating revenues of Air Canada.

Air Canada directly or indirectly holds all of the shares or units, as applicable, of the following principal subsidiaries:



3. GENERAL OVERVIEW OF THE BUSINESS

Air Canada is the largest provider of scheduled passenger services in the Canadian market, the Canada-U.S. transborder market, and in the international market to and from Canada. Its mission is connecting Canada and the world.

4. STRATEGY

Air Canada's vision is predicated on leveraging the solid foundation it has built over the past several years to restore and rebuild toward its global champion ambition, while taking advantage of groundbreaking opportunities and continuing to execute on Air Canada's unwavering commitment to safety, service excellence and the customer journey.

Air Canada is evolving its business for the future. "Rise Higher," Air Canada's business imperatives framework supporting its corporate strategy, is intended to elevate everything about its business. In pursuing its Rise Higher principles, Air Canada is working to:



Fund its future by staying vigilant on costs, seizing on opportunities and making the right strategic investments.



Reach new frontiers by embracing its competitive strengths to grow its business, restoring and expanding its international reach and continually exploring new opportunities.



Elevate its customers by supporting the creation of meaningful customer experiences and human connections, such as by leveraging innovations in technology, loyalty program and products.



Foster a collaborative workplace that respects all diverse cultures and contributions to society.

In 2024, Air Canada will continue to build upon and leverage its key assets and competitive advantages, including:

- Its talented people and award-winning culture.
- A streamlined, modern, fuel-efficient and versatile fleet, with market-leading aircraft configurations.
- A global network that is well positioned to meet demand from various customer segments and enhanced by the airline's membership in Star Alliance® and many commercial arrangements.
- A widely recognized and powerful brand.
- A customer experience enhanced by competitive products and services, including the innovative Aeroplan program.

- Air Canada Rouge, a lower-cost leisure carrier, and Air Canada Vacations, a leading Canadian tour operator.
- An expanded cargo offering that leverages network synergies between the passenger and the dedicated freighter fleet.
- New core technologies and other technological improvements.
- A commitment to sustainability.

5. DESCRIPTION OF THE BUSINESS

The year 2023 was pivotal for Air Canada. Having stabilized and recovered from the COVID-19 pandemic, Air Canada achieved sound financial results while significantly progressing on its strategic priorities. Air Canada's full year financial results and operational performance improved meaningfully from 2022, despite the challenges and uncertainties posed by geopolitical events, inflationary pressures and supply chain issues affecting the aerospace industry.

Air Canada and the rest of the global airline industry faced significantly lower traffic during the COVID-19 pandemic. Demand for travel was impacted by health measures (including vaccine requirements) and travel restrictions in many countries, as well as by concerns related to the pandemic and its economic impact. This translated into a decline in revenue and in cash flows. We carefully pursued our ramp-up plans in 2021 and 2022 and the situation started to improve in the second quarter of 2022. In 2022, Air Canada's total operated capacity (measured by available seat miles or ASMs) recovered to 73 per cent of 2019 levels. In 2023, it rose to about 88 per cent of 2019 levels.

While COVID-19-related travel restrictions and health measures were still present in Canada in 2022, notably in the first half, most of the remaining restrictions were eased leading into the summer of 2022 and, effective October 1, 2022, all remaining Government of Canada restrictions were lifted.

During 2023, Air Canada continued to invest in new products and services, strengthen its various partnerships and advance its innovation agenda. The main drivers for the year-over-year improvements in financial and operating results included:

- 20% year-over-year increase in operated capacity
- 188 direct destinations compared to 185 destinations in 2022
- 1,025 average daily flights operated compared to 945 average daily flights in 2022
- Year-over-year increase in yields driven by a strong pricing environment
- Strong demand for premium products in all markets
- Stronger partnerships and collaborations

5.1 Routes, Network and Services

Throughout 2023, Air Canada dedicated itself to rise higher and rebuild toward its renewed global champion ambition. The restoration of Air Canada's North American and international networks in 2023 included the following:

- Expanding its North American network with the launch of new services on four transborder and two domestic routes, and growing capacity on nearly 70 per cent of all North American routes served. In the domestic market, Air Canada resumed several seasonal routes, increased frequencies on certain domestic routes and launched non-stop services between Montréal and Fort McMurray, and between Toronto and Yellowknife. In the transborder market, Air Canada launched routes between Toronto and Montréal to New York JFK airport and between Toronto

and Sacramento, restored 13 transborder routes and increased frequency on over a dozen U.S. routes.

- Expanding its international network with 34 routes relaunched across the Atlantic and Pacific. We added new transatlantic services to Brussels, Amsterdam, Toulouse, Copenhagen and Dubai. Key Asia services resumed to Tokyo-Haneda and Osaka, and we increased frequencies and extended seasonal routes to various destinations in the Atlantic, Pacific and South America regions. We also solidified new and deepened existing relationships with key travel partners through an expanded joint venture with United Airlines and a new strategic partnership with Emirates.

5.1.1 Global Network

Air Canada's global champion ambition involves a strong global network that covers all key segments of air travel — from well-rooted and active regional, domestic and transborder services to an expanding international offering. Our objective is to provide seamless connectivity with Air Canada and its partners, consistent and superior customer service delivery and revenue base diversification, including through Air Canada Cargo and Aeroplan.

Air Canada's hubs in Toronto, Vancouver and Montréal each offer complementary geography and demographics. These hubs are well positioned to capture global traffic flows and have the benefit of a strong local multicultural population base that offers Air Canada a variety of international network opportunities.

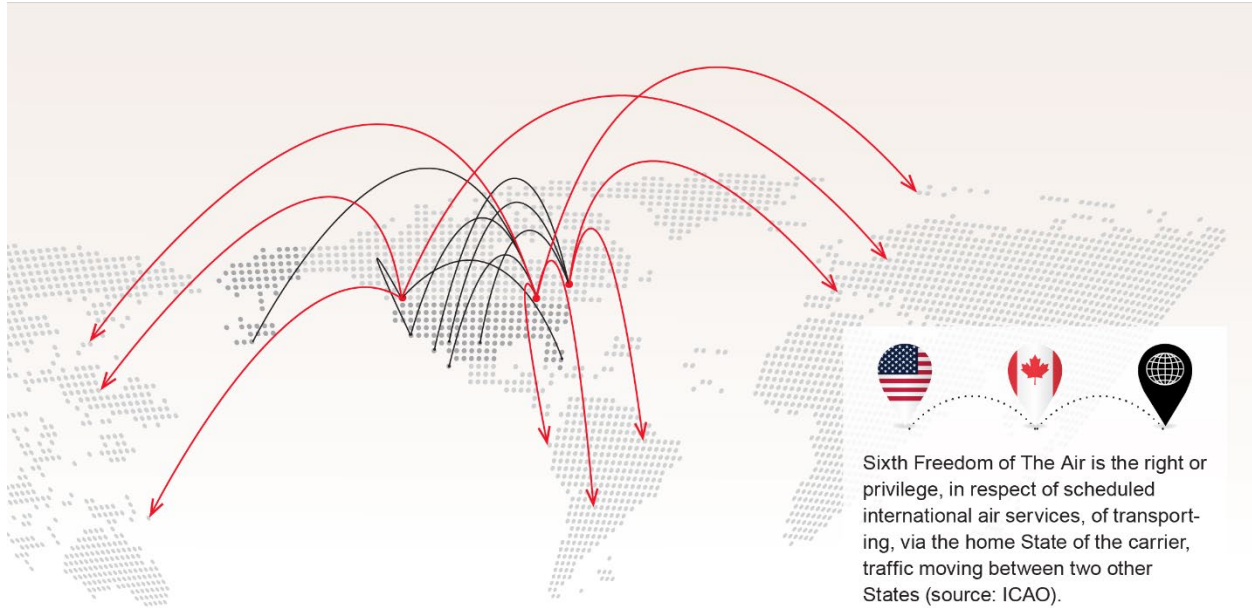
System ASM capacity in 2023 was 99,012 million, an increase of 19.9 per cent from 2022.

5.1.2 Domestic Services

Air Canada operates a comprehensive and robust domestic network, supported through a deep regional network operated by Air Canada Express partners, to serve our customers from coast to coast to coast. Through our hubs in Toronto, Montréal and Vancouver, we are helping Canadians reach their destination of choice. In 2023, Air Canada increased its capacity in the domestic market by more than five per cent from 2022, driven by growth in Eastern Canada. We operated, on average, 504 daily scheduled flights to 51 stations — more than any other carrier.

5.1.3 Transborder Services

When compared with all carriers offering transborder services, Air Canada had the most non-stop destinations and flights to the United States from Canada and, together with its regional partners, carried more passengers between the two countries than any other airline. Our network reach is also enhanced by extensive connections made available through a strategic alliance with United Airlines, offering 80 additional routes and more than 200 daily flights, as well as code share flights.



In 2023, the number of U.S. destinations we served totalled 51, unchanged from 2022, but the average number of daily flights increased to 186 in 2023 compared to 157 in 2022, all supporting Air Canada’s Sixth Freedom traffic strategy. A series of improvements have been made over the years to enhance the offering on this sector including:

- Optimizing the schedule to improve connection times and establishing simplified transit procedures with airport authorities.
- Our revenue optimization strategy and expanded United Airlines partnership:
 - Continually developing products to appeal to the Sixth Freedom customer market, including a new Maple Leaf Lounge at San Francisco International Airport and a unique co-location arrangement at the new United Club lounge at Newark Liberty International Airport.
 - Launching the Chase Aeroplan card for U.S. cardmembers.

5.1.4 International Services

In 2023, we took significant steps toward rebuilding our global network, offering direct scheduled services to 85 international destinations compared to 81 international destinations in 2022. In doing so, we helped strengthen our footing in the transatlantic, transpacific and South American markets. As Canada’s largest airline and flagship carrier, our significantly rebuilt international network serves the strong demand for leisure and VFR markets and also contributes to cargo revenue on scheduled passenger flights.

We also aim to further develop and diversify our international strategy, supported by our strong airline partnerships including our Star Alliance® membership, various joint business agreements as well as our codeshare and interline partnerships, all underpinned by our commitment to elevate the customer experience.

5.1.5 Air Canada Cargo

Air Canada Cargo is a division of Air Canada. Its primary customers are large freight forwarding companies and businesses whose products require air services to expedite their time-sensitive cargo shipments.

Air Canada Cargo is present in more than 50 countries with hubs in Montréal, Toronto, Vancouver, Chicago, London and Frankfurt. As the dedicated air freight division of Air Canada, Air Canada Cargo uses Air Canada's domestic and international passenger flights and all-cargo flights, as well as other modes of transportation such as trucking services.

Air Canada Cargo began operating freighter services in 2022 and continued deployments in 2023 to over a dozen destinations, including Toronto, Halifax, St. John's, Miami, Atlanta, Dallas, Quito, Lima, San Juan, Mexico City, Guadalajara, Bogotá, Madrid, Frankfurt, Basel and Liege. The freighter operation complements Air Canada's vast international and domestic passenger network.

Air Canada Cargo offers shipping solutions tailored to specific commodities, and it develops and sources applications and uses technology to improve operational and business processes and deliver quality service to its customers. Air Canada Cargo continues to focus on sustainable revenues, leveraging network synergies between the passenger and freighter fleet, expediting opportunities in Sixth Freedom revenue and capitalizing on e-commerce demand. Air Canada Cargo continues to play a key role in Air Canada's diversification strategy.

In 2023, Air Canada Cargo signed an agreement with Emirates SkyCargo to offer more benefits to mutual air freight customers. This includes access to more capacity on a larger combined global network and the opportunity for mutual customers to book shipments on respective flights. Air Canada Cargo also became a member of the Pharma Aero platform with the aim of contributing to and benefiting from Pharma Aero's knowledge and expertise to further develop its handling of pharmaceutical shipments. It also launched a new website with features to improve the customer experience.

5.1.6 Air Canada Vacations and Air Canada Rouge

Air Canada Vacations is a leading Canadian tour operator, developing, marketing and distributing vacation travel packages, including flight and hotel packages, car rentals and travel-related activities in the outbound leisure travel market (Caribbean, Mexico, the U.S., Europe, Central and South America, South Pacific, Australia, Asia), and the leisure travel market to destinations within Canada, and offering cruise packages in North America, Europe, and the Caribbean.

In 2023, Air Canada Vacations enhanced the overall value offered to Aeroplan Members by allowing them to earn not only on the flight portion but also the entire vacation package when booking a minimum seven-night stay from a selection of more than 240 vacation packages to Mexico and the Caribbean.

Air Canada Rouge is Air Canada's leisure carrier, leveraging the strengths of Air Canada, including its extensive network with enhanced connection options, operational expertise and frequent flyer program. Air Canada Rouge seeks to maintain a cost structure that is consistent with that of its leisure market competitors, effectively lowering CASM on leisure routes with increased seat density, improved labour efficiency, more efficient work standards and reduced overhead costs. Air Canada Rouge also gives Air Canada the ability to compete against low-cost carriers and ultra-low-cost carriers. In 2023, the Air Canada Rouge fleet consisted solely of narrow-body aircraft and primarily operated short- and medium-haul flights to leisure destinations in the Caribbean, the U.S., and Canada.



5.1.7 Strategic Partnerships

Air Canada Express:

Air Canada's domestic and transborder networks are available to customers flying on regional flights operated on its behalf under the "Air Canada Express" banner.

In 2019, Air Canada amended its capacity purchase agreement with Jazz (Jazz CPA) to extend its term to 2035, generate cost savings and optimize the network and fleet flexibility as compared to the prior agreement. At that time, it also announced a \$97 million equity investment in voting shares of Chorus Aviation Inc. (Chorus), Jazz's parent corporation. Its investment represented at the time about 9.99 per cent of all voting shares of Chorus. Air Canada agreed under an investor rights agreement to hold its investment for at least 60 months, subject to limited exceptions, and obtained the right to one nominee on Chorus' board of directors.

In 2021, Air Canada further agreed to amend the Jazz CPA and transferred the operation of its Embraer E175 fleet to Jazz from Sky Regional. The revised Jazz CPA lowers future contractual capital expenditures and leasing costs through a restructured Jazz CPA fleet.

In 2023, Air Canada entered into a commercial agreement with PAL Airlines to provide, on behalf of Air Canada, regional flying capacity within Eastern Canada using up to six Dash 8-400, for up to five years.

Star Alliance®:

Air Canada is a founding member of the Star Alliance® network, the world's largest airline alliance group. Since its inception in 1997, the Star Alliance® membership has grown and currently includes 26 airlines.

This alliance brings together flight networks of many of the world's leading airlines, and it strives for seamless connections through lounge access, check-in services, ticketing and other services to improve the travel experience for customers. Air Canada has codeshare arrangements with all Star Alliance® members save for Copa Airlines and Shenzhen Airlines.

Our Star Alliance® partners' expansive networks and service offerings throughout the COVID-19 pandemic allowed us to mitigate some of its impact. Now that many of the Star Alliance® airlines' global networks have been reconstructed, Air Canada and its partners are focused on enhancing the customer experience while optimizing connectivity through codeshare and interline arrangements.

Strategic Arrangements and Codeshare Partnerships:

The development of commercial partnerships with major international carriers is an important element of Air Canada's business strategy, giving Air Canada an effective means to leverage and broaden its network offerings.

In addition to our membership in Star Alliance[®], we have bolstered our partnership portfolio through joint business agreements, codeshare partnerships and interline agreements. Our joint business agreements enable co-ordination on pricing, scheduling and sales under, including our A++ transatlantic revenue-sharing joint business agreement with United Airlines and the Lufthansa Group, our revenue-sharing joint business agreement with United Airlines on the Canada-U.S. transborder market and our revenue-sharing joint venture with Air China on routes between Canada and China. The parties involved in these business agreements are focused on enhancing competitiveness, creating operating efficiencies and improving the customer experience. By co-ordinating pricing, scheduling and sales under agreements, Air Canada can offer customers enhanced travel options, including improved connectivity, and reduced travel times.

We also have many codeshare and interline agreements to further increase our network scope and offer our customers more travel options. In addition to arrangements with 23 of our 25 Star Alliance[®] partners, we maintain codeshare relationships with 16 partners outside of Star Alliance[®], namely: Aer Lingus, Air Dolomiti, Azul Linhas Aereas Brasileiras, Cathay Pacific, Central Mountain Air, Emirates, Etihad Airways, Eurowings, Eurowings Discover, Flydubai, GOL Linhas Aéreas Inteligentes, Middle East Airlines, SNCF Voyageurs (Société nationale des chemins de fer français), Sri Lankan Airlines, Virgin Australia and Vistara.

Furthermore, in December 2023, Air Canada announced its launch of intermodal offering making air-and-rail connections possible, broadening our overall partnership portfolio and customer proposition in Europe. With this announcement, rail journeys in four European countries on four national rail systems were enabled: Deutsche Bahn in Germany, codeshare on SNCF Voyageurs in France, SBB in Switzerland and OBB in Austria.

We continue to assess new opportunities to strategically develop commercial alliances with major international carriers.

5.2 Aeroplan

Our award-winning Aeroplan program is Canada's premier travel loyalty program. It allows individuals to enrol as members and accumulate Aeroplan points through travel on Air Canada and select partners, as well as through the purchase of products and services from participating partners and suppliers. Members can redeem Aeroplan points for various travel, merchandise, gift cards and other rewards, provided directly by participating partners or made available through Aeroplan's suppliers. Aeroplan Elite Status recognizes Air Canada's frequent flyers, as well as Aeroplan's most engaged members, with a range of priority travel services and membership benefits.

In 2023, in building upon its successful relaunch and its partnerships with Starbucks, Uber and LCBO, Aeroplan launched a fuel partnership with Parkland (Ultramar, Pioneer, Chevron, Fas Gas). As a testament to its success, the Aeroplan loyalty program welcomed a significant number of new members in 2023, with active members totalling more than eight million, doubling in size since 2019. 2023 gross billings also significantly increased from 2022.

5.3 Sales and Distribution of Services

Air Canada uses several distribution channels and strategies to sell its services to various customer segments. Air Canada distributes its services directly to customers through Air Canada digital properties, including its main website (www.aircanada.com), Air Canada's mobile application, its travel agency web

portal (www.aircanada.com/agents) and its small/medium business website (acforbusiness.aircanada.com). Air Canada also sells its services through its contact centres, as well as through a global network of general sales agents (GSAs) and travel agencies (both traditional “brick and mortar” and leading online agencies). In addition, Air Canada’s services are offered through corporate self-booking tools and through online metasearch sites that redirect customers to www.aircanada.com or facilitate the booking, leveraging Air Canada APIs (application programming interface).

In 2023, Air Canada also implemented IATA New Distribution Capability (NDC), allowing travel agencies to access the widest range of products and ancillaries from Air Canada, along with superior servicing capabilities. This was complemented by substantially restructured agreements with the industry’s three primary Global Distribution Systems. The NDC is supporting our efforts to improve our customers’ travel experience, transforming the shopping and servicing between airlines and sellers, and providing access to the most comprehensive Air Canada content, an efficient shopping experience for all retail fare products.

5.4 People

Air Canada’s success and sustainability is dependent on how well it serves, engages and connects with its customers, how well it contributes to its communities and how it attracts, engages, trains, retains and motivates its employees. Air Canada continues to invest in employees’ growth and development in order to best serve customers and Air Canada employee programs leverage the latest tools in technology and pedagogy to optimize engagement and effectiveness, supporting employee skill development and knowledge transfer.

Newly recruited employees benefit from strong, extensive initial training programs to initiate them into Air Canada’s values. Development of leadership and management competencies has also been augmented, through in-person and virtual learning environments. This includes understanding and elevating the customer journey while representing our brand as true ambassadors and promoting Canada’s official languages: English and French.

In 2023, Air Canada hired more than 8,000 new employees and had an average of 35,675 full-time equivalent employees over the year. In 2023, 2,480 employees from various branches including Airports, Contact Centres and Cabin Crew completed job-specific training. Almost 17,500 employees completed training on appropriate service and standards of treatment for serving customers with disabilities. In addition, in 2023, Air Canada launched a new, comprehensive 18-month leadership development program called “Elevate” targeted to over 2,000 people managers. Moreover, 32 employee town halls were held across Canada, providing employees with insight on Air Canada’s vision, plans and goals as we continue to rise higher.

5.5 Certain Air Canada Policies

5.5.1 Safety

At the heart of Air Canada’s culture is its core value: Safety First, Always, which guides us in all we do. The safety of our customers, our employees and of those in communities where we fly and serve is always our top priority.

5.5.2 Safety Management

Safety management is a critical responsibility and affects virtually every decision Air Canada makes. Air Canada has established a governance, structure, processes and resources to ensure that all aspects of safety and its stewardship are always prioritized and that safety measures are appropriate and effective.

Air Canada is committed to conducting its business in a manner that ensures the health and safety of its employees and customers, while meeting its obligations under applicable laws. As part of its commitment to safety, Air Canada supports and promotes effective training, as well as the development and integration of safety data analytics and artificial intelligence (AI) into its Safety Management System (SMS), as AI allows us to go even further, complementing our various measures and supporting our employees. We also continually assess and manage safety risks associated with the introduction of new equipment, new routes and new initiatives or projects and reinforce and promote safety reporting and protect safety critical information in order to inform our decisions.

In accordance with the *Canadian Aviation Regulations* (CARs) and IATA Operational and Safety Audit (IOSA) Standards, Air Canada implemented, at all levels of the operation, a Safety Policy suited to the size and complexity of the organization. It is the basis of the Air Canada SMS. Air Canada also manages a safety checklist, outlining requirements and processes for its contractors working on its premises.

5.5.3 Safety Management Program

To improve the safety performance of Canadian air operators and increase accountability in the aviation sector, the CARs require that air operators implement an SMS in their organizations and appoint executives who are accountable for safety. An SMS is a systematic approach to managing safety, including through the necessary organizational structures, accountabilities, policies and procedures. Both Air Canada and Air Canada Rouge have implemented an SMS that meets and exceeds the requirements of applicable laws. The SMS serves as a framework within which systematic and comprehensive processes and procedures for managing risk are developed, applied and evaluated. The SMS also creates a common support structure for all operational groups, with concise direction, so that they may perform their safety management functions effectively.

The SMS ensures:

1. Active involvement of all employees including management and health and safety committees.
2. Continual development, monitoring and improvement of effective safety practices.
3. Appropriate training and education programs.
4. An inspection and audit process that provides feedback and results for timely corrective action.
5. A procedure to provide feedback to all employees.
6. A commitment to the communication and promotion of safe work practices and processes.

5.5.4 Code of Conduct

Ethical and sound business practices and behaviours are fundamental to Air Canada's governance culture, as exemplified in Air Canada's Corporate Policy and Guidelines on Business Conduct (the Code). The Code applies to all directors, officers and employees of Air Canada. The Code addresses, among other things, conflicts of interest, use of corporate assets, confidential information, compliance with laws and fair dealing with other people and organizations. The Code also includes information and guidance on how employees can report actual or potential misconduct on an anonymous basis through an independent third-party reporting service. An online reporting portal and toll-free telephone lines for Canada, the U.S. and other countries form part of the service. Retaliation in any form against anyone who reports a violation of the Code and related policies or of any law, rule or regulation is prohibited, and any reported instances of suspected retaliation would be investigated. All employees have a responsibility to understand and follow the Code.

In addition to the Code, Air Canada has developed a number of policies to establish more specific, detailed and prescriptive rules that govern particular issues, actions or situations set out in the Code. Such policies

ensure that certain expected behaviors are carried out in a consistent and standardized manner. Such policies include those discussed below:

5.5.5 Supplier Code of Conduct

Air Canada requests that suppliers align with our core values and meet high standards of ethical and responsible behaviour when they provide products or services. Air Canada has developed a Supplier Code of Conduct (SCC), which is a key component of our responsible and sustainable sourcing strategy. This principle-based code sets out our expectations of suppliers to ensure their behaviour meets Air Canada standards in key areas, such as business integrity, responsible business practices, responsible treatment of individuals and respect for the environment. The SCC and the Code of Conduct, promote consistency in expected behaviours by employees and suppliers and help extend our culture of integrity across our operations and supply chain.

5.5.6 Privacy and Information Security

Privacy and information security require ongoing care and attention for a business of our scale and complexity. We are subject to an expanding range of obligations as new privacy and data protection laws are enacted in Canada and around the world. Our customers, employees, investors and other stakeholders increasingly expect us to demonstrate that we collect data appropriately, use it for appropriate purposes and keep it secure. We are committed to protecting our customers' and employees' personal information and their right to privacy. Air Canada maintains privacy policies relating to the collection, use and sharing of personal information. The policies also describe the rights of individuals over that information. Air Canada's Privacy Office oversees the use of this information and monitors compliance with data protection laws.

We invest in cybersecurity initiatives that target areas of advancement to help ensure we stay ahead of evolving threats, both from the growing number of sophisticated actors (including hackers, organized criminals, state-sponsored actors) and information security attacks have continued to grow in complexity. Air Canada integrates cybersecurity requirements into all technology projects to help ensure a stable and secure baseline of systems, processes and training. These requirements are based on best practices and mature standards and they encompass all dimensions of cybersecurity resilience including the ability to identify, protect, detect, respond and recover as described in the NIST cybersecurity framework. We also seek to ensure that suppliers have effective cybersecurity and privacy controls that are aligned with Air Canada's policies and standards. In 2022, Air Canada introduced mandatory annual cybersecurity, privacy and safety training for all management staff.

5.6 Environmental Policy and Management System

Air Canada has developed an Environmental Policy that is consistent with the requirements of the IATA Environmental Assessment (IEnvA) Program, an ISO 14001:2015 equivalent EMS certification, which details Air Canada's commitments. The policy is the foundation of Air Canada's Environmental Management System (EMS) through which we maintain environmental management programs, enabling us to meet our obligations and address our environmental impacts.

Air Canada's EMS is a structured documented system of policies and procedures that is used to identify, monitor and assess climate- and environmental- aspects of its activities, related risks and opportunities, manage their impacts and set the Corporation's environmental objectives, targets and performance indicators.

Environmental management plans are developed to address Air Canada's significant environmental impacts and meet compliance obligations. Through environmental compliance audit programs, Air Canada monitors its regulatory compliance, identifies root causes of findings and ensures corrective actions are developed as required.

In support of its efforts to reduce waste, pollution and greenhouse gas (GHG) emissions and to improve environmental performance, Air Canada advanced to a third-party certified EMS system through the IEnvA Program. IEnvA is an environmental management system certification program, specifically developed for the airline sector, which demonstrates equivalency to the ISO 14001: 2015 environmental management systems standard. The recertification cycle for the program is every two years.

Air Canada was the first airline in North America to be IEnvA Stage 2 certified in 2020, the highest level of IEnvA compliance. IEnvA Stage 2 requires an airline to develop and implement, among other things:


- An environmental policy
- Leadership support to carry out the EMS system
- Procedures to identify, assess and manage environmental aspects and impacts
- Environmental significance/risk rating criteria
- Environmental management plans to address environmental issues that include:
 - environmental objectives and associated plans to achieve those objectives
 - control mechanisms to achieve and maintain environmental compliance and performance
- Environmental training programs
- Environmental communications plans
- Emergency response procedures


5.7 Fleet

We have been renewing our fleet. During the COVID-19 pandemic, we permanently retired older aircraft from our passenger fleet, which consisted of certain Boeing 767 and Airbus A320 family aircraft and all our Embraer 190 regional jets. With their retirement, we simplified our overall fleet and added more fuel-efficient aircraft, mitigating part of our carbon footprint and making our cost structure more efficient.

At December 31, 2023, Air Canada mainline had 203 aircraft in its operating fleet, which consisted of 115 Boeing and Airbus narrow-body aircraft and 88 Boeing and Airbus wide-body aircraft, including seven Boeing 767 freighters. Air Canada Rouge had an operating fleet of 40 Airbus narrow-body aircraft. At December 31, 2023, the Air Canada Express fleet consisted of 118 aircraft: 50 Mitsubishi regional jets, 43 De Havilland Dash-8 turboprop aircraft and 25 Embraer 175 aircraft.

The tables below provide the number of aircraft in Air Canada's and Air Canada Rouge's operating fleet as at December 31, 2023.

 AIR CANADA	At December 31, 2023				
	Number of Operating Aircraft	Total Seats	Average Age	Owned	Leased
Wide-body aircraft					
Boeing 777-300ER	19	418	13.8	11	8
Boeing 777-200LR	6	300	16.4	4	2
Boeing 787-8	8	255	9.6	8	-
Boeing 787-9	30	298	7.0	24	6
Boeing 767-300 freighters	7	-	23.0	5	2
Airbus A330-300	18	295	17.9	8	10
Total wide-body aircraft	88	321	12.8	60	28
Narrow-body aircraft					
Boeing 737 MAX 8	40	169	4.3	31	9
Airbus A321	16	190	20.3	8	8
Airbus A320	19	128	26.8	10	9
Airbus A319	7	125	26.8	7	-
Airbus A220-300	33	137	2.8	33	-
Total narrow-body aircraft	115	153	11.2	89	26
Total Mainline	203	223	11.9	149	54

	At December 31, 2023				
	Number of Operating Aircraft	Total Seats	Average Age	Owned	Leased
Narrow-body aircraft					
Airbus A321	17	195	9.1	4	13
Airbus A320	5	168	16.7	-	5
Airbus A319	18	136	25.5	15	3
Total Air Canada Rouge	40	165	17.4	19	21
Total Mainline & Rouge	243	213	12.8	168	75

The table below provides the number of aircraft operated on behalf of Air Canada by regional carriers under the Air Canada Express brand as at December 31, 2023.

	Actual		
	Dec. 31, 2022	2023 Fleet Changes	Dec. 31, 2023
Embraer 175	25	-	25
Mitsubishi CRJ-200	15	-	15
Mitsubishi CRJ-900	35	-	35
De Havilland Dash 8-400	39	4	43
Total Air Canada Express	114	4	118

5.7.1 Planned Fleet

Boeing 787-10 Aircraft

In September 2023, Air Canada announced that it is acquiring 18 Boeing 787-10 aircraft. Deliveries are scheduled to begin in the fourth quarter of 2025 with the last aircraft scheduled for delivery in the first quarter of 2027. The purchase agreement, which includes options for 12 additional Boeing 787-10 aircraft, substitutes for a previously announced agreement to purchase two Boeing 777 freighter aircraft and, as a result, Air Canada will no longer take delivery of the two freighters.

Airbus A321XLR Aircraft

Air Canada is acquiring 30 extra-long range (XLR) versions of the Airbus A321neo aircraft (Airbus A321XLR). Deliveries are scheduled to begin in the third quarter of 2025 with the final aircraft scheduled to arrive in 2029. Of the 30 total aircraft, 15 aircraft will be leased and 15 are being acquired under a purchase agreement with Airbus S.A.S. that includes purchase rights to acquire up to 10 additional aircraft between 2027 and 2031.

Airbus A220-300 Aircraft

Air Canada has an agreement with Airbus Canada for the purchase of Airbus A220-300 aircraft, which provides for:

- Firm orders for 60 Airbus A220-300 aircraft
- Purchase options for 15 additional Airbus A220-300 aircraft

Of the above-mentioned 60 firm orders, 33 have been delivered. Deliveries for the 27 remaining firm orders are planned between 2024 and 2027.

Boeing 737 MAX

Air Canada's agreement with Boeing for the purchase of Boeing 737 MAX aircraft provides for firm orders for 40 Boeing 737 MAX 8 aircraft (which have all been delivered) and purchase options for 10 additional Boeing 737 MAX aircraft. In 2023, Air Canada entered into lease agreements for five additional Boeing 737 MAX 8 aircraft that are scheduled to enter the operating fleet in 2025.

Boeing 787-9 Aircraft

In 2021, Air Canada exercised options for the purchase of three Boeing 787-9 aircraft. Two 787-9 aircraft were delivered, one in April 2023 and one in January 2024, and the remaining aircraft is scheduled to be delivered in 2024.

Heart Aerospace ES-30 Electric Aircraft

In 2022, Air Canada finalized a purchase agreement for 30 ES-30 electric-hybrid aircraft under development by Heart Aerospace. Due to the developing design and specifications of the aircraft, the final cost is not yet determinable and is not included in the table above, however, the agreement provides for a price cap. The regional aircraft are expected to enter service in 2028.

For additional information on Air Canada's fleet, including the cancellation of two Boeing 777 freighters, refer to section 7 "Fleet" of Air Canada's 2023 MD&A, which section is incorporated into the AIF by this reference.

5.8 Elevating the Customer Experience

We carried about 45 million customers to their destination safely and saw real progress on our operational performance in 2023 when compared to 2022. Our focus on operational improvement was evident as Air Canada's key operational metrics and customer satisfaction improved from 2022.

We continuously strive for excellence for our customers. With technology enhancements and customer service training, enhanced employee training programs, as well as engaging regularly with our customers through surveys, focus groups and other means, we are targeting a service experience that elevates our product offering.

In 2023, we delivered 41 initiatives relating to on-time performance, customer insights, customer communications, disruption handling and recovery, employee engagement and service excellence. These include:

- Employee levels exceeded those from 2019, with continually increased experience levels reinforced through additional training programs.
- Improved the schedule design of our flight operations, allowing for additional flexibility in ground time and connection times for customers.
- To enhance operational efficiencies, drove deep collaboration in planning and execution with all key partners in the travel ecosystem, including airport authorities, airport security agencies, customs and border processing and air traffic control and third-party ground handlers, caterers and fuelers.
- Introduced biometric technology (digital identification) in certain locations in Canada.
- New carry-on baggage processes, such as pre-solicitation to collect bags through self-service, customer messaging to facilitate the boarding process of select flights.
- Implemented process improvements to ensure efficient turnaround of aircraft and on time departures (such as equipment staging processes and cabin grooming procedures).
- Implemented itinerary change notifications using new automated customer messages.
- Implemented baggage and mobility aid tracking and reporting for journeys within Canada (via the Air Canada mobile app).

5.8.1 Product Enhancements

The following discusses 2023 product initiatives that demonstrate Air Canada's commitment to evolve its offerings, to offer higher levels of service, comfort and convenience to customers for their travel experience. This commitment was recognized with the "Passenger Choice Award for Best Entertainment in North America" from the Airline Passenger Experience Association and the "Best Airline for Onboard Entertainment" award from Global Traveler for the fifth consecutive year.

Enhanced in-flight entertainment:

- Offered Aeroplan Members free Wi-Fi texting on board via a multi-year partnership with Bell.
- Made additional advances to Air Canada app including:
 - Dynamic “push” boarding pass updates, ensuring customers always have the most up-to-date version of their travel document.
 - Integrated airport maps and way-finding into the Flight Status feature to help customers navigate through 12 major airports in Canada (Montréal, Toronto, Calgary, Vancouver) and internationally (Chicago, Newark, N.J., London, Frankfurt, Munich, Zurich, Dubai, Tokyo).
- Expanded Live TV into transborder markets and increased volume of onboard content by 209 per cent (more than 2,300 additional hours of content).
- Fostered major collaborations with industry leaders such as Apple, Audible (an Amazon company) and Disney and offered “first window” or “first airline to offer” opportunities including:
 - First airline worldwide to offer Disney+ Originals, Apple Fitness+ customized meditation videos, Hayu reality TV shows and HBO podcasts.
- Upgraded Airbus A321 aircraft with all new interior and innovative cabin technology:
 - Cabin improvements include larger overhead bins, new seating and a state-of-the-art in-flight entertainment (IFE) system
 - Exterior cameras on narrow-body aircraft provide customers real-time, high-definition flight views on IFE seatback screens
 - New technologies, such as Bluetooth audio and free high-speed internet available for all customers, trialled in flight

Family-friendly entertainment:

- Direct licensing deal with Mattel to offer extensive library of children's content including popular shows like Hot Wheels in the City and Thomas and Friends: Learning with Thomas as well as episodes of Barbie's vlog.

Expanded lounge network:

- Added three new premium airport lounges, bringing Air Canada's network of lounges to 29 worldwide:
 - Maple Leaf Lounge at San Francisco International Airport (SFO)
 - Aspire | Air Canada Café at the Billy Bishop Toronto City Airport
 - Newark Liberty International Airport Terminal A, co-located within new United Club.
- Ease of access via e-Gates at certain Maple Leaf Lounges and the Air Canada Café.

Food and beverage selections:

- Expanded in-flight food and beverage offerings to suit a variety of needs and tastes.
- Launched pre-ordering of in-flight meals for Air Canada Signature Class and Premium Economy customers on all international flights departing from Canada. Pre-ordering also enables Air Canada to reduce excess quantity of meals by 20 per cent in 2024, reducing the 10 per cent of meals currently loaded onto aircraft that go to waste.

- Introduced a 25 per cent back statement credit for all Bistro purchases when customers use TD Visa Aeroplan credit card to make onboard purchases.

5.8.2 New Core Technologies

Investment in new data and technology platforms remains an important driver for Air Canada's growth, customer experience and operations.

We forged an agreement with Intelsat, operator of the world's largest integrated satellite and terrestrial networks and leading provider of in-flight connectivity. Intelsat will provide connectivity systems for nearly 100 additional aircraft across our fleet, including Intelsat's new multi-orbit electronically steered array antenna for aircraft in our regional jet fleet.

Further, our customers and employees benefit from modern technology and enhanced experiences, including real-time communications and better disruption handling. One example is the introduction of a new feature in the Air Canada mobile app in 2023, which enables customers travelling within Canada to track the progress of their baggage and mobility aid in real time throughout their journey. The new tracking feature is designed to give travellers added confidence and improve the overall customer experience. Our customer experience and growth are further supported by ongoing investments in simulation and optimization models and machine learning tools for revenue management, network planning and maintenance.

Investments in data and technology platforms are also improving airline operations with the cloud migration of certain operations platforms and the availability of new data sources. Furthermore, our customer service agents now benefit from a sophisticated cloud-based telephone system that brings an intelligent Interactive Voice Recording (IVR) to the fore, helping Air Canada capture customer information and facilitate employees' interactions with customers via a dashboard. The dashboard gives operational teams access to information and tools they need from one main screen.

The introduction of a new disruption recovery tool optimizes the recovery from an airport ground-stop. System Operations Control teams use this sophisticated tool to reduce cancellations and minimize flight delays. Finally, technology investments have also strengthened our security posture with new capabilities that improve cybersecurity and automation, as well as fraud detection and monitoring. To that end, we also completed a desktop operating system migration.

5.8.3 Commitment to Sustainability

Air Canada aims to make meaningful connections and to care for and elevate one another, as Citizens of the World, which is the title of our corporate sustainability report. As a global air carrier, our activities can have an impact on employees, customers, the communities we serve and other stakeholders. As Citizens of the World, we aim, in everything we do, to integrate economic, environmental and social factors across three sustainability pillars: Our Business, Our People and Our Planet. Achieving our sustainability goals requires that we continue to apply and develop principles and approaches to help us translate aspiration into action, such as by looking at cost-effective measures to drive sustainability, using natural, social and economic resources in a responsible and efficient manner, fostering openness and transparency, embracing diversity, equity and inclusion, and collaboration, and by setting and meeting measurable targets.

The 2022 *Citizens of the World* edition reported on Air Canada's company-wide environmental, social and governance initiatives and results from January 1 to December 31, 2022. Air Canada's reporting is in accordance with the Global Reporting Initiative (GRI) Standards. Internationally recognized as a leader in sustainability reporting standards, the GRI helps maintain transparency and consistency in sustainability impact reporting. Air Canada was the first Canadian airline to join the United Nations Global Compact

(UNGC), which encourages businesses around the world to adopt sustainable and socially responsible practices. Air Canada is committed to supporting the 10 principles of the UNGC and the 17 Sustainable Development Goals (SDGs). Since 2020, Air Canada has aligned the SDGs with its reporting on the GRI and supports all 17 Sustainable Development Goals. The *2023 Citizens of the World* edition will be released mid-2024.

Air Canada's climate governance, strategy, risks and performance are also outlined in its report aligned with the Task Force on Climate-related Financial Disclosures (TCFD Report), as well as through the CDP. Formerly known as the carbon disclosure project, the CDP has aligned its approach with the TCFD framework. In March 2021, Air Canada released its Climate Action Plan that includes ambitious milestones to achieve its long-term goal of net-zero emissions by 2050. In defining this pathway, Air Canada has set 2030 absolute mid-term GHG net reduction targets:

- 20 per cent GHG net reductions from air operations by 2030 compared to our 2019 baseline
- 30 per cent GHG net reductions from ground operations by 2030 compared to our 2019 baseline

To support these targets, Air Canada has also committed a \$50 million investment for low-carbon technologies to accelerate decarbonization such as SAF and new aircraft technologies.

Our climate action goals are ambitious. We cannot achieve these goals on our own as we are heavily dependent on new technologies and the availability of sufficient sustainable aviation fuels and other renewable energies. We need governments, airports and other stakeholders to act decisively, to take concrete measures in support of infrastructure, energy transition and other initiatives that will allow the airline industry and Air Canada to decarbonize and achieve its climate action goals.

Air Canada believes in transparency, integrity and accountability and has engaged PricewaterhouseCoopers LLP to perform an independent, limited assurance engagement on seven performance indicators relating to health and safety, environment, and privacy. For information on the scope of the assurance and its related statement, please see the limited assurance statement at aircanada.com/citizensoftheworld.

Air Canada's Corporate Sustainability Report, TCFD Report, GRI Content Index (and related charts) and the United Nations Sustainable Development Goals index are available at aircanada.com/citizensoftheworld. To access the CDP report and learn more, please visit www.cdp.net.

6. INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

6.1 Domestic Market

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

Air Canada is Canada's largest domestic airline. Jazz is Canada's largest regional airline. Competition in the domestic market is primarily from WestJet.

Porter Airlines Inc. (Porter) is a regional passenger carrier based in the eastern triangle market, Ontario, as well as into Atlantic Canada. Porter introduced jet service across Canada and into the U.S. from Eastern Canada (Toronto Pearson, Montréal, Ottawa) during the first quarter of 2023 with a focus on major domestic markets.

The domestic market has seen the emergence of ultra-low-cost carriers such as Flair Airlines, Lynx (formerly Enerjet) and Canada Jetlines.

Other airlines operating in the domestic market with which Air Canada competes include Air Creebec, Canadian North, Central Mountain Air, Transat A.T. Inc., First Air, Pacific Coastal Airlines, Pascan Aviation, Provincial Airlines, and, to a lesser extent, Air North, Air Inuit and Bearskin Airlines.

6.2 U.S. Transborder Market

Air Canada is the largest provider of scheduled passenger services in the U.S. transborder market.

Competition in the U.S. transborder market is primarily from U.S. network carriers, their regional affiliates, and WestJet. The U.S. network carriers tend to operate flights between the United States and Canada into their hubs, connecting to flights to other U.S. and international destinations. U.S. network carriers with U.S. transborder operations include American Airlines, United Airlines, Delta Airlines, Alaska Airlines and JetBlue. For information on the business relationships between Air Canada and United Airlines, refer to the section entitled “Routes, network and services” of this AIF.

Other Canadian carriers, including Transat, Porter and Flair Airlines, operate U.S. transborder services, primarily focusing on leisure destinations.

6.3 International Market

Air Canada is the largest provider of scheduled passenger services in the international market to and from Canada and has a broad portfolio of international route rights. Air Canada operates its transatlantic network, focusing on hub-to-hub markets, VFR markets and leisure-focused European destinations, using mainline aircraft and supported by its commercial partnership with Lufthansa and the Lufthansa Group carriers.

Competition in the transatlantic, transpacific and South American markets is primarily from foreign network carriers and, to a lesser extent, from domestic carriers and from leisure carriers on higher-density routes during peak travel seasons. Competition in the Mexico and Caribbean markets is mainly from WestJet and Canadian low-cost carriers and tour operators, such as Transat, Sunwing Airlines and Flair Airlines.

In 2023, the Air Canada Rouge fleet consisted of only narrow-body aircraft primarily operating short- and medium-haul flights to leisure destinations in the Caribbean, the U.S., and Canada.

7. REGULATORY ENVIRONMENT

Air Canada and the airline industry are subject to extensive and continually evolving domestic and international legal, regulatory and administrative controls and oversight, including in relation to taxes, airport fees and operations, route rights, airport slots, aircraft operations and maintenance, security, anti-corruption, fraud and money laundering, passenger and consumer protection, public health and safety, accessibility of transportation, employment equity and diversity, human rights (including human trafficking), flight crew and other labour rules, linguistic requirements, privacy, data security, marketing and advertising, licensing, intellectual property, competition, alliances and joint ventures, pensions, environment (including in relation to fuel management, pollution, climate change, greenhouse gas emissions and noise levels), customs, trade controls, immigration, foreign exchange controls and, in some measure, pricing.

Below is a discussion of certain domestic and international laws and regulations affecting Air Canada as well as certain proposed laws and regulations that may impact Air Canada in the future. We cannot predict whether or when such laws or regulations (whether as proposed or as they may be amended) will come into force.

7.1 Canada

7.1.1 Introduction

In Canada, commercial air transportation, including policy, maintenance standards, operations standards, safety and ground and navigation facilities, falls within the jurisdiction of the Government of Canada and is the responsibility of the Minister of Transport and, to some extent, the Minister of Employment, Workforce Development and Disability Inclusion. The Canadian Transportation Agency (CTA), an independent administrative body of the federal government, acts as a quasi-judicial tribunal to resolve a range of commercial and consumer transportation-related disputes and as an economic regulator to make determinations and to issue authorities, licences and permits related to the air transportation industry. NAV Canada, a private sector, non-share capital corporation, is responsible for providing air navigation services in Canada. The Canadian Air Transport Security Authority (CATSA), a Crown corporation, is responsible for the security screening of passengers and non-passengers (airline/airport/concession staff) as well as baggage screening at designated airports in Canada.

The management and operation of all major Canadian airports are entrusted to Canadian airport authorities established as not-for-profit corporations. The funding model for airports in Canada is unique. Travellers, airlines and other on-site users fund this model.

7.1.2 Air Passenger Protection Regulations

Air Passenger Protection Regulations govern flights to, from and within Canada, including connecting flights, and specify carrier obligations such as in the event of a flight delay, cancellation or denial of boarding, as well as minimum standards of treatment, compensation and assistance in completing the planned itinerary and compensation for lost or damaged baggage. Legislation introduced in 2023 mandates changes to these regulations, and the CTA launched a consultation in July 2023 on the upcoming changes. Notably, situations in which compensation and standards of treatment are owed may change. These changes are expected to expose Air Canada to additional costs.

7.1.3 Accessibility

Together, the *Accessible Transportation for Persons with Disabilities Regulations* and the *Accessible Transportation Planning and Reporting Regulations* establish a framework for persons with disabilities to have accessible transportation services. Their requirements include how airlines such as Air Canada should remove barriers in several areas, including access to aircraft and airports, airline communications, employment, procurement, and generally provide accessible services. The stated purpose of these regulations is to create a single comprehensive set of accessible transportation regulations in Canada.

Air Canada published its first Accessibility Plan on June 1, 2023, following extensive consultations with customers and employees. This plan establishes feedback processes with the community that identifies barriers and sets out actions and timelines to remove them.

7.2 U.S. Transborder Services

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

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

7.3 International Services

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

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

Transport Canada's international air transportation policy, called Blue Sky, includes a more liberalized approach to Canada's bilateral air transportation negotiations. Under this policy, when it is in Canada's overall interest, Transport Canada will proactively pursue opportunities to negotiate more liberalized agreements for international scheduled air transportation, in order to provide maximum opportunities for the addition of passenger and all-cargo services according to market conditions. Canada has liberalized air services agreements including with the United States, the United Kingdom and the European Union.

7.4 Charter Services

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

7.5 Climate Action and Related Greenhouse Gas Emissions Legislation

There continues to be a focus on carbon dioxide (also referred to as greenhouse gas or GHG) emissions produced by the aviation industry. Legislation and regulations in various jurisdictions continue to be considered or adopted, including those related to carbon taxes, market-based mechanisms such as emissions trading systems, mandated fossil fuels carbon intensity reductions and related reporting obligations.

Air Canada is subject to and participates in various climate mitigation mechanisms, both in Canada and internationally.

We believe that policies that incentivize or otherwise encourage the production of SAF will enable us to decarbonize our operations more cost efficiently than unco-ordinated regulatory requirements that impose the cost of transitioning disproportionately on airlines. We will continue to work with policymakers and stakeholders to adopt policies and promote initiatives to allow the industry to transition to a lower carbon future. In addition, we will be subject carbon offsetting in a regulatory context through CORSIA, which may

expose the Corporation to additional costs associated with the procurement of offsets or limited supply in the carbon offsets market. We believe that policies that incentivize in-sector emissions reductions, rather than carbon offset purchases, will better support the industry's transition to a lower carbon future.

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

The *Canadian Net-Zero Emissions Accountability Act* reflects Canada's commitment to achieve net-zero emissions by 2050. The Government of Canada has published its 2030 Emissions Reduction Plan, setting out Canada's intermediate climate target of 40-45 per cent emissions reductions by 2030 and referencing the development in 2022 of Canada's Action Plan to reduce GHG Emissions from Aviation (2022–2030), as committed in 2021 at the 26th UN Climate Change Conference of the Parties.

Canada's Action Plan to reduce GHG Emissions from Aviation (2022–2030) includes ambitious national actions to achieve net-zero emissions by 2050 for the Canadian aviation sector. It includes an aspirational goal of 10 per cent for the use of SAF by 2030, recognizing the need for significant volumes of SAF to achieve net zero by 2050. The action plan is expected to be updated, beginning in 2024, and will include reassessing long-term projections, strengthening short-term commitments, setting interim targets and ensuring continued alignment with Canada's climate commitments.

At the 41st ICAO Assembly in 2022, ICAO member states (including Canada) adopted a collective long-term global aspirational goal of net-zero carbon emissions by 2050 and completed the first periodic review of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) discussed below.

7.5.2 Carbon Offsetting and Reduction Scheme for International Aviation

ICAO's 2016 Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was implemented by Transport Canada in 2021 and applies to emissions from international flights. Under CORSIA, any growth in emissions beyond the applicable baseline year will be offset by the emitters (airlines) through the acquisition and remittance of carbon offsets or the use of SAF.

The baseline year, initially set to be based on 2019 and 2020 emissions, was changed to 2019 for the first compliance period (2021–23) as a result of the impact of the COVID-19 pandemic. Consequently, airlines may start incurring CORSIA obligations once the aviation industry, as a whole, exceeds its 2019 emission levels. At the 41st ICAO Assembly, countries agreed on a new CORSIA baseline from 2024 onwards, defined as 85 per cent of CO₂ emissions in 2019 and on revised percentages for the sectoral and individual growth factors to be used for the calculation of offsetting requirements from 2030 onwards.

In November 2023, ICAO held its third Conference on Aviation Alternative Fuels where an aspirational goal of five per cent reduction in CO₂ emissions in international aviation by 2030 was agreed to by member states. This goal is to be achieved through the use of SAF, Low Carbon Aviation Fuels (LCAF) and other more sustainable energy sources.

On the basis of CORSIA, the European Parliament and the European Council have continued exempting flights between Europe and third countries from the European Union Emissions Trading System (ETS). The European Commission published the "Fit for 55 Package" in 2021, bringing together regulatory amendments and new regulatory proposals to deliver the European Green Deal. The European Green Deal, approved in 2020, is a package of policy initiatives that aims to set the EU on the path to a green transition and, ultimately, for it to reach climate neutrality by 2050.

In December 2022, a political agreement was reached on the revision of the EU ETS rules on aviation maintaining the current "stop the clock" mechanism on the international application of the rules until the end of 2026. The European Commission is scheduled to perform an assessment of CORSIA in 2026 to evaluate if it is sufficiently delivering on the goals of the Paris Agreement, an international treaty on climate change that aims to address the issues linked to global climate change and its impacts. Subject to the outcome of this assessment, the European Commission could propose to revoke the stop the clock mechanism if

CORSIA is not sufficiently aligned with the Paris Agreement. The revisions of the EU ETS also provide for a new support scheme to incentivize the use of SAF and bridge the price differential between conventional fuel and eligible sustainable aviation fuels starting January 2024 through December 2030, financed by setting aside part of the EU ETS free allowances for that purpose. Airlines will also be required to monitor, report and verify non-CO₂ emissions starting January 2025. In May 2023, the European Parliament published amendments to Directive 2003/87/EC, transposing key elements of the political agreement.

7.5.3 Greenhouse Gas Pollution Pricing Act

Canada's *Greenhouse Gas Pollution Pricing Act* covers emissions from intra-provincial flights and sets a federal carbon tax on all fossil fuels (including jet fuel and other fuels used in ground operations and stationary combustion equipment) of \$20 per tonne for 2019, rising \$10 a year to \$50 per tonne by 2022 (Benchmark Pricing), and further increasing annually by \$15 per tonne from 2023 to 2030, to reach \$170 per tonne in 2030. The Government of Canada has indicated it will engage in discussions with provincial and territorial governments and stakeholders in 2024 to determine how to address inter-jurisdictional aviation emissions. This discussion will be initiated as part of the review of the Canada's Action Plan to reduce GHG Emissions from Aviation (2022–2030). Until a decision is reached the Benchmark Pricing will only apply to jet fuel used in intra-jurisdictional flights in jurisdictions that do not have a carbon system in place. The Canadian government has stated it will not seek to apply the Benchmark Pricing in jurisdictions that have a carbon system in place.

7.5.4 Clean Fuel & Low Carbon Fuel Regulations

The Government of Canada published the *Clean Fuel Regulations* in June 2022. These regulations require liquid fossil fuel primary suppliers (i.e., producers and importers) to reduce the carbon intensity of the liquid fossil fuels they produce in and import into Canada. This would lead to a decrease of around 15 per cent (below 2016 levels) in the carbon intensity of gasoline and diesel used in Canada by 2030.

Conventional jet fuel has not been listed as required to achieve a carbon intensity target. Under Category 2, sustainable aviation fuel is indicated as eligible to generate compliance credits. This is a first step in incentivising the production and use of SAF in Canada.

The government of British Columbia published the new *Low Carbon Fuels Act* in spring 2022 to replace the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*. Among the amendments, the carbon-intensity reduction requirement increased to 30 per cent from 20 per cent by 2030 and is applicable to aviation fuels. In December 2023, the new *Low Carbon Fuels (General) Regulation* was published. The *Low Carbon Fuels Act* and the *Low Carbon Fuels (General) Regulation* are collectively referred to as the B.C. Low Carbon Fuel Standard (BC LCFS) and came into force on January 1, 2024.

The BC LCFS applies to producers and importers of jet fuel and establishes two compliance obligations: a) 10 per cent carbon intensity reduction target starting at two per cent in 2026 and increasing to 10 per cent by 2030 and b) a volumetric requirement starting at one per cent renewable fuel content in 2028 and increasing to three per cent by 2030.

7.6 Official Languages Act (Canada)

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

In 2023, Bill C-13, an *Act for the Substantive Equality of Canada's Official Languages* received royal assent. It amends the *Official Languages Act* to provide additional powers to the Commissioner of Official Languages and creates a new act: the *Use of French in Federally Regulated Private Businesses Act* to be applicable to federally regulated enterprises not already directly bound by the *Official Languages Act*. This new law will apply to Rouge and Aeroplan.

On March 20, 2023, Air Canada announced its voluntary registration with the Office québécois de la langue française pursuant to the Charter of the French language, subject to its obligations under the *Official Languages Act*, following meaningful engagement with the Office, and has been working to find harmonized application of both laws. Unlike almost all federally regulated businesses, Air Canada is already subject to the comprehensive linguistic framework established under the OLA, including with respect to the use and the protection of the French language, which take precedence over any provincial legislation.

As Canada's largest air carrier, Air Canada is proud of its commitment to the French language in Quebec and across its global network.

7.7 Security

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

Air Canada continues to continuously improve its Security Management System. This system uses threat and risk management, incident management, and quality controls to define appropriate security measures and then monitors compliance through audits and incident reporting. In advance of expected amendments to Transport Canada security requirements, Air Canada has amended and published a new Aircraft Operator Security Program aligned with international standards and recommended practices.

7.8 Safety

In order to improve the safety performance of Canadian air operators and increase accountability in the aviation sector, *Canadian Aviation Regulations* require air operators to implement a Safety Management System (SMS) in their organizations and appoint executives who are accountable for safety. Air Canada and Air Canada Rouge have approved SMS programs in place that meet and exceed the requirements outlined within the CARS. Air Canada's President and Chief Executive Officer has been appointed as the "Accountable Executive" for the Air Canada SMS and the Air Canada Rouge SMS. Air Canada's Vice President of Safety is assigned the day-to-day administration and oversight of the Air Canada SMS. The Director, Safety, Security & Regulatory Affairs of Air Canada Rouge is assigned the day-to-day administration and oversight of the Air Canada Rouge SMS.

7.9 Privacy and Anti-Spam

Canada's federal private sector privacy legislation, the *Personal Information Protection and Electronic Documents Act* (PIPEDA), governs the collection, use, storage and disclosure of personal information including employee personal information by Air Canada.

In 2022, the federal government tabled Bill C-27, which would enact the *Consumer Privacy Protection Act* (CPPA) and the *Personal Information and Data Protection Tribunal Act* to replace PIPEDA. The changes introduced by the laws include additional exceptions to consent, new rights for individuals and stronger enforcement measures, such as order-making powers for the Privacy Commissioner, significant fines, a private right of action and a tribunal specific to privacy and data protection.

As an international airline, Air Canada is subject to privacy and data protection laws in other jurisdictions, including the European Union's *General Data Protection Regulation* (GDPR), which imposes a number of data protection and security requirements. Such requirements include conducting transfer impact assessments and implementing modernized standard contractual clauses or other approved transfer mechanisms when transferring personal data to jurisdictions whose privacy laws have not been deemed adequately protective. Other privacy regimes have also come into force or are being considered in other jurisdictions.

Air Canada is also subject to Canadian federal legislation known as "Canada's Anti-Spam Law" ("CASL"), which regulates if, when and how commercial electronic messages may be sent. This law also prohibits the installation of programs on a third-party computer without consent. A private right of action by individuals and organizations that claim to be affected by a violation of CASL has not come into force.

7.10 Artificial Intelligence (AI)

Canada's Parliament completed the second reading of Bill C-27, which contains the *Artificial Intelligence and Data Act*. This Act would introduce new rules for artificial intelligence systems and prohibit certain conduct that may result in serious harm to individuals or harm their interests. The Act adopts a risk-based approach relating primarily to high-impact AI systems. A list of key classes of high-impact AI systems will be integrated into the Act with amendments proposed by government. Responsibilities will be established for developers of machine learning models, persons placing on the market or putting into service high-impact systems or persons managing their operation. Persons conducting regulated activities would need to prepare an accountability framework. The Act will also clarify the obligations of the different actors in the value chain, and obligations for general-purpose AI systems are also proposed.

8. RISK FACTORS

For a description of risk factors associated with Air Canada and its business, refer to section 18 "*Risk Factors*" in Air Canada's 2023 MD&A, which section is incorporated into the AIF by this reference.

9. DIVIDEND RECORD

The Corporation has not declared or paid dividends on its Voting Shares and Variable Voting Shares for any of the financial years ended December 31, 2023, 2022 and 2021.

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

10. DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Air Canada comprises an unlimited number of Variable Voting Shares and Voting Shares. As at December 31, 2023, an aggregate of 82,887,375 Variable Voting Shares and 275,581,911 Voting Shares were issued and outstanding for an aggregate amount of 358,469,286 Shares. The two classes of shares have equivalent rights as shareholders except for voting rights.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the *Canada Transportation Act*). An issued and outstanding Variable Voting Share is converted into one Voting Share automatically, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the *Canada Transportation Act*.

Voting Shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. An issued and outstanding Voting Share is converted into one Variable Voting Share automatically, if such Voting Share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian.

Air Canada's articles provide that holders of Variable Voting Shares are entitled to one vote per share unless (i) the number of Variable Voting Shares outstanding, as a percentage of the total number of voting shares of Air Canada exceeds 49 per cent or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 49 per cent 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 (after applying the order of proration set out in the paragraph below), the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 49 per cent of the aggregate votes attached to all issued and outstanding Voting Shares of Air Canada and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49 per cent of the votes that may be cast at such meeting.

Air Canada's articles also provide for the automatic reduction of the voting rights attached to Variable Voting Shares in the event any of the following limits are exceeded. In such event, the votes attributable to Variable Voting Shares will be affected as follows:

- First, if required, a reduction of the voting rights of any single non-Canadian holder (including a single non-Canadian holder authorized to provide an air service) holding more than 25 per cent of the total number of voting shares of Air Canada or carrying more than 25 per cent of the votes to ensure that such non-Canadian holders never carries more than 25 per cent of the aggregate votes attached to all issued and outstanding voting shares of Air Canada or more than 25 per cent of the votes, which holders of Voting Shares cast at any meeting of shareholders.
- Second, if required and after giving effect to the first proration set out above, a further proportional reduction of the voting rights of all non-Canadian holders authorized to provide an air service to ensure that such non-Canadian holders authorized to provide an air service, in the aggregate, never carry more than 25 per cent of the aggregate votes attached to all issued and outstanding voting shares of Air Canada or more than 25 per cent of the votes, which holders of voting shares cast at any meeting of shareholders.
- Third, if required and after giving effect to the first two prorations set out above, a proportional reduction of the voting rights for all non-Canadian holders as a class to ensure that non-Canadians never carry, in aggregate, more than 49 per cent of the aggregate votes attached to all issued and outstanding voting shares of Air Canada or more than 49 per cent of the votes, which holders of voting shares cast at any meeting of shareholders, as described in the preceding paragraph.

Each Variable Voting Share and Voting Share entitles its holder to vote at any meeting of shareholders as described herein, and to rank equally in the payment of dividends, if and when, declared by the directors and in the distribution of assets if Air Canada is liquidated, dissolved or wound up.

Upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of Variable Voting Shares and Voting Shares are entitled to receive the remaining property of Air Canada and to share equally, share for share, in all distributions of such assets.

In the event that an offer is made to purchase a single class of either Voting Shares or Variable Voting Shares and the offer is one that must, pursuant to applicable securities legislation, be made to all or substantially all the holders of the applicable class of shares, each Variable Voting Share or Voting Share, as applicable, becomes convertible at the option of the holder into one Voting Shares or Variable Voting Share, as applicable, which is subject to the offer at any time while such offer is in effect and until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares. The conversion right may only be exercised for the purpose of depositing the resulting shares in response to the offer. If the Variable Voting Shares or Voting Shares, as applicable, resulting from the conversion and deposited pursuant to the offer are withdrawn by the shareholder or are not taken up by the offeror or the offer is withdrawn, the Variable Voting Shares or Voting Shares, as applicable, resulting from the previous conversion are reconverted automatically into Voting Shares or Variable Voting Shares, as applicable.

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

10.1 Air Canada Shareholder Rights Plan

Air Canada's shareholder rights plan (the "Rights Plan"), as approved by its shareholders, is in effect until the close of business on the date immediately following the date on which the annual meeting of the shareholders of the Corporation will be held in 2026, and would be renewed in accordance with its terms for an additional period of three years, from 2026 to 2029, provided that the shareholders ratify such renewal at or prior to the annual meeting of shareholders to be held in 2026.

The Rights Plan is available on SEDAR+ at [sedarplus.ca](https://www.sedarplus.ca).

11. MARKET FOR SECURITIES

The Variable Voting Shares and the Voting Shares trade on the TSX under a single trading symbol “AC” and on the OTCQX International Premier in the United States under the single ticker symbol “ACDVF.”

The following table sets forth the price range and trading volume, on a combined basis, of the Variable Voting Shares and the Voting Shares as reported by the TSX for the months of January to December 2023.

	High	Low	Average Daily Trading Volume	Total Monthly Volume
January	\$ 23.00	\$ 18.96	2,266,931	47,605,541
February	23.54	19.54	2,611,506	49,618,620
March	20.69	17.63	2,297,051	52,832,176
April	19.72	18.25	1,866,716	35,467,600
May	22.95	18.25	3,026,777	66,589,091
June	25.00	21.22	2,345,117	51,592,570
July	26.04	23.84	2,241,609	44,832,183
August	24.25	22.15	1,756,652	38,646,354
September	23.05	18.72	1,964,446	39,288,926
October	19.51	16.04	2,331,211	48,955,437
November	18.64	16.47	1,962,620	43,177,644
December	18.99	17.46	2,380,207	45,223,930

12. EMPLOYEES

As air travel gradually resumed and Air Canada continued to rebuild its network, more than 10,000 furloughed employees were recalled, starting from the third quarter of 2021. Air Canada also focused on hiring new, diverse talent and welcomed more than 8,000 new employees in 2023. We continue to prioritize our employee retention strategy and talent acquisition efforts. The following table provides a breakdown of Air Canada's average full-time equivalent (FTE) employees for the year 2023, together with the unions that represent them and the union agreement expiration date.

12.1 Unionized and Other Employees

Employee Group	Union(s) ⁽¹⁾	FTE Employees	Union agreement expiration date
Management and Administrative Support	n/a	6,314	
Pilots	ALPA	4,288	September 29, 2023 ⁽³⁾
Flight Attendants	CUPE	8,747	March 31, 2025
Customer Sales, Service Agents and Flight Dispatchers	Unifor/IBT/CALDA	5,636	Unifor – Feb. 26, 2026 IBT – June 30, 2029 CALDA – Feb. 29, 2028
Technical Services, Ramp and Cargo	IAMAW ⁽²⁾	10,278	March 31, 2026
United Kingdom Unionized Employees	UNITE	151	Dec. 31, 2026
Other Unionized	Various	261	
TOTAL		35,675	

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

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

(3) Due to the impact of the COVID-19 pandemic, Air Canada did not meet a wide-body benchmark under the long-term arrangement it concluded in 2014 with ALPA, which resulted in ALPA and Air Canada launching collective bargaining in spring 2023 versus in 2024.

13. FINANCIAL OVERVIEW

The table below sets forth specific Air Canada financial results for the years 2021 through to 2023:

(Canadian dollars in millions)	2023	2022	2021
Passenger revenues	\$ 19,403	\$ 14,238	\$ 4,498
Cargo revenues	924	1,266	1,495
Other revenues	1,506	1,052	407
Total operating revenues	21,833	16,566	6,400
Total operating expenses	19,554	16,743	9,449
Operating income (loss)	2,279	(187)	(3,049)
Non-operating expense	(67)	(1,337)	(932)
Income (loss) before income taxes	2,212	(1,524)	(3,981)
Income tax recovery (expense)	64	(176)	379
Net income (loss)	\$ 2,276	\$ (1,700)	\$ (3,602)

The table below sets forth the proportions of passenger revenues derived from domestic, transborder and international services of Air Canada for the years 2021 through to 2023:

(in per cent)	2023	2022	2021
Domestic	26%	31%	46%
U.S. transborder	21%	21%	17%
International	53%	48%	37%
Total	100%	100%	100%

14. SIGNIFICANT FINANCING TRANSACTIONS

Air Canada entered into the following significant financing transactions from 2021 to 2023:

In 2023:

In 2023, Air Canada prepaid loans of \$1,112 million, which had been used to finance the acquisition of 33 Airbus A220-300 aircraft. In addition, financing of \$164 million previously used to fund the acquisition of five Boeing 787-8 aircraft was also prepaid.

In November 2023, Air Canada extended its \$200 million revolving credit facility by one year to December 2026. It remained undrawn as of December 31, 2023.

In 2022:

In September 2022, Air Canada repurchased \$273 million (US\$207 million) aggregate principal amount of its outstanding 4.000 per cent Convertible Senior Notes due 2025 (the Convertible Notes) for an aggregate

cash repurchase price of approximately \$329 million (US\$249 million), including accrued interest. In December 2022, Air Canada repurchased \$362 million (US\$266 million) aggregate principal amount of the outstanding Convertible Notes for an aggregate cash repurchase price of \$449 million (US\$330 million), including accrued interest. As at December 31, 2022, \$372 million (US\$274 million) aggregate principal amount of Convertible Notes remains outstanding.

In November 2022, Air Canada extended its \$200 million revolving credit facility by one year to December 2025. It remained undrawn as of December 31, 2022.

In 2021:

In January 2021, the underwriters of a December 2021 public offering partially exercised their over-allotment option to purchase an additional 2,587,000 Shares at a price of \$24 per Share, for gross proceeds of \$62 million.

In February 2021, Air Canada extended its US\$600 million revolving credit facility by one year to April 2024. That facility had been part of a 2016 Credit Facility that also included a US\$600 million term loan B facility due in 2023 and a US\$600 million syndicated secured revolving credit facility due in 2024. In August 2021, the 2016 Credit Facility was repaid in connection with a series of financing transactions described below.

In February 2021, Air Canada extended its \$200 million revolving credit facility by one year to December 2023. In August 2021, it was further extended until December 2024 and was repaid in August 2021 and remained undrawn as of December 31, 2021. On April 12, 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada (acting through Canada Enterprise Emergency Funding Corporation), which allowed Air Canada to access up to \$5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program. In November 2021, Air Canada withdrew from further Government of Canada financial support, having only accessed the facility solely dedicated to paying refunds for customers' non-refundable tickets. None of the \$3.975 billion available under the secured and unsecured credit facilities was ever drawn. As consideration for the government making these credit facilities available, Air Canada issued 14,576,564 warrants for the purchase of an equal number of Air Canada shares, at an exercise price of \$27.2698 per share during a 10-year term. Half of the warrants vested upon the implementation of the credit facilities. Upon the termination of the operating credit facilities, the unvested warrants were cancelled. The warrants were subject to a one-time call right in favour of Air Canada, to repurchase them for cancellation at fair market value. Air Canada exercised its call right on the vested warrants, repurchasing and cancelling these warrants in January 2022 at a price of about \$82 million, which was equivalent to the carrying value of the vested warrants as at December 31, 2021.

On April 15, 2021, Air Canada repaid its US\$400 million 7.750 per cent Senior (Unsecured) Notes, upon maturity.

In August 2021, Air Canada completed:

- a private offering of \$2.0 billion of 4.625 per cent senior secured notes due 2029 (the "Canadian Dollar Notes").
- a private offering of US\$1.2 billion of 3.875 per cent senior secured notes due 2026 (the "US Dollar Notes," and together with the Canadian Dollar Notes, the "Notes").
- a US\$2.9 billion new senior secured credit facility, consisting of a US\$2.3 billion new term loan B maturing in 2028 (the "Term Loan"), together with a new undrawn US\$600 million revolving credit facility now maturing in August 2025 (the "Revolving Facility" and, together with the Term Loan, the "Senior Secured Credit Facilities").

Air Canada received aggregate gross proceeds of approximately \$7.1 billion from the sale of the Notes and from the Senior Secured Credit Facilities, some of which were applied to satisfy its \$200 million 4.75 per cent senior secured notes due 2023, redeem its \$840 million 9.00 per cent second lien notes due 2024,

and repay all of the US\$1,178 million which was due under the 2016 Credit Facility. The balance of the proceeds was retained for working capital and other general corporate purposes. The Revolving Facility was undrawn as of December 31, 2022, and any future borrowings thereunder are also intended to fund working capital and other general corporate purposes.

In 2021, Air Canada refinanced the 2013-1 Enhanced Equipment Trust Certificates (EETC) Class B equipment notes.

15. RATINGS

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

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

Air Canada's corporate credit, long-term debt securities and/or enhanced equipment trust certificates (long-term aircraft financing instruments) are rated by the following credit rating agencies: Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (Standard & Poor's) and Fitch Ratings, Inc. (Fitch).

15.1 Air Canada Corporate Credit Ratings

Rating Agency	Rating
Moody's	Ba2
Standard & Poor's	BB-
Fitch	BB-

15.2 Ratings for Air Canada Long-Term Debt

15.2.1 Senior Secured Debt (First Lien)

Rating Agency	Rating
Moody's	Ba1
Standard & Poor's	BB+
Fitch	BB+

15.3 Ratings for Air Canada Enhanced Equipment Trust Certificates (EETC)

EETC 2013-1		
Rating Agency	Rating A tranche	Rating B tranche
Moody's	Baa2	N/A
Standard & Poor's	BBB-	N/A
Fitch	BBB	BB+

EETC 2015-1		
Rating Agency	Rating A tranche	Rating B tranche
Standard & Poor's	A+	BBB
Fitch	A	BBB

EETC 2015-2		
Rating Agency	Rating AA tranche	Rating A tranche
Moody's	A1	Baa2
Standard & Poor's	AA-	A-

EETC 2017-1			
Rating Agency	Rating AA tranche	Rating A tranche	Rating B tranche
Moody's	Aa2	A2	Baa1
Fitch	AA	A	BBB

CAD\$ EETC 2018-1		
Rating Agency	Rating A tranche	Rating B tranche
Standard & Poor's	A+	A

EETC 2020-1	
Rating Agency	Rating C tranche
Moody's	Ba2
Standard & Poor's	BB-

EETC 2020-2		
Rating Agency	Rating A tranche	Rating B tranche
Standard & Poor's	A+	A
Fitch	A	BBB

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

15.4 Moody's Rating Explanation

Rating	Explanation
Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

15.5 Standard & Poor's Rating Explanation

Rating	Explanation
AAA	An obligation rated 'AAA' has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.
AA	An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

A	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.
BBB	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.
BB, B, CCC, CC, and C	Obligations rated 'BB', 'B', 'CCC', 'CC' and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.
BB	An obligation rated 'BB' is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.
B	An obligation rated 'B' is more vulnerable to non-payment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.
CCC	An obligation rated 'CCC' is currently vulnerable to non-payment and is dependent upon favourable business, financial and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.
CC	An obligation rated 'CC' is currently highly vulnerable to non-payment. The 'CC' rating is used when a default has not yet occurred, but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.
C	An obligation rated 'C' is currently highly vulnerable to non-payment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.
D	An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless S&P Global Ratings believes that such payments will be made within the next five business days in the absence of a stated grace period or within the earlier of the stated grace period or the next 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. A rating on an obligation is lowered to 'D' if it is subject to a distressed debt restructuring.

Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

15.6 Fitch Rating Explanation

Rating	Explanation
AAA	Highest Credit Quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very High Credit Quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High Credit Quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be

	more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good Credit Quality. 'BBB' ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative. 'BB' ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B	Highly Speculative. 'B' ratings indicate that material credit risk is present.
CCC	Substantial Credit Risk. 'CCC' ratings indicate that substantial credit risk is present.
CC	Very High Levels of Credit Risk. 'CC' ratings indicate very high levels of credit risk.
C	Exceptionally High Levels of Credit Risk. 'C' indicates exceptionally high levels of credit risk.

Fitch's credit rating scale for issuers and issues is expressed using the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade) with an additional +/- for AA through CCC levels indicating relative differences of probability of default or recovery for issues.

15.7 Rank Descriptions

The following table shows the nomenclature for rankings used by Fitch, S&P and Moody's, as respectively published by these rating agencies.

Rank	Fitch	S&P	Moody's
1	AAA	AAA	Aaa
2	AA+	AA+	Aa1
3	AA	AA	Aa2
4	AA-	AA-	Aa3
5	A+	A+	A1
6	A	A	A2
7	A-	A-	A3
8	BBB+	BBB+	Baa1
9	BBB	BBB	Baa2
10	BBB-	BBB-	Baa3

11	BB+	BB+	Ba1
12	BB	BB	Ba2
13	BB-	BB-	Ba3
14	B+	B+	B1
15	B	B	B2
16	B-	B-	B3
17	CCC+	CCC+	Caa1
18	CCC	CCC	Caa2
19	CCC-	CCC-	Caa3
20	CC	CC	Ca
21	C	C	C

16. INFRASTRUCTURE

Air Canada's Montréal headquarters, which include our head office buildings as well as a training centre, are in owned facilities on leased land. Air Canada owns or leases facilities in major airports and cities, which consist of offices, hangar space, lounges, cargo, aircraft maintenance and ground support equipment facilities. Our hangar facilities, where aircraft maintenance activities occur, are in Montréal, Toronto, Vancouver, Calgary, Halifax and Winnipeg in owned spaces on leased land. A portion of the hangar space and aircraft maintenance facilities in Calgary, Montréal, Vancouver and Toronto are leased or subleased by Air Canada to Jazz and to other third parties.

17. TRADEMARKS

Air Canada believes that its branding, including its trademarks, add value and are important to its competitive position. Air Canada is Air Canada's trade name and trademark. Other Air Canada trademarks include Air Canada Express[®], the Air Canada Jetz logo[®], Air Canada Jazz[®], Jazz[®], Air Canada Vacations[®], Vacances Air Canada^{MD}, Skyriders[®], Aéronautes[®], the Air Canada Maple Leaf logo[®], Maple Leaf LoungeTM, Air Canada Rouge and related design marks. Trademarks of Aeroplan include Aeroplan[®], Aéroplan^{MD}, Aeronote[®], Aeronote^{MD}, Points Predictor ToolTM and Aeroplan EliteTM. Air Canada has granted Jazz a licence to use Air Canada Express[®], Air Canada Jazz[®], Jazz[®], Air Canada[®], the Air Canada logo[®] and other trademarks in Canada and the United States in association with the provision of scheduled airline services in regions of Canada and across the Canada-United States border on behalf of Air Canada. Air Canada seeks to protect its proprietary and sensitive commercial information and intellectual property rights through a variety of means, including, as applicable, through registrations, confidentiality and other contract provisions, policies, restrictions and monitoring of access and other means.

18. DIRECTORS AND OFFICERS

18.1 Directors

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

Name and Residence	Principal Occupation	Director Since
Ameé Chande (1)(4) British Columbia, Canada	Corporate Director and Strategy Consultant	June 25, 2020
Christie J.B. Clark (1)(2)(7) Ontario, Canada	Corporate Director	June 27, 2013
Gary A. Doer (3)(4) Manitoba, Canada	Corporate Director	April 30, 2018
Rob Fyfe (3)(4)(8) Auckland, New Zealand	Corporate Director	September 30, 2017
Michael M. Green (3)(4) Florida, U.S.	Chief Executive Officer and Managing Director, Tenex Capital Management	March 30, 2009
Jean Marc Huot (2)(4) Quebec, Canada	Partner, Stikeman Elliott	May 8, 2009
Claudette McGowan (1)	Chief Executive Officer, Protexxa Inc.	May 15, 2023

Ontario, Canada		
Madeleine Paquin (2)(4) Quebec, Canada	President and Chief Executive Officer, Logistec Corporation	May 12, 2015
Michael Rousseau Quebec, Canada	President and Chief Executive Officer, Air Canada	February 15, 2021
Vagn Sørensen (5) London, U.K.	Corporate Director	November 15, 2006
Kathleen Taylor (1)(2)(3) Ontario, Canada	Corporate Director	May 10, 2016
Annette Verschuren (1)(2)(9) Ontario, Canada	Chair and Chief Executive Officer, NRStor Inc.	November 12, 2012
Michael M. Wilson (1)(3)(6)(10) Alberta, Canada	Corporate Director	October 1, 2014

- (1) Member of the Audit, Finance and Risk Committee.
 (2) Member of the Governance and Nominating Committee.
 (3) Member of the Human Resources, Compensation and Pension Committee.
 (4) Member of the Safety, Health, Environment and Security Committee.
 (5) Mr. Sørensen became the Chair of the Board of Air Canada on May 5, 2017.
 (6) Mr. Wilson also served on the Board of Air Canada from May 21, 2008 to May 8, 2009.
 (7) Mr. Clark is Chair of the Audit, Finance and Risk Committee.
 (8) Mr. Fyfe is Chair of the Safety, Health, Environment and Security Committee.
 (9) Ms. Verschuren is Chair of the Governance and Nominating Committee.
 (10) Ms. Taylor is Chair of the Human Resources, Compensation and Pension Committee.

Unless otherwise indicated below, each director has held the occupation listed above for more than five years. Ms. Chande was Chief Commercial Officer for Waymo in 2019. Ms. McGowan was Chief Information Officer at Bank of Montreal from 2000 to 2020, and Global Executive Officer, Cybersecurity at Toronto-Dominion Bank from 2020 to 2022. Ms. Paquin was President and Chief Executive Officer of Logistec Corporation from 1996 to 2024. Mr. Rousseau was Executive Vice President and Chief Financial Officer from 2007 to 2018 and Deputy Chief Executive Officer and Chief Financial Officer from 2019 to 2021.

18.2 Executive Officers

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

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

Name and Residence	Position with Air Canada	Executive Officer Since
Michael Rousseau Quebec, Canada	President and Chief Executive Officer	October 22, 2007
Marc Barbeau Quebec, Canada	Executive Vice President and Chief Legal Officer, and Corporate Secretary	July 1, 2021
John Di Bert Quebec, Canada	Executive Vice President and Chief Financial Officer	July 1, 2023
Craig Landry Quebec, Canada	Executive Vice President and Chief Operations Officer	August 1, 2010
Arielle Meloul-Wechsler Quebec, Canada	Executive Vice President, Chief Human Resources Officer and Public Affairs	September 18, 2013
Mark Galardo Quebec, Canada	Executive Vice President, Revenue and Network Planning	January 1, 2017
Mark Nasr Ontario, Canada	Executive Vice President, Marketing and Digital, and President of Aeroplan	July 11, 2017
Kevin O'Connor Ontario, Canada	Senior Vice President, Global Airports and Operations Control	March 1, 2023
Murray Strom Ontario, Canada	Senior Vice President, Flight Operations and Maintenance	March 6, 2018

On January 12, 2023, Air Canada announced the retirement of Lucie Guillemette, Executive Vice President and Chief Commercial Officer. Ms. Guillemette, who was responsible for the airline's commercial strategies, retired at the end of April 2023, ending a highly successful 36-year career at Air Canada.

On March 1, 2023, Richard Steer, Senior Vice President, Operations and Express Carriers, retired after almost 10 years of service at Air Canada.

On June 30, 2023, Amos Kazzaz, Executive Vice President and Chief Financial Officer, retired after 13 dedicated years of service at Air Canada.

On August 1, 2023, Carolyn M. Hadrovic, Vice President and Corporate Secretary, retired after 31 dedicated years of service at Air Canada.

Unless otherwise indicated below, each of the executive officers has held a position with Air Canada similar to that listed above for more than five years.

- Mr. Di Bert was Chief Financial Officer at Bombardier from 2015 to 2020, Managing Consultant, Board Member and Special Advisor at Sharethrough from 2020 to 2022, and Chief Financial Officer at Clarios from 2022 to 2023. He was appointed Executive Vice President and Chief Financial Officer of Air Canada in July 2023.
- Mr. Barbeau was Chair (2018-2021) and Partner or Principal at Stikeman Elliott LLP from 1993 to 2021. He was appointed Executive Vice President, Chief Legal Officer of Air Canada in 2021 and Executive Vice President, Chief Legal Officer and Corporate Secretary in August 2023. He also acted as interim corporate secretary from February 2022 until 2023, and was appointed Corporate Secretary in August 2023.
- Mr. Rousseau was Deputy Chief Executive Officer and Chief Financial Officer of Air Canada from 2019 to 2021 and was appointed President and Chief Executive Officer in February 2021.
- Mr. Landry was Executive Vice President, Operations of Air Canada from 2019 to 2021 and was appointed Executive Vice President and Chief Operations Officer in September 2021.
- Mr. Galardo was Vice President, Network Planning from 1997 to 2020, Vice President, Network Planning and Alliances from 2020 to 2021, Senior Vice President, Network Planning and Revenue Management from 2021 to 2023, and was appointed Executive Vice President, Revenue and Network Planning of Air Canada in May 2023.
- Ms. Meloul-Wechsler was Executive Vice President, Chief Human Resources and Communications Officer from 2020 to 2021, and was appointed Executive Vice President, Chief Human Resources Officer and Public Affairs of Air Canada in February 2021.
- Mr. Nasr was Vice President, Loyalty and eCommerce from 2017 to 2021, Senior Vice President, Products, Marketing and eCommerce from 2021 to 2023 and was appointed Executive Vice President Marketing and Digital of Air Canada, and President of Aeroplan in May 2023.
- Mr. O'Connor was Vice President, System Operations Control from 2017 to 2023 and was appointed Senior Vice President, Global Airports and Operations Control of Air Canada in March 2023.
- Captain Strom was Vice President, Flight Operations from 2018 to 2021, Senior Vice President, Flight Operations from 2021 to 2023, and was appointed Senior Vice President, Flight Operations and Maintenance of Air Canada in March 2023.

As at December 31, 2023, the directors and executive officers mentioned above, as a group, owned, or had control or direction over, directly or indirectly, 523,936 Voting Shares representing approximately 0.1901 per cent of the outstanding Voting Shares and 19,300 Variable Voting Shares representing approximately 0.0233 per cent of the outstanding Variable Voting Shares.

18.3 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

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

19. AUDIT, FINANCE AND RISK COMMITTEE

19.1 Audit Committee Charter

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

19.2 Composition of Audit Committee

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

19.3 Relevant Education and Experience of Audit Committee Members

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

- (i) Christie J.B. Clark is a corporate director. From 2005 to 2011, Mr. Clark was Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Mr. Clark is a director of Loblaw Companies Limited and AtkinsRéalis (SNC-Lavalin Group Inc.). He is also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and an Emeritus member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen's University. Mr. Clark has served as a director of Hydro One Inc., Brookfield Office Properties Inc., IGM Financial Inc. and Choice Properties Real Estate Investment Trust. Mr. Clark graduated from Queen's University with a bachelor of commerce degree and the University of Toronto with a master of business administration degree. He is a Fellow Chartered Accountant. Mr. Clark is a former National Academic Director for the Institute of Corporate Directors' course entitled Audit Committee Effectiveness.
- (ii) Ameer Chande is a corporate director and strategy consultant. Ms. Chande sits on the boards of Algonquin Power & Utilities Corp., Fortune Brands Innovations and Thumbtack, Inc., and serves on the Advisory Board of Livingbridge Private Equity. She also advises leading companies in the mobility sector such as ChargePoint Holdings Inc. In 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google's self-driving car project, where she was responsible for defining the overall strategy and laying the foundation for a strong commercial business. From 2015 to 2018, she was a Managing Director at Alibaba Group Holding Limited, where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional Managing Director and Chief Executive Officer roles at global retailers including Tesco PLC, Staples and Wal-Mart Inc. in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company. Ms. Chande is an active volunteer with the World Association of Girl Guides and Girl Scouts where she served as a member of the World Board, and she also teaches strategy as an adjunct professor at UBC. Ms. Chande holds a bachelor of business administration degree from Simon Fraser University, a master of science degree from the London School of Economics and a master of business administration from Harvard Business School.
- (iii) Claudette McGowan is Chief Executive Officer for Protexxa Inc., a Canadian-based cybersecurity software and services company. Ms. McGowan is a global information technology leader who has worked in the technology industry for several organizations such as Deloitte, Metropolitan Police Services, North York General Hospital, Bank of Montreal (BMO) and the Toronto-Dominion Bank (TD). At BMO, Ms. McGowan served as the Chief Information Officer, Enterprise Technology Employee Experience and, at TD, she was the Global Executive Officer for Protect Fusion & Cyber Experience. Ms. McGowan is the Chair of the Coalition of Innovation Leaders Against Racism (CILAR), a group of senior business leaders committed to creating platforms that break down systemic barriers within the innovation economy. She recently co-led the launch of Phoenix Fire & The Firehood, a women-focused angel fund and network for women in technology. She serves on the board/council of the SickKids Hospital Foundation, CILAR, Elevate Technology Festival, Women in the Economy Task Force, and the U.S. Consulate General of Toronto U.S. & Canada Innovation Council. Ms. McGowan completed her studies in Canada and graduated with bachelor of arts (Lakehead University) and master of business administration (Athabasca University) degrees. In 2022, she was awarded an honorary doctor of laws degree from Carleton University in recognition of her distinguished 20-year career as a global information technology leader.
- (iv) Kathleen Taylor is a corporate director. Ms. Taylor is Vice Chair of the Adecco Group AG and a director of Element Fleet Management Corp. and Mattamy Asset Management. She serves as Chair of Atlas Partners, a Toronto-based private equity investment firm, of the Advisory Board of the Cabot Collection, a developer and operator of golf resorts and residential properties, and of the Board of Trustees for the Hospital for Sick Children. Ms. Taylor is Chancellor of York University and a member of the Board of the SickKids Foundation, where she also serves as immediate-past Chair. Ms. Taylor is the former Chair of the Board of the Royal Bank of Canada, the former President and Chief Executive Officer of Four Seasons Hotels and Resorts. Ms. Taylor is also a member of the C.D. Howe Institute's National Council, Chair of their Human Capital Policy Council and a member of the Task Force on the Digital Economy. She also serves on the Dean's Advisory Council of the Schulich School of Business. Ms. Taylor holds an MBA from the Schulich School of Business, a law degree from Osgoode Hall Law School and a bachelor of arts (honours) from the University of Toronto. She has also received honorary doctorates of laws from the University of Toronto, McGill University, York University and Trent University, an honorary

doctorate of humane letters from Mount Saint Vincent University and an honorary doctorate of divinity from Huron University.

- (v) Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops, builds and manages energy storage projects. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth to 179 from 19 Canadian stores and led its entry into China. Prior to joining Home Depot, Ms. Verschuren was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco Ltd. and Executive Vice President of Canada Development Investment Corporation. Ms. Verschuren is Chair of the Board of the MaRS Discovery District. In addition, she is a director of Canadian Natural Resources Limited, Saputo Inc., Liberty Mutual Insurance Group, Ontario Energy Association and the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton. She serves as Chancellor of Cape Breton University and supports numerous non-profit organizations. She is a founding member of the Rideau Hall Foundation. In 2011, Ms. Verschuren was made an Officer of the Order of Canada and, in 2019, was named a companion of the Canadian Business Hall of Fame. Ms. Verschuren holds honorary doctorate degrees from many institutions including St. Francis Xavier University where she also earned a bachelor of business administration degree.
- (vi) Michael M. Wilson is a corporate director. Mr. Wilson is Chair of Celestica Inc. and Suncor Energy Inc. Mr. Wilson is the former President and Chief Executive Officer of Agrium Inc., a position he held from 2003 until his retirement in 2013. He previously served as Executive Vice President and Chief Operating Officer. Mr. Wilson has significant experience in the petrochemical industry, serving as President of Methanex Corporation and holding various positions with increasing responsibility in North America and Asia with Dow Chemical Company. Mr. Wilson holds a bachelor of science degree in chemical engineering from the University of Waterloo.

19.4 Pre-approval Policies and Procedures

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

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

19.5 Auditors' Fees

PricewaterhouseCoopers LLP has served as Air Canada's auditing firm since April 26, 1990. Fees payable for the years ended December 31, 2023, and December 31, 2022, to PricewaterhouseCoopers LLP and its affiliates are \$5,142,128 and \$4,881,515 respectively, as detailed below.

	2023	2022
Audit fees	\$3,300,000	\$3,170,000
Audit-related fees	1,326,873	1,309,822

Tax fees	235,505	96,417
All other fees	279,750	305,276
Total	\$5,142,128	\$4,881,515

The nature of each category of fees is described below:

19.6 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.

19.7 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.

19.8 Tax fees

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

19.9 All other fees

Other fees were paid for translation services, advisory services and fees related to the auditors' involvement with offering documents, if any.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

21. LEGAL PROCEEDINGS

In the course of conducting its business, Air Canada is subject to various claims and litigation (including class action claims), including with respect to its contractual arrangements and current or new laws and regulations. A discussion of risks relating to claims and litigation appears under the heading "Legal

Proceedings” in section 18 “Risk Factors” in Air Canada’s 2023 MD&A, which section is incorporated into the AIF by this reference.

22. TRANSFER AGENT AND REGISTRAR

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

23. MATERIAL CONTRACTS

There are no contracts that are material to the Corporation and that were entered into within the year ended December 31, 2023, or before such year but which are still in effect and material to the Corporation, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 - Continuous Disclosure Obligations.

24. EXPERTS

The Corporation’s independent auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation in compliance with the Code of ethics of Chartered Professional Accountants (Quebec).

25. ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of Air Canada’s securities and securities authorized for issuance under equity compensation plans, is contained in Air Canada’s management proxy circular for its 2023 annual meeting of shareholders held on May 4, 2023, available on SEDAR+ at [sedarplus.ca](https://www.sedarplus.ca), and will be contained in Air Canada’s management proxy circular for its 2024 annual meeting of shareholders scheduled to be held on March 28, 2024, which circular will also be available on SEDAR+ at [sedarplus.ca](https://www.sedarplus.ca).

Additional financial information is provided in Air Canada’s consolidated financial statements for the year ended December 31, 2023, and Air Canada’s 2023 MD&A. These documents and additional information related to Air Canada are available on Air Canada’s website at [aircanada.com](https://www.aircanada.com) or on SEDAR+ at [sedarplus.ca](https://www.sedarplus.ca).

26. GLOSSARY OF TERMS

Below is a glossary of certain terms used in this AIF which is included to facilitate readers' review.

"2016 Credit Facility" has the meaning provided under the section of this AIF entitled "Significant Financing Transactions."

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

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

"Aeroplan" means Aeroplan Inc., Air Canada's wholly owned subsidiary.

"AIF" means this Annual Information Form.

"Air Canada" has the meaning provided under the section of this AIF entitled "Explanatory Notes."

"Air Canada's 2023 MD&A" means Air Canada's 2023 Management's Discussion and Analysis of Results of Operations and Financial Condition dated February 16, 2024.

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

"Air Canada Vacations" means Touram Limited Partnership (doing business as Air Canada Vacations®), a limited partnership established under the laws of the province of Quebec.

"Air Canada Rouge" means Air Canada Rouge LP (doing business as Air Canada Rouge), a limited partnership established under the laws of the province of Quebec.

"ALPA" means the Air Line Pilots Association, International.

"Ancillaries" refers to additional services and products offered beyond airfare.

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

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

"Blue Sky" refers to Transport Canada's international air transportation policy.

"Boeing" means The Boeing Company.

"CALDA" means the Canadian Airline Dispatchers Association.

"Canadian," in relation to the share capital of the Corporation, has the meaning provided under the section of this AIF entitled "Class B Voting Shares."

"CARs" means *Canadian Aviation Regulations*.

"CASL" has the meaning provided under the section of this AIF entitled "Privacy and Anti-Spam."

"CASM" means the operating expense per ASM.

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

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

"Citizens of the World" refers to Air Canada's corporate sustainability report.

"Corporation" has the meaning provided under the section of this AIF entitled "Explanatory Notes."

"CORSlA" means Carbon Offsetting and Reduction Scheme for International Aviation.

"CTA" means the *Canada Transportation Act*, as amended.

"CUPE" means the Canadian Union of Public Employees.

"De Havilland" means De Havilland Aircraft of Canada Limited.

"EETCs" means Enhanced Equipment Trust Certificates.

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

"EMS" means environmental management system.

"ETS" means emissions trading system.

"Fit for 55 Package" refers to a set of proposals to revise and update EU legislation and to put in place new initiatives with the aim of ensuring that EU policies are in line with the climate goals agreed by the European Council and the European Parliament.

"Fitch" means Fitch Ratings, Inc.

"FTE" has the meaning provided under the section of this AIF entitled "Employees."

“**GAAP**” means generally accepted accounting principles in Canada as set out in the CPA Canada Handbook – Accounting, which incorporates International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

“**GDPR**” means the *General Data Protection Regulation*.

“**GHG**” means greenhouse gas.

“**GRI**” means Global Reporting Initiative.

“**IAMAW**” means the International Association of Machinists and Aerospace Workers.

“**IATA**” means the International Air Transport Association.

“**IBT**” means the International Brotherhood of Teamsters.

“**IEnvA**” means the IATA Environmental Assessment.

“**IFRS**” means International Financial Reporting Standards.

“**Independent**” means independent as defined in National Policy 58-201 — Corporate Governance Guidelines.

“**IOSA**” means IATA Operational Safety Audit.

“**Jazz**” means Jazz Aviation LP.

“**Jazz CPA**” means the Amended and Restated Capacity Purchase Agreement between Air Canada and Jazz dated January 1, 2015, as amended.

“**Lufthansa**” means Deutsche Lufthansa AG.

“**Lufthansa Group**” means the group owned by Lufthansa and composed of the segments Network Airlines, Eurowings and Aviation Services.

“**MD&A**” means Management's Discussion and Analysis.

“**Mitsubishi**” means Mitsubishi Heavy Industries, Ltd.

“**Moody's**” means Moody's Investors Service, Inc.

“**NIST**” means the National Institute of Standards and Technology, which is part of the U.S. Department of Commerce.

“**OLA**” means the *Official Languages Act* (Canada), as amended.

“**Open Skies Agreement**” means the agreement negotiated between the governments of Canada and the United States, which came into force on March 12, 2007.

“**Order**” has the meaning provided under the section of this AIF entitled “Cease Trade Orders, Bankruptcies, Penalties or Sanctions.”

“**Paris Agreement**” refers to an international treaty on climate change that aims to address the issues linked to global climate change and its impacts.

“**PIPEDA**” means the *Personal Information Protection and Electronic Documents Act* (Canada), as amended.

“**Porter**” means Porter Airlines Inc.

“**Rights Plan**” has the meaning provided under the section of this AIF entitled “Air Canada Shareholder Rights Plan.”

“**SDGs**” means sustainable development goals.

“**Shares**” means, as the context may require, Variable Voting Shares and/or Voting Shares.

“**Sixth Freedom**” has the meaning provided under the section of this AIF entitled “Routes, network and services.”

“**Sky Regional**” means Sky Regional Airlines Inc.

“**SMS**” means the Safety Management System.

“**Standard & Poor's**” means Standard & Poor's Rating Services.

“**TCFD**” means Task Force on Climate-Related Financial Disclosures and it is a framework that was established in 2015 by the Group of 20 (G20) Financial Stability Board with a stated goal to develop recommendations for more effective climate-related disclosures.

“**TCFD Report**” communicates to all stakeholders a company's governance structure, strategies, risk management practices and metrics as they relate to climate change.

“**Toronto Pearson Airport**” means Toronto Pearson International Airport.

“**Transat**” means Transat A.T. Inc.

“**TSX**” means the Toronto Stock Exchange.

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

“**United Airlines**” means United Airlines Inc.

“**UNGC**” means United Nations Global Compact.

“**Variable Voting Shares**” means the Class A Variable Voting Shares in the share capital of Air Canada.

“**VFR**” means visiting friends and relatives.

“**Voting Shares**” means the Class B Voting Shares in the share capital of Air Canada.

“**WestJet**” means WestJet Airlines Ltd.

**SCHEDULE A
CHARTER OF THE
AUDIT, FINANCE AND RISK COMMITTEE**

I. Purpose; Composition and Qualifications

The purpose of the Audit, Finance and Risk Committee (the “Audit Committee”) of the Board of Directors of Air Canada (the “Corporation”) is as follows:

I.I General

- (a) to assist the board of directors of the Corporation (the “Board”) in its oversight responsibilities in relation to:
- (i) the component parts of the Corporation's financial reporting and audit process,
 - (ii) the independence, qualifications, and appointment of the external auditor,
 - (iii) the oversight of the Corporation's enterprise risk management process, including that appropriate systems to identify and mitigate risks have been developed and implemented;
 - (iv) the oversight of those specific enterprise risks for which responsibility has been delegated to it; and
 - (v) the development of internal controls and disclosure processes for environmental, social and governance matters, such as climate action and related plans;

I.II Financial reporting, controls

- (b) to oversee the quality, credibility, and objectivity of the Corporation's financial reporting and to satisfy itself and oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls;
- (c) to monitor the performance of the internal financial and accounting controls and of the internal and external auditors;

I.III Information technology risks

- (d) to oversee management's assessment of major information technology and cybersecurity risks;

I.IV Communication among parties

- (e) to foster independent communication among the Board, the head of Corporate Audit and Advisory Department and the external auditor; and
- (f) to facilitate in-depth and candid discussions among the Audit Committee, management and the external auditor regarding significant issues involving judgment and impacting quality of controls and reporting.

I.V Composition and Qualifications

The Audit Committee shall be composed of not less than three directors who: (a) meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board; (b) 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; (c) do not receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related entities, parties, or subsidiaries; and (d) possess the mix of characteristics, experiences, and skills to provide an appropriate balance for the performance of the duties of the Audit Committee, including that each member of the Audit Committee shall be “financially literate” and at least one member shall be a “financial expert” as defined by relevant securities legislation or regulations.

II. Responsibilities and Duties

To achieve its objectives, the Audit Committee shall:

II.I Accounting and financial reporting process

- (a) monitor and review the quality and integrity of the Corporation's accounting and financial reporting process including through discussions with management, the external auditor and the head of Corporate Audit and Advisory, including:
- (i) a review of the annual and quarterly financial statements and Management's Discussion and Analysis (**MD&A**) to be filed with regulatory authorities and provided to shareholders, financial statements and other financial disclosure included in prospectuses, earnings press releases and other similar documents, as well as the annual information form and other similar documents;
 - (ii) discussions with management and the external auditor matters, including about the conduct of an audit and through a consideration of the report by the external auditor to the Audit Committee of matters related thereto;
 - (iii) discussions with the external auditor respecting the auditor's judgment regarding both the acceptability and quality of the financial statements, including (1) the critical accounting policies and practices used by management in their preparation, (2) alternative treatments and disclosures of financial information within generally accepted accounting principles that have been considered by management and their ramifications, (3) the selection of changes in significant accounting policies, the method used to account for significant unusual transactions, (4) the effect of significant accounting policies in controversial or emerging areas, (5) the degree of aggressiveness or conservatism, as the case may be, of the accounting policies adopted by the Corporation, (6) the process used by management in formulating particularly significant accounting estimates, and (7) the basis for the external auditor's conclusions regarding the reasonableness of those estimates;
 - (iv) a review of (1) significant adjustments arising from an audit, (2) disagreements with management over the application of accounting policies as well as any disclosure in the financial statements, the Audit Committee being responsible for the resolution of disagreements between management and the external auditor regarding financial reporting, (3) all material off-balance sheet transactions and other relationships with non-consolidated entities that may have a material current or future effect on the financial condition of the Corporation including their disclosure or lack thereof in the applicable quarterly or annual financial statements, (4) the external auditor's suggestions for improvements to the Corporation's operations and internal controls, (5) the nature and size of unadjusted errors of a non-trivial amount, and (6) compliance with various covenants; and
 - (v) the selection of, and changes in, accounting policies and consideration of the appropriateness of such selections and changes;

II.II Public disclosures

- (b) determine, based on its review and discussion, whether to recommend the approval by the Board of the annual and quarterly financial statements and related MD&A, and the financial disclosure in any annual information forms, earnings press releases, prospectuses, and other similar documents;
- (c) review with management, the external auditor and legal counsel: (i) the Corporation's procedures to be satisfied that it complies with applicable laws and regulations; and (ii) any significant litigation, claim or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements of the Corporation;

- (d) satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically review the adequacy of those procedures;

II.III Audit plan and related matters

- (e) meet with the Corporation's external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the Corporate Audit and Advisory Department of the Corporation;
- (f) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (g) review, determine and approve (or pre-approve) the fees and expenses for the current and prior year and any significant additional audit and audit-related fees over the estimated amount, such authority resting solely and exclusively with the Audit Committee, with the Corporation ensuring that funding is available to the Audit Committee for payment any such approved amounts;
- (h) review and approve, or delegate to a member of the Audit Committee the responsibility to review and pre-approve, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such work, provided that: (i) the Audit Committee will prepare a report for presentation to the shareholders of the Corporation quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period; and (ii) the pre-approval of non-audit services by a member of the Audit Committee to whom such authority is delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval;
- (i) review a report from the external auditor that (i) describes any relationship between the external auditor and the Corporation and (ii) states that in the external auditor's professional judgment it is independent of the Corporation, and discuss this report with the external auditor in order to evaluate the objectivity and independence thereof;
- (j) specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations and that it is not the subject of any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm;
- (k) receive reports on any: (i) consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements of the Corporation; and (ii) incidents involving fraud or illegal acts of which management, the Corporate Audit and Advisory Department or the external auditor of the Corporation become aware, in which case the relevant control procedures must be reviewed with management to satisfy itself that such matters are adequately guarded against;
- (l) at each quarterly meeting of the Audit Committee, meet privately with the external auditor to, amongst other things, understand any restrictions placed on them or other difficulties encountered in the course of the audit or review, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems;
- (m) in conjunction with management, on an annual basis, evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders of the Corporation;

II.IV Corporate Audit and Advisory Department

- (n) regarding the services provided by the Corporate Audit and Advisory Department, the Audit Committee shall:

- (i) meet privately with the head of the department at least quarterly to, amongst other things, understand any restrictions placed on them or other difficulties encountered in the course of their audits, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work;
- (ii) periodically review and approve the mandate, reporting relationships and resources of the department to ensure that it is independent of management and has sufficient resources to carry out its mandate;
- (iii) review the objectivity, qualifications, adequacy, and experience of its staff, and approve the appointment, dismissal, or replacement of its head;
- (iv) review and approve annually the planned scope for the corporate audit and advisory program, its objectives, its budget, and the resources required to attain these objectives;
- (v) at each quarterly meeting, review the reports thereof describing its activities for the preceding period, except those reports that have been requested directly by the Human Resources, Compensation and Pension Committee or the Safety, Health, Environment and Security Committee; and
- (vi) review the working relationships between the Corporate Audit and Advisory Department and the external auditor and management respectively;

II.V Major audit findings, significant accounting, and reporting issues

- (o) obtain from both the Corporate Audit and Advisory Department and the Corporation's external auditor the major audit findings and internal control recommendations reported during the period under review, the response of management to those recommendations, and review the follow-up performed by management and the Corporate Audit and Advisory Department in order to monitor whether management has implemented an effective system of internal accounting control;
- (p) review management's assessment of significant emerging accounting and reporting issues, including recent professional and regulatory pronouncements, and their impact on the Corporation's financial statements;
- (q) 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, and satisfy itself that: (i) sufficient controls are in place with the objective that all such complaints can be received anonymously and with an appropriate degree of confidentiality and that potential employee informants are aware of the process that is in place; and (ii) processes are in place with the objective that a summary of all complaints, regardless of significance, are presented to the Audit Committee;

II.VI Financial and other disclosures

- (r) review the process relative to the periodic certifications by the Chief Executive Officer and the Chief Financial Officer of the Corporation in respect of financial disclosures, and the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect the Corporation's ability to record, process, summarize and report financial data and any significant changes in internal controls or changes to the environment in which the internal controls operate, including corrections of material deficiencies and weaknesses;
- (s) receive regular reports from the Corporation's Disclosure Committee and the Corporate Audit and Advisory Department with respect to the Corporation's system of disclosure controls and procedures and internal controls over financial reporting;

II.VII Related party transactions

- (t) review and approve all related party transactions, where required by applicable law;

II.VIII Report to Board, annual reviews, other matters

- (u) whenever it may be appropriate to do so to assist it in the discharge of its mandate, retain and receive advice from consultants or experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Audit Committee as the Audit Committee may consider appropriate, it being understood that the Corporation shall ensure that funding is available to the Audit Committee in respect of any such activity;
- (v) report regularly to the Board on the activities, findings, and conclusions of the Audit Committee;
- (w) review this Charter on an annual basis and recommend to the Board any changes to it that the Audit Committee considers advisable;
- (x) complete a self-assessment annually to determine how effectively the Audit Committee is meeting its responsibilities;
- (y) perform such other functions as may be delegated from time to time by the Board;
- (z) review and confirm the selection of the lead audit partner and any other audit engagement team partner of the external auditor of the Corporation; and
- (aa) review and approve the hiring as an officer, employee or consultant of any partner or former partner of the present and former external auditors of the Corporation, or any member of their immediate family.

III. Other Responsibilities

In addition to the duties and responsibilities set out in Section 2 of this Charter, the Audit Committee shall:

III.I Public Disclosure

- (a) review and approve the Corporation's Public Disclosure Policy and any changes related thereto and satisfy itself that such policy is consistent with current developments and best practices;
- (b) where practicable, review with management (or delegate such review to the Chair of the Audit Committee) draft news releases to be disseminated to the public related to earnings warnings or financial results forecasting by the Corporation which are expected by management to be material in relation to the market price of any of the Corporation's securities;

III.II Enterprise Risk Management

- (c) be responsible for the oversight of the enterprise risk management (**ERM**) program and the work carried out by the Corporate Audit and Advisory Department in this regard, including the preparation of the quarterly update to the Audit Committee comprising the executive dashboard, the risk landscape, the ERM risk register and the risk status;
- (d) satisfy itself as to the effective risk management of the individual risks for which oversight has been delegated to the Audit Committee by the Board, through the receipt of periodic reports from the Corporate Audit and Advisory Department and management;
- (e) review and discuss with the Corporate Audit and Advisory Department and management all key enterprise risk exposures (with the exception of risks for which the Human Resources, Compensation and Pension Committee and the Safety, Health, Environment and Security Committee have been delegated responsibility by the Board) and the steps management has taken to monitor, control and mitigate those exposures;
- (f) have the discretion to address what it considers to be emerging risks to the Corporation's strategic, financial, and operational goals, and periodically report to the Board through the Chair of the Audit Committee on any major issues arising with respect to the management of these risks;

III.III ESG and sustainability

- (g) perform its activities having regard for the Corporation's environmental, social and governance (**ESG**) practices and strategies, including as to diversity, equity and inclusion;
- (h) monitor trends relating to, and oversee the development of, control mechanisms and the integration of ESG criteria in financial and other corporate reporting;
- (i) review the audit scope and approach of the external auditors (or other independent assurance providers) related to reporting on ESG matters;
- (j) review and recommend to the Board those elements of the annual report or other public reporting aligned to sustainability reporting standards and disclosures that emerge;

III.IV Cybersecurity

- (k) oversee and review management's assessment of cybersecurity risks, programs and practices and related identification, protection, detection, and response measures, including the steps that management has taken to monitor, control and respond to such exposures;

III.V Contingent Liabilities

- (l) monitor contingent liabilities of the Corporation and its subsidiaries, including by retaining in its discretion experts and consultants, review any matters, whether of a financial nature or otherwise, that can give rise to a contingent liability, and make recommendations, from time to time, to the Board on these matters;
- (m) obtain and review quarterly reports from management regarding compliance and privacy matters, including any material privacy breaches or fraud;

III.VI Corporate Authorization Policies

- (n) periodically review and approve policies relative to the financial control, conduct, regulation, and administration of subsidiary companies as required;
- (o) periodically review any administrative resolutions adopted from time to time pursuant to the Corporation's By-laws pertaining to the establishment of procedures relative to commitment and transaction authorizations, the determination of the officers or other persons by whom any instrument in writing or document is to be executed and the manner of execution thereof; and
- (p) receives and reviews management's report on: (i) the Corporation's approach to corporate donations and any changes thereto and the annual corporate donations budget; and (ii) any other financial expenditure policies that would affect the Corporation's and its subsidiaries' financial condition or reputation.

IV. Limitations of Audit Committee's Role; Reliance

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

Members of the Audit Committee are entitled to rely, acting reasonably and absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the

accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor.

V. General

This Charter is supplemented, and the organization and operations of the Audit Committee are governed, by the Governance Code and Organizational Guidelines of the Board.

Effective as of February 16, 2024.