



Notice of annual meeting of shareholders

Management proxy circular

Meeting date and time

March 28, 2024 10:30 a.m. (Eastern time)

- We look forward to your participation in our meeting and to your questions and comments.
- We hope you vote your shares whether or not you intend to attend the meeting. We ask that you vote and send your proxy as soon as possible before the meeting.
- We explain how you can do all of that under “Participating in the annual meeting and voting your shares” at [page 5](#) of the circular.

Virtual meeting site

aircanada.com/AGM



A STAR ALLIANCE MEMBER 

Caution regarding forward-looking information

Certain disclosures contained or incorporated by reference in this circular may include forward-looking statements within the meaning of applicable securities laws. These statements may involve, but are not limited to, comments relating to strategies, expectations, goals, targets, commitments, planned operations or future actions, including those relating to financial, operational, business, climate and other sustainability matters. Forward-looking statements, by their nature, are based on assumptions, are subject to important risks and uncertainties and cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including the factors identified in Section 18 of Air Canada's MD&A for the year ended December 31, 2023.

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

Navigating our circular

The tables of contents, page headers and page and section references within our circular include embedded links to the corresponding parts of the document. Our logo in the page footers brings you back to the main table of contents. We hope this feature helps you find the information you are looking for conveniently. This may not work on all browsers or tablets.

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

February 16, 2024

Dear fellow shareholders,

On behalf of the Board of Directors, we are pleased to welcome shareholders to participate in and vote at our annual meeting on March 28, 2024, at 10:30 a.m. (Eastern time).

The circular that follows contains information about the business of the meeting. In addition to the items of business to be put before you for a vote, we will present management's report for 2023 and discuss our priorities for 2024.

Your participation is important to us, and we hope you will vote your shares regardless of whether you intend to attend the meeting or not. We recommend you vote and send your proxy as soon as possible before the meeting.

Our meeting will be held virtually through a live webcast. You can join us at <https://aircanada.com/AGM> by entering the control number included in your proxy form or received via email from our transfer agent, TSX Trust Company, and the password "AC2024." All shareholders will have equal opportunities to participate, vote and submit questions from wherever they may physically be located on March 28, 2024. Shareholders may submit questions at or before the meeting. We will also provide other opportunities to engage with us in 2024, as we describe in the circular.

2023 | Building on our strengths and returning to our flight path

This year we returned to our flight path, carrying over 46 million passengers safely to their destination with care and class. We rotated toward the future and our ambitions, amid geopolitical issues and other challenges, strengthening our business, our operational depth and our financial position. These are important milestones for our shareholders, while also serving as a foundation for our customer-centric priorities and our growth plans to meet anticipated customer demand.

Our focused efforts led to better operational performance and more resiliency as we operated significantly more flights in 2023 than we did in 2022. Our financial results also improved, setting all-time records in some cases. At the same time, we improved our balance sheet by prepaying about \$1.3 billion of debt, resulting in a materially lower leverage ratio than at the end of 2022.

Although our stock price is not immune to macroeconomic and other factors, our performance in 2023 shored up our foundation and has only given us more confidence in our strategy and capability to achieve growth over the long term and to execute our capital allocation priorities and choices.

Rising higher

Everyone at Air Canada has been resourceful and joined together with agility, skill and passion. We strengthened our culture and successfully met sustained demand for travel, bridging Canada with the world.

Even in a complex global environment, we are pushing forward together on our aim to deliver long-term sustainable value. Advancing our priorities in 2024 will take deliberate and thoughtful action. Here are the ways our Board and executive leadership are working closely to rise higher:

- We are focused on network and operational planning, operational agility and technology delivery, with customer centricity at the heart of all we do.
- We are adding destinations to our network, building traffic through our hubs and opening avenues for newcomers to Canada.
- We remain diversified through the agility of Air Canada Cargo, the strength of Air Canada Vacations and our transformed Aeroplan, which continues to perform strongly and to contribute to our core business.
- We are focused on cost control, improving productivity and managing our risks with a strong balance sheet, while delivering for our investors.
- We are partnering with others in more sustainable aviation, leading by renewing our fleet and encouraging the development of sustainable aviation fuels in Canada.

We want to reflect all of Canada, at its best, engaging with our employees, nurturing diversity, fostering a welcoming, inclusive culture where everyone belongs and proudly promoting our official languages. We care about contributing to the wellness of our communities, and we are proud of how the Air Canada Foundation supports them through in-kind contributions and donations and joins with our employees in tangible actions.

In everything we do, we dedicate ourselves to Safety First, Always, our overarching priority for ourselves and for our industry.

Shaping our company's future requires us to add and develop talent around our board table and within our executive team. The appointment of Claudette McGowan last year builds on the board's existing strengths and broadens its perspectives. We also saw an orderly and seamless transition of key members within our senior executive team, in line with our succession planning.

We are grateful to our customers for their loyalty and to our shareholders for their trust and investment in Air Canada.

Sincerely,




Vagn Sørensen
Chair



Michael Rousseau
President and Chief
Executive Officer

Participating in the annual meeting and voting your shares

Attending and voting at the meeting online	<p>Registered shareholders and proxyholders can go to https://aircanada.com/AGM, click "I have a control number" and enter a valid control number and the password "AC2024" (case sensitive).</p> <p>Registered shareholders and proxyholders may vote at the meeting online. Other guests can listen to the meeting by clicking "I am a guest" and completing the online form.</p>
Voting in advance 	<p>We encourage you to vote your shares in advance even if you plan on attending the online meeting. You may do so online or by phone, using your control number, or by mail. If you attend the meeting virtually, you may withdraw your proxy and vote online if you so choose. See "Voting your shares" beginning at page 76 of this circular.</p>
Control number	<p>Registered shareholders will find their control number on their form of proxy or in the email notification they received. Proxyholders may ask TSX Trust Company to provide them with a control number via email, but they must first be properly appointed and registered. See "Voting your shares" beginning at page 76 of this circular.</p>
Assistance	<p>Call Kingsdale Advisors at 1-855-682-4783 (toll-free in North America) or 647-251-9743 (text and call enabled outside North America) or by email at contactus@kingsdaleadvisors.com.</p>
Submitting questions and comments	<p>Questions and comments may be submitted by shareholders:</p> <ul style="list-style-type: none"> in advance of the meeting, by entering and submitting their questions using the form available on Air Canada's Investor Relations website at https://investors.aircanada.com before 9:30 a.m. (Eastern time) on March 27, 2024, and during the virtual meeting, by attending the meeting at https://aircanada.com/AGM, clicking "I have a control number" and entering a valid control number and the password "AC2024" (case sensitive), then accessing the function for asking questions. <p>We will endeavour to answer as many questions submitted by shareholders as time permits. We reserve the right to edit and to exclude questions regarding topics that are not pertinent to meeting matters or company business. If we receive substantially similar questions, we may group questions together and provide a single response to avoid repetition.</p>
We encourage your participation at the meeting	<p>After the formal business of the meeting, management will give a presentation about the Corporation's business and activities. Following this, we will hold a Q&A session, during which we intend to answer questions submitted before or during the meeting, as indicated above, and in accordance with the rules of conduct of the meeting which are available on our Investor Relations website at https://investors.aircanada.com.</p>

Where you can find more information

Annual meeting	<p>Management information circular https://aircanada.investorroom.com/</p> <p>Voting before the annual meeting http://www.meeting-vote.com (registered shareholders) http://www.proxyvote.com (non-registered shareholders)</p>
Board of Directors	<p>https://investors.aircanada.com/board-of-directors</p>
Governance documents	<p>https://aircanada.investorroom.com/governance</p>
Investor relations	<p>https://investors.aircanada.com</p>
Our annual and other reports	<p>https://aircanada.investorroom.com/</p>
Corporate responsibility	<p>https://www.aircanada.com/ca/en/aco/home/about/corporate-responsibility.html#/</p>
Communications with the Board	<p>Email: corporate.secretary@aircanada.ca / shareholders.actionnaires@aircanada.ca Phone: +1-514-422-6644 Mail: Corporate Secretariat, Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Montréal, Québec, H4Y 1H4, Canada</p>

Glossary of certain terms or abbreviations

ACV	Air Canada Vacations
AFRC	Audit, Finance and Risk Committee
CEO	Chief Executive Officer
Committees	AFRC, GNC, HRCPC and SHESC
CPA	Chartered Professional Accountant
CSA	Canadian Securities Administrators
DEI	Diversity, equity and inclusion
DSU	Deferred share unit
ERG	Employee resource group
GAAP	Generally Accepted Accounting Principles
GNC	Governance and Nominating Committee
GRI	Global Reporting Initiative
HRCPC	Human Resources, Compensation and Pension Committee
LTIP	Long-Term Incentive Plan
NEO	Named executive officer
OHS	Occupational health and safety
PCTL	Percentile
PSU	Performance share unit
Rouge	Air Canada Rouge
RSU	Restricted share unit
SDG	Sustainable Development Goals
SHESC	Safety, Health, Environment and Security Committee
SOG	Share ownership guidelines
Sustainability	Sustainability refers to our efforts to govern our activities and achieve our goals having regard to climate, environmental, social and economic factors
TSR	Total shareholder return based on local currencies (data obtained from Bloomberg)
TSX	Toronto Stock Exchange
TCFD	Task Force on Climate-related Financial Disclosures

Management proxy circular summary

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

Full year 2023

EMPLOYEES About 39,000* END OF 2023 <i>Compared to about 36,000 in 2022</i> <small>* excludes ACV and Rouge employees</small>	NETWORK GROWTH 1,025 AVERAGE DAILY FLIGHTS <i>About 945 in 2022</i>	WELCOMED PASSENGERS Over 46M <i>About 37M in 2022</i> 24% INCREASE	ADJUSTED EBITDA⁽¹⁾ \$3.982B <i>\$1.457B in 2022</i>	OPERATING REVENUES \$21.833B <i>\$16.556B in 2022</i>	OPERATING INCOME \$2.279B <i>(\$187M) in 2022</i>
FLEET RENEWAL Sourced 18 Boeing 787-10 Dreamliners and 5 737 MAX 8 aircraft	DIRECT DESTINATIONS 188 ON 6 CONTINENTS Deep Canadian network and established international presence	NEW ROUTES LAUNCHED 14	ASMs About 99.0B <i>About 82.5B in 2022</i>	TOTAL LIQUIDITY END OF 2023 \$10.29B <i>\$9.82B in 2022</i>	LEVERAGE RATIO⁽¹⁾ 1.1x AT DECEMBER 31, 2023 <i>Materially improved from 5.1x at December 31, 2022</i>



Introduced free Bell Wi-Fi messaging for Aeroplan Members

BUSINESS DIVERSIFICATION

AEROPLAN

- Record membership surpassing 8 million members
- New partnership with Parkland, expanded partnership with Uber Canada and Uber Eats

CARGO

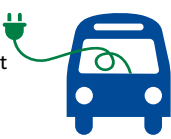
- 7 all-cargo freighters in service, deployed to over a dozen destinations in 2023

AIR CANADA VACATIONS

- Materially increased revenues as compared to 2022



CLIMATE ACTION PLAN

- Fleet renewal: Sourced 18 Boeing 787-10 Dreamliner aircraft, continuing transition to more modern, efficient aircraft to lower emissions per seat
- Sold environmental attributes associated with 2.4 M U.S. gallons of SAF
- Introduced air-to-rail connections in Europe
- Increased sourcing of electric equipment, including ground support vehicles, bringing total items in use to about 2,500 
- Partnered with IAGOS to equip an Airbus A330 with climate and air quality sensors

OTHER SUSTAINABILITY AREAS

- 41 ECX initiatives delivered such as biometrics at select airports, baggage tracking and e-gates
- Implemented four structural DEI pillars: DEI Executive Council, DEI Steering Committee, DEI Champions Program, formalization of ERGs
- Historic partnership with new Professional Women's Hockey League
- Implementing Linguistic Action Plan; OQLF voluntary registration
- Enhanced UBY program for employees
- Resumed operations for 8 Dreams Take Flight for over 1,000 children
- Air Canada Foundation supported 360 charities across Canada
- Launched Accessibility Plan; announced measures to reduce barriers

For more information

See 2022 Citizens of the World and Air Canada 2022 TCFD supplement 

(1) Adjusted EBITDA and leverage ratio (also known as net debt to adjusted EBITDA ratio) are non-GAAP financial measures. Such measures are not recognized measures for financial statement presentation under generally accepted accounting principles in Canada (GAAP), do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2023 MD&A (which section is incorporated by reference herein), which is available under Air Canada's profile on SEDAR+ at www.sedarplus.ca, for an explanation of the composition of these non-GAAP measures, an explanation of how they provide useful information to investors and the additional purposes for which management uses them, as well as a reconciliation to the most directly comparable GAAP measure.

KEY INDUSTRY AWARDS

- 2024 APEX Five Star Global Airline Award
- Best Airline in Canada from Skytrax World Airline Awards
- Best Airline Staff in Canada from Skytrax World Airline Awards
- Best Low-Cost Airline in Canada (Air Canada Rouge) from Skytrax World Airline Awards
- Favourite Airline in North America from the Trazee Awards (fifth consecutive year)
- Best Airline for Onboard Entertainment from *Global Traveler* (fifth consecutive year)
- Passenger Choice Award for Best Entertainment in North America from the Airline Passenger Experience Association
- Airline Program of the Year, Best Promotion and Best Redemption Ability for Air Canada's Aeroplan loyalty program from the *Freddie Awards*














Shareholder voting matters

	Where to find out more	Board recommends
Electing 13 directors	See page 11	Vote FOR
Appointing our auditors	See page 11	Vote FOR
Increasing the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan	See page 12	Vote FOR
Having your say on our approach to executive compensation	See page 14	Vote FOR
Considering the shareholder proposals set out in Schedule "C" of the circular that are properly introduced at the meeting	See Schedule "C"	Vote as indicated in Schedule "C"

We urge you to promptly vote and submit your proxy in advance of the meeting, as we describe on [page 77](#) of the circular.

Our director nominees

Our Board of Directors (the Board or the Board of Directors) believes that having a mix of directors with diverse and complementary qualifications, expertise and attributes is essential to meeting its oversight responsibility.

Nominee	Age	Independence	Director since	AFRC	GNC	HRCPC	SHESC	Board Committee Attendance 2023	Region	Other public boards	MAJOR COMPETENCIES AND EXPERTISE ⁽²⁾														
											Airline industry	Carbon emissions or innovation and policy	Digital transformation and technology	Finance	Global business	Government affairs	Public policy	Human resources Labour	Legal and regulatory	Operational experience	Related industry experience	Retail industry	Risk management	Safety, health and environment	
 A. Chande	50	•	2020	M			M	95%	British Columbia	2		•	•	•					•	•	•				
 C.J.B. Clark	70	•	2013	C	M			100%	Ontario	2				•	•		•				•	•			
 G.A. Doer, O.M.	75	•	2018			M	M	100%	Manitoba	3	•			•	•	•	•	•						•	
 R. Fyfe, CNZM	62	•	2017			M	C	100%	New Zealand	1	•	•		•			•		•					•	
 M.M. Green	65	•	2009			M	M	100%	USA	-				•	•				•	•				•	
 J.M. Huot	62	•	2009		M		M	100%	Québec	-				•		•	•	•						•	•
 C. McGowan	52	•	2023	M				100%	Ontario	-		•					•		•					•	
 M. Paquin, C.M., FSCMA	61	•	2015		M		M	100%	Québec	-				•	•	•	•			•					
 M. Rousseau	66		2021					100%	Québec	-	•			•	•		•		•			•	•	•	•
 V. Sørensen (C)	64	•	2006					100%	U.K.	3	•	•	•	•					•	•					
 K. Taylor, C.M.	66	•	2016	M	M	C		100%	Ontario	2		•	•	•			•	•	•	•					
 A. Verschuren, O.C.	67	•	2012	M	C			91%	Ontario	2	•	•	•	•	•	•			•					•	•
 M.M. Wilson	72	•	2014 ⁽¹⁾	M		M		100%	Alberta	2	•			•	•		•		•					•	

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

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

LEGEND

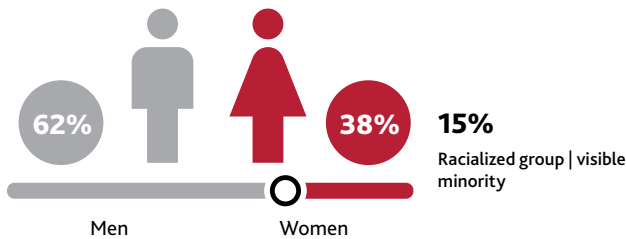
AFRC	Audit, Finance and Risk Committee
GNC	Governance and Nominating Committee
HRCPC	Human Resources, Compensation and Pension Committee
SHESC	Safety, Health, Environment and Security Committee
C	Board or Committee Chair
M	Committee member

2023 governance and climate and other sustainability highlights

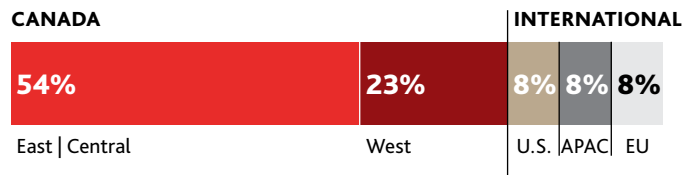
13	Size of the Board	✓ Directors elected annually and individually
12	Independent directors, or 100% of our non-CEO nominees	✓ Active engagement with shareholders and other stakeholders
100%	All Board Committee members are independent	✓ Annual advisory vote on executive compensation
99%	2023 Board and Committee director attendance record	✓ Robust Board and executive succession planning
2020-2023	Two non-executive director appointments helped build Board's existing strengths and broaden its perspectives	✓ Separate Chair and CEO, both attend all Committee meetings as observers except in camera sessions in the case of CEO
0	No other interlocking public directorships among our director nominees	✓ Share ownership guidelines for directors and executives, extended in 2023 to the top level of senior management
8.76	Average tenure of our director nominees in years	✓ Annual Board and director evaluations and peer reviews
40%	Target for representation of women on the Board by 2025	✓ Board Diversity Policy
38% 15%	Director nominees who identify as women (five) and as members of a racialized group (visible minority) (two)	✓ Increased focus to further advance representation of women and other designated groups at Air Canada
50% 70.2%	Minimum percentage of Board and Committee fees to be paid in DSUs or shares, and actual percentage so paid in 2023	✓ Climate and other sustainability matters overseen by Board and Committees in line with mandates
		✓ Part of senior leadership annual incentive compensation linked to sustainability goals

Board nominees at a glance⁽¹⁾

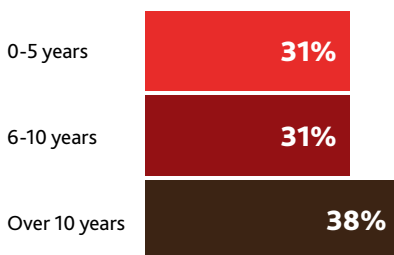
GENDER AND OTHER DIVERSITY



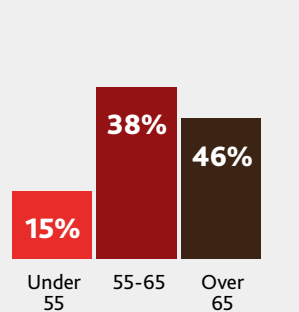
GEOGRAPHIC REPRESENTATION



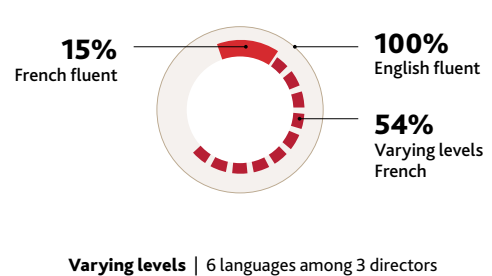
AVERAGE TENURE (8.76 YEARS)



AGE



LINGUISTIC PROFICIENCY



(1) Some percentages may not add up to 100% due to rounding.

Our approach to executive compensation

You have a say on what we pay our executives. Our Board has determined that our approach to executive compensation would be in the best interest of Air Canada and its shareholders and recommends that you vote to approve our approach to executive compensation for the reasons below.

What we do about executive compensation in general

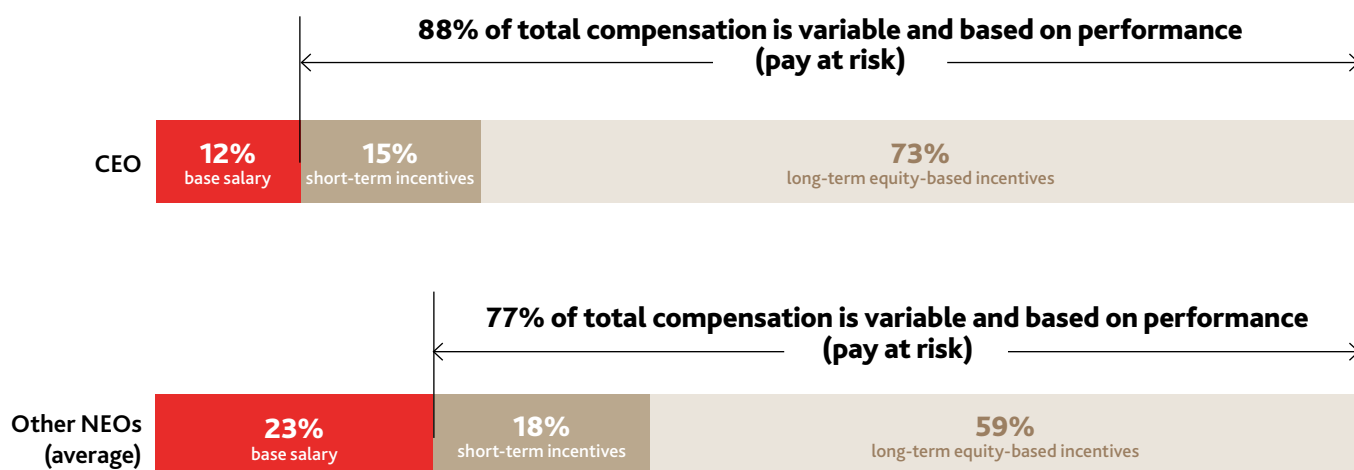
- Market-competitive design to enable us to attract and retain industry leading talent
- Emphasis on pay at risk, which means a significant part of it is tied to performance goals and share price
- Strong alignment with our shareholders, with 73% of the annual target compensation opportunity for our CEO (59% for our other NEOs (on average)) delivered in the form of equity awards that are “at risk”
- Focus on the long term through equity awards with multi-year vesting or performance requirements
- Motivate executives to achieve and surpass key performance goals by rewarding results that relate to objectives in support of our business strategy

2022 compensation and how you voted in 2023

- In 2022 we realigned total compensation opportunities toward market-competitive levels and practices after having been capped to \$1 million by Government of Canada facilities that we cancelled before drawing on them
- Compensation opportunities were accordingly targeted generally toward the 50th percentile, or market median, of our comparator group for positions with similar responsibilities and scope
- In 2023, you voted 73.26% in support of our approach to executive compensation
 - The 2023 vote reflected the negative vote of a single shareholder, with whom we have engaged periodically
 - Shareholder support for our approach was 89.62% of all other votes cast at the 2023 meeting

How we set CEO and NEO target compensation in 2023

- CEO total target direct compensation (base salary and target short- and long-term equity-based incentive compensation) was \$10,725,000, of which \$9,425,000 is at risk
- Total CEO compensation in 2023 is generally aligned toward the 50th percentile, or market median, of our comparator group, and 88% of CEO’s total target direct compensation is at risk (77% for other NEOs on average)



You may find more information on our advisory vote at [page 14](#) and on our executive compensation approach and practices starting at [page 47](#).

Notice of 2024 annual meeting of shareholders

Your vote is important to us. This management proxy circular (the circular) is intended to help you make informed decisions about the matters to be dealt with at our annual shareholder meeting to be held virtually on March 28, 2024 (the meeting). The circular also tells you how to exercise your right to vote about those matters. Please read this material carefully and vote your shares.

When Thursday, March 28, 2024, 10:30 a.m. (Eastern time)

Where Virtual meeting via live webcast available by joining us at <https://aircanada.com/AGM> and entering the control number included in your proxy card or received via email from our transfer agent, TSX Trust Company, then the password "AC2024" (case sensitive).

		Where to find out more	Board recommends
What the meeting is about	1. Placing the consolidated financial statements of Air Canada for the year ended December 31, 2023, including the auditors' report, before shareholders	See page 11	
	2. Electing 13 directors who will serve until the end of the next annual shareholder meeting	See page 11	Vote FOR
	3. Appointing our auditors	See page 11	Vote FOR
	4. Increasing the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan	See page 12	Vote FOR
	5. Having your say on our approach to executive compensation	See page 14	Vote FOR
	6. Considering the shareholder proposals in Schedule "C"	See Schedule "C"	Vote as indicated in Schedule "C"

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

Record date and right to vote Shareholders of record on February 16, 2024 are entitled to receive notice of, and vote at, our annual shareholder meeting or any adjournment thereof in respect of the items indicated above and any other matters that may properly come before the meeting or any adjournment thereof.
See [page 76](#) of the circular for how to vote.

We are providing proxy materials and access to our circular electronically instead of by mailing printed copies. This helps us save costs and reduce our impact on the environment.

We are doing so by mailing or otherwise making available to each of our shareholders a notice of Internet availability of proxy materials, which contains instructions on how to access our proxy materials and vote online.

Approval of the notice and circular

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



Marc Barbeau
Executive Vice President, Chief Legal Officer and Corporate Secretary

Montréal, Québec
February 16, 2024

Business of the meeting

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

1. Placing our consolidated financial statements for the year ended December 31, 2023, including the auditors' report thereon, before shareholders.
2. Electing 13 directors who will serve until the end of the next annual shareholder meeting.
3. Appointing our auditors until the end of the next annual shareholder meeting.
4. Approving an increase in the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan.
5. Having your say on our approach to executive compensation.
6. Considering the shareholder proposals in Schedule "C" of the circular.

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

If you have completed a form of proxy or voting instruction form and do not specify how you want your shares voted in respect of the items of business to be brought before the meeting, the management proxy nominees named as proxyholders will cast the votes represented by proxy at the meeting (a) to vote FOR the election of the director nominees who are named in this circular, (b) to vote FOR the appointment of PricewaterhouseCoopers LLP as auditors, (c) to vote FOR authorizing the increase in the number of shares that are reserved and authorized for issuance under our Long-Term Incentive Plan, (d) to vote FOR the advisory, non-binding resolution supporting our approach to executive compensation, and (d) as indicated in Schedule "C" of the circular with respect to the shareholder proposals set out therein.

If other matters properly come before the meeting, the persons designated in the form of proxy enclosed with the Notice-and-Access Letter will vote in accordance with their judgment, pursuant to the discretionary authority conferred by the proxy with respect to such matters.

Receiving our financial statements

The consolidated financial statements for the year ended December 31, 2023, including the auditors' report thereon, are available on SEDAR+ at www.sedarplus.ca or on our website at investors.aircanada.com.

Electing directors

Thirteen (13) directors are to be elected to the Board, to serve until the end of the next annual shareholder meeting. All of the individuals nominated as directors were previously elected to the Board by our shareholders. We set out more information about our nominees in the "Our nominated directors" section of this circular.

The election of directors at the meeting will be governed by the majority voting requirements under the Canada Business Corporations Act. These require that in an uncontested election of directors, such as the one planned for the meeting, a nominee must receive a majority of the total votes cast in favour of their election in order to be elected as a director. If a nominee fails to receive that level of support, they will not be elected, though they may continue to serve up to 90 days after the election.

Appointing our auditors

The Board of Directors, having received the advice of the AFRC, recommends that PricewaterhouseCoopers LLP, Chartered Accountants, be reappointed as auditors to serve until the end of the next annual shareholder meeting or until their successors are appointed.

Fees payable for the years ended December 31, 2023, and December 31, 2022, to PricewaterhouseCoopers LLP and its affiliates were \$5,142,128 and \$4,881,515 respectively, as shown in the following table:

	Year ended December 31, 2023	Year ended December 31, 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 fees	\$5,142,128	\$4,881,515

The AFRC reviews and pre-approves the nature of all non-audit services, as permitted by securities regulations, to be provided by the external auditor prior to the commencement of such work. Each category of fees is described below:

- **Audit fees.** Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada.
- **Audit-related fees.** Audit-related fees were paid for professional services related to the audit of the non-consolidated financial statements of Air Canada, pension plan audits, audits of subsidiary companies, where required, specified procedures reports and other audit engagements not related to the consolidated financial statements of Air Canada.
- **Tax fees.** Tax fees were paid for professional services for tax compliance and tax advice.
- **All other fees.** Other fees were paid for translation services (generally related to financial statements and other financial filings) and advisory services and fees related to the auditors' involvement with offering documents, if any.

At our annual meeting of shareholders held on May 12, 2023, shares representing 88.10% of the votes cast at such meeting were voted in favour of the appointment of PricewaterhouseCoopers LLP as our auditors, and shares representing 11.90% of the votes cast were withheld.

PricewaterhouseCoopers LLP has been Air Canada's independent external auditor since 1990. The AFRC believes that it is essential that the external auditor be qualified, capable and independent, and maintain a high level of independence and bring a consistent level of professional scepticism to its audit work.

The AFRC has also determined there are significant benefits to having a qualified, capable and independent external auditor with an extensive history with Air Canada. These include higher-quality audit work and accounting advice due to their institutional knowledge of our business and operations, accounting policies, financial systems and internal control framework, as well as a tailored audit approach that leads to audit efficiencies, resulting in a lower fee structure because of its history and familiarity with our business.

In order to ensure both objectives are met, the AFRC annually assesses the independence, qualifications, and performance of the external auditor, and performs a comprehensive review every five years, with the last comprehensive review performed in 2023 covering the annual audit periods ended December 31, 2022. The AFRC also evaluates the benefits and risks of having a long-tenured auditor and the firm's controls and processes that ensure their independence, while maintaining the auditor's experience and fresh perspective through mandatory lead audit engagement partner rotation and the auditor's periodic rotation of other audit management.

The scope of the annual and comprehensive reviews covers audit quality, including independence, objectivity and professional scepticism, quality of service, candour of communications and

PricewaterhouseCoopers LLP's ability to meet Air Canada's future needs. Assessments are based, among other things, on the audit plan submitted, the risk areas identified, the nature of the audit findings, reports presented to the AFRC and the quality and candour of PricewaterhouseCoopers LLP's communications with AFRC members and management. The annual and comprehensive assessments also consider audit quality indicators (AQIs), which the external auditor reports on annually. The use of AQIs is recommended by Canadian regulatory and accounting member bodies, such as CPA Canada, the Canadian Public Accountability Board, the Institute of Corporate Directors and the Canadian Centre for Audit Quality, and provides the AFRC with additional useful quantitative and qualitative information for the purpose of evaluating the external auditor.

The AFRC also reviews reports issued by the Canadian Public Accountability Board and CPA Canada, which conclude that existing auditor independence requirements, including audit firm review and audit team member rotation, ensure auditor independence while maintaining and enhancing audit quality, which can be impaired by audit firm rotation. Upon completion of the review, the Chair of the AFRC meets with the lead audit engagement partner as well as the chief executive officer of PricewaterhouseCoopers LLP to discuss its performance.

PricewaterhouseCoopers LLP rotates its lead audit engagement partner every seven years, which is done in full consultation with the AFRC, including interviews with the proposed candidates by the Chair of the AFRC. The current lead audit engagement partner was selected for the fiscal year 2023 audit.

The AFRC has shared with the Board of Directors its evaluation that PricewaterhouseCoopers LLP is qualified, capable and independent and that it is in the best interests of Air Canada and its shareholders that they be reappointed as auditors.

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

Long-Term Incentive Plan replenishment

Since 2006, Air Canada has used its Long-Term Incentive Plan (we also refer to it as the LTIP) to attract, retain and motivate employees in key positions and to align their interests with those of our shareholders by providing a form of pay-for-performance compensation tied to the value of our voting shares. Stock options or share units are granted to participants upon recommendation of our HRCPC to our Board. For more information, please refer to [page 60](#) of this circular under "Executive Compensation – Long-Term Incentive Plan."

Shareholders last approved a replenishment to the LTIP in May 2017 to increase the number of issuable shares to 19,381,792 shares, or about 7.15% of our then outstanding voting shares, subject to no more than 500,000 shares in respect of share units. Since May 5, 2017, the number of reserved shares has decreased as a result of the exercise of 8,639,764 options and the redemption of 415,310 share units under the LTIP. Therefore, the reserve now rests at 10,326,718 shares, or roughly 2.9% of our outstanding voting shares as of December 31, 2023, 84,690 of which are available for issuance in respect of share units. There are currently 6,642,516 options outstanding under the LTIP. As

of December 31, 2023, 3,684,202 Air Canada shares (about 1.0% of our outstanding shares on that date) remained available for issuance under the Long-Term Incentive Plan for future grants of stock options or share units (subject to the sub-limit of 84,690 for issuance in respect of share units).

The Board of Directors has decided that it is suitable at this time to keep the share reserve within a level under 5% of our outstanding shares to offer an effective way to use incentive awards in later years. We are proposing to do so by replenishing the share reserve by 4,000,000 shares, 250,000 of which would be available to replenish the current sub-limit for granting share units. This represents less than half the number of options exercised since May 2017.

If approved at the meeting, the amendment to the LTIP would accordingly replenish by 4,000,000 the maximum number of issuable shares under reserve upon the exercise of stock options or the redemption of share units from 10,326,718 to 14,326,718. This will represent about 4.0% of our currently outstanding shares. The number of shares reserved for issuance in respect of share units will continue to be limited, to a reduced sub-limit of no more than 250,000.

The Board has determined the amended LTIP is in the best interests of Air Canada and its shareholders for the following reasons:

- **Helps attract and retain talent.** Equity-based compensation is critical to maintain our ability to effectively attract, motivate, reward, and retain our team in a competitive market for talent, while encouraging them to contribute to our performance and results.
- **Supports our pay-for-performance philosophy.** The vast majority of total compensation for our executive officers is incentive compensation that is at risk – in that it is tied to the achievement of results, which drive our share price performance. We use equity-based compensation that is at risk to reinforce desired business results and to motivate executives to produce those results. Since our equity awards generally vest over several years, the value ultimately realized from these awards depends on the long-term value of our shares. Our compensation program is accordingly designed to align with the long-term success of Air Canada with a diligent focus on incentivizing performance for executing against our long-term growth strategy.
- **Allows continuity in our compensation programs.** Equity-based compensation has been a critical and vital element of our employee compensation programs for many years. If the amendment to the LTIP is not approved at the meeting, we would need to replace components of compensation intended to be awarded in equity with cash or with other instruments that significantly reduce our flexibility to provide competitive compensation programs, and which may not support our goals of strengthening longer-term retention and aligning employee interests with those of our shareholders, in addition to increasing our cash compensation expense.

- **Balances shareholder interests regarding dilution.** We recognize the dilutive impact of our equity compensation programs on our shareholders. As described in more detail on [page 64](#), we believe the amended LTIP would not be excessively dilutive to our shareholders given our three-year average dilution, overhang and annual burn rate are 1.55%, 3.07% and 0.39% respectively.
- **Reflects sound compensation practices.** The replenished LTIP would continue to include features that are consistent with the interests of our shareholders and sound corporate governance practices, including that we do not reprice or replace awards, we price stock options at the fair market value of our shares on the date they are granted, we seek shareholder approval to increase the share reserve, our NEO employment terms require a double trigger for accelerated LTIP vesting in the event of a change of control, our non-executive directors do not receive grants of awards under the LTIP and the LTIP does not provide for automatic grants or any tax gross-ups.

The Board of Directors accordingly recommends that shareholders vote in favour of the approval by way of ordinary resolution of the amendment to the LTIP. See at Schedule “A” the resolution that will be tabled at the meeting to that end.

Having a say on our executive compensation

We will present our annual non-binding advisory resolution on executive compensation at the meeting. This is the 11th year that Air Canada has included such a vote as part of its ongoing process of shareholder engagement about the objectives and principles underlying its executive compensation decisions. The Board has over that time considered the outcomes of advisory votes and used them as opportunities to follow up with enhanced disclosure and engage with shareholders.

At the 2023 annual meeting, shareholders voted on our approach to executive compensation in 2022. That year, after having cancelled Government of Canada facilities that were never drawn but limited compensation for named executive officers while they were in effect, we had started realigning executive compensation to market practices.

The advisory resolution on Air Canada's approach to executive compensation received 73.26% support from shareholders at the 2023 meeting. Shareholder support for Air Canada's approach to executive compensation would have been 89.62% but for the negative vote of a single shareholder who had similarly voted against support in 2022. The Board understands that the reasons for the dissenting shareholder's vote are related to their view of executive compensation in the context of the pandemic and having sought government support. The Board and management will continue their dialogue with this shareholder, including to ensure that their respective perspectives on executive compensation matters have been understood and considered.

The Human Resources, Compensation and Pension Committee was mindful of the support shareholders expressed for our compensation approach and other comments it received from our engagement with them. The Committee concluded that no substantial changes to our executive compensation policies and program should be made based on the results of the vote and our engagement with shareholders. The Committee also considered other factors in its assessment, such as:

- The significant weighting of incentive- and performance-driven compensation for our NEOs (88% for our CEO and 77% on average for our other NEOs) that is at risk.
- The alignment of executive compensation policies and programs with the long-term interests of shareholders.

- The relationship between risk-taking and incentive compensation.
- The need for Air Canada to attract and retain industry leaders and world-class executives.

The Committee has taken these factors into account in reaffirming and refining the components of Air Canada's executive compensation policies and programs in 2023. Accordingly, we will continue to ensure that executive compensation policies and programs remain competitive and commensurate to our size and complexity and the roles of our NEOs to target total compensation opportunities at market-competitive levels, generally near the 50th percentile of our comparator group, based on all relevant factors, and to maintain significant weighting on incentive- and performance-driven compensation that is at risk. For further information concerning our approach to executive compensation, please refer to the sections under the heading "Compensation discussion and analysis."

The Board accordingly recommends that shareholders vote in favour of the approval of the following advisory resolution, the text of which is also set out at Schedule "B" to this circular:

"BE IT RESOLVED THAT, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in Air Canada's management proxy circular provided in advance of the 2024 annual meeting of its shareholders."

This is an advisory vote, whose results are not binding on the Board. However, the Board and the HRCPC will take the outcome of the vote into account when reviewing our future executive compensation philosophy, policies, programs or arrangements.

Considering shareholder proposals

The shareholder proposals are set out in Schedule "C" to this circular. The Board recommends voting in respect of each proposal in the manner set out in Schedule "C" for the reasons noted in the Board's responses.

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

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

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

Our nominated directors

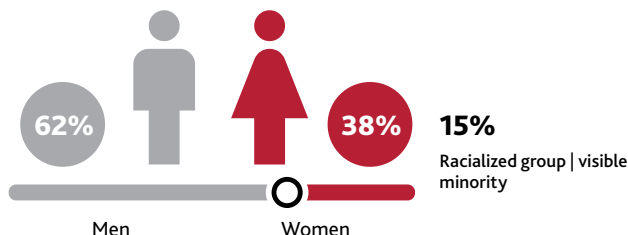
The Board of Directors has resolved that there should be 13 directors effective upon the election of the directors at the meeting. All nominees have established their eligibility and willingness to serve as directors. If prior to the meeting, any of the listed nominees would become unable or unavailable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

This section sets out certain information relating to the proposed nominees for election as directors, to hold office until the end of the next annual meeting of shareholders or until their successor is elected or appointed. The nominee profiles include an overview of each nominee’s major competencies and experience, current Board committee memberships and directorships at other public companies over the past five years. Voting results from the 2023 annual meeting of shareholders are summarized below and provided in full under “Voting results from 2023 annual meeting of shareholders.”

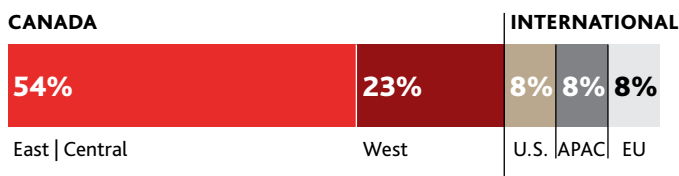
This section also includes each nominee’s equity ownership in Air Canada as of December 31, 2022 and December 31, 2023, consisting of shares and deferred share units (DSUs), the values of which are determined using the TSX closing prices of the voting shares as at those dates.

Board nominees at a glance⁽¹⁾

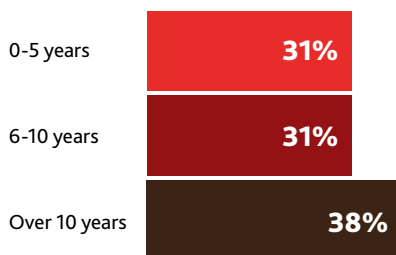
GENDER AND OTHER DIVERSITY



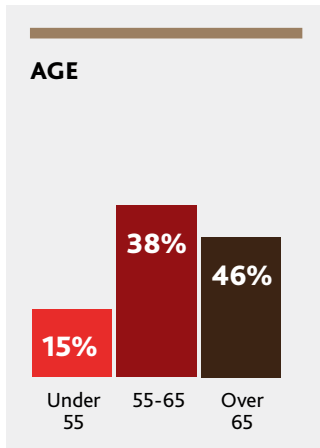
GEOGRAPHIC REPRESENTATION



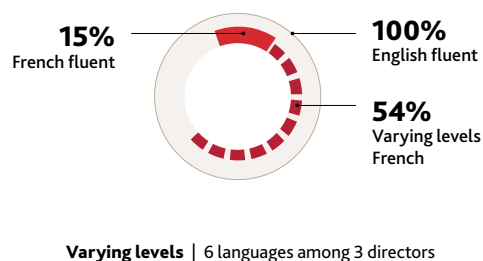
AVERAGE TENURE (8.76 YEARS)



AGE



LINGUISTIC PROFICIENCY



(1) Some percentages may not add up to 100% due to rounding.

In this circular we refer to Indigenous Peoples and members of racialized groups (visible minorities). These terms recognize the unique histories of racism that the groups have lived through. Their meanings have significance worldwide, and similar as well as different terminologies are used in different regions. We do not intend by referring to these groups of persons in this manner to suggest that their experiences are the same. We recognize that Indigenous Peoples and racialized people have been affected by racism in different ways.

Total shareholdings of non-executive nominated directors

Your directors own significant equity in Air Canada, aligning their interests with yours.

The following table discloses the total holdings of Air Canada shares and deferred share units (DSUs) of the nominated non-executive directors as at December 31, 2022 and December 31, 2023. The total value of shares and DSUs held by non-executive director nominees is determined by multiplying the number of shares and DSUs of Air Canada held by each director nominee by the closing prices of Air Canada shares on the TSX as at those dates.

	2023-12-31⁽¹⁾	2022-12-31
Air Canada shares	485,628	312,823
Air Canada DSUs	1,092,846.98	834,624.04
Total shares and DSUs	1,578,474.98	1,147,447.04
Value	\$29,501,697	\$22,248,998

(1) No shares or units have been acquired or sold since December 31, 2023, except in connection with quarterly Board and Committee retainers.

Our nominees

Amee Chande



Corporate director
Director since June 2020
Age: 50
Status: Independent
 British Columbia, Canada

Major competencies and experience:

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

2023 annual meeting votes in favour: **99.07% (117.1m votes)**

2023 annual meeting votes against: **0.93% (1.1m votes)**

Amee Chande is a corporate director and strategy consultant. Ms. Chande sits on the board of Thumbtack, Inc. and serves on the Advisory Board of Livingbridge Private Equity. In addition to her directorships, Ms. Chande currently 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 Walmart Inc. in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company.

Ms. Chande is an active volunteer with the World Association of Girl Guides and Girl Scouts where she served as a member of the World Board, 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 degree from Harvard Business School.

Board and Committee attendance during 2023

Board of Directors	11/12
Audit, Finance and Risk Committee	6/6
Safety, Health, Environment and Security Committee	4/4
Total Board and Committee attendance	95%

Other public board directorships within past five years

Fortune Brands Innovations (since 2023)
 Algonquin Power & Utilities Corp. (since 2022)
 Signature Aviation PLC (2018–2021)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B Voting Shares	14,508	14,508
DSUs	13,493.46	8,066.04
Total Shares/DSUs	28,001.46	22,574.04
Total value	\$523,347	\$437,711

Share ownership guideline status and 5-year target date to meet

Five-year target (2025-06 | \$585,000): **0.9x**.

Christie J.B. Clark



Corporate director
Director since June 2013
Age: 70
Status: Independent
 Ontario, Canada

Major competencies and experience:

- Finance
- Global business
- Human resources | Labour
- Retail industry
- Risk management

2023 annual meeting votes in favour: **95.54% (112.9m votes)**

2023 annual meeting votes against: **4.46% (5.3m votes)**

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 also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and an emeritus member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen's University. Mr. Clark has also served as a director of Hydro One Inc., Brookfield Office Properties Inc. and IGM Financial Inc.

Mr. Clark graduated from Queen's University with a bachelor of commerce degree and the University of Toronto with a master of business administration degree. He is a Fellow Chartered Accountant. Mr. Clark is a former National Academic Director for the Institute of Corporate Directors' course entitled Audit Committee Effectiveness.

Board and Committee attendance during 2023

Board of Directors	12/12
Audit, Finance and Risk Committee	6/6
Governance and Nominating Committee	5/5
Total Board and Committee attendance	100%

Other public board directorships within past five years

Loblaw Companies Limited (since 2011)
 AtkinsRéalis (SNC-Lavalin Group Inc.) (since 2020)
 Choice Properties Real Estate Investment Trust (2013–2023)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares ⁽¹⁾	79,010	73,010
DSUs	41,521.17	35,847.05
Total Shares/DSUs	120,531.17	108,857.05
Total value	\$2,252,728	\$2,110,738

Share ownership guideline status and 5-year target date to meet

Five-year target 2018-06 | 585,000): **Met (3.9x)**.

⁽¹⁾ 69,310 Class B voting shares held by Mr. Clark's spouse are included as contemplated by Air Canada's share ownership requirements.

Gary A. Doer, O.M



Corporate director
Director since April 2018
Age: 75
Status: Independent
 Manitoba, Canada

Major competencies and experience:

- Carbon emissions or innovation and policy
- Global business
- Government affairs and public policy
- Human resources | Labour legal and regulatory
- Risk management

2023 annual meeting votes in favour: 98.50% (116.4m votes)

2023 annual meeting votes against: 1.50% (1.8M votes)

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

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

Board and Committee attendance during 2023

Board of Directors	12/12
Human Resources, Compensation and Pension Committee	4/4
Safety, Health, Environment and Security Committee	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

Power Corporation of Canada (Power) (since 2016)
 Great-West Lifeco Inc. (a subsidiary of Power) (since 2016)
 IGM Financial Inc. (a subsidiary of Power) (since 2016)
 Power Financial Corporation (2016–2020)

Ownership and total value of equity

	2023-12-31	2022-12-31
DSUs	37,149.28	26,541.15
Total Shares/DSUs	37,149.28	26,541.15
Total value	\$694,320	\$514,633

Share ownership guideline status and 5-year target date to meet

Five-year target (2023-04 | \$585,000): **Met (1.2x)**.

Rob Fyfe, CNZM



Corporate director
Director since September 2017
Age: 62
Status: Independent
 North Island, New Zealand

Major competencies and experience:

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

2023 annual meeting votes in favour: 99.22% (117.2m votes)

2023 annual meeting votes against: 0.78% (0.9m votes)

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

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

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

Board and Committee attendance during 2023

Board of Directors	12/12
Safety, Health, Environment and Security Committee (Chair)	4/4
Human Resources, Compensation and Pension Committee	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

Michael Hill International Limited (since 2016)

Ownership and total value of equity

	2023-12-31	2022-12-31
DSUs	52,843.14	41,741.60
Total Shares/DSUs	52,843.14	41,741.60
Total value	\$987,638	\$809,370

Share ownership guideline status and 5-year target date to meet

Five-year target (2022-09 | \$585,000): **Met (1.7x)**.

Michael M. Green



Chief Executive Officer and Managing Director, Tenex Capital Management

Director since March 2009

Age: 65

Status: Independent

Florida, USA

Major competencies and experience:

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

2023 annual meeting votes in favour: 95.85% (113.3m votes)

2023 annual meeting votes against: 4.15% (4.9m votes)

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

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

Board and Committee attendance during 2023

Board of Directors	12/12
Human Resources, Compensation and Pension Committee	4/4
Safety, Health, Environment and Security Committee	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

No other public board directorships

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	88,771	88,771
DSUs	61,522.83	50,914.70
Total Shares/DSUs	150,293.83	139,685.70
Total value	\$2,808,992	\$2,708,506

Share ownership guideline status and 5-year target date to meet

Five-year target (2014-08 | \$585,000): **Met (4.8x)**.

Jean Marc Huot



Partner, Stikeman Elliott LLP

Director since May 2009

Age: 62

Status: Independent

Québec, Canada

Major competencies and experience:

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

2023 annual meeting votes in favour: 95.43% (112.8m votes)

2023 annual meeting votes against: 4.57% (5.4m votes)

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

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

Board and Committee attendance during 2023

Board of Directors	12/12
Governance and Nominating Committee	5/5
Safety, Health, Environment and Security Committee	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

No other public board directorships

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	31,098	31,098
DSUs	236,118.77	228,339.69
Total Shares/DSUs	267,216.77	259,437.69
Total value	\$4,994,281	\$5,030,497

Share ownership guideline status and 5-year target date to meet

Five-year target (2014-08 | \$585,000): **Met (8.5x)**.

Claudette McGowan



**Chief Executive Officer,
Protexxa Inc.**
Director since May 2023
Age: 52
Status: Independent
Ontario, Canada

Major competencies and experience:

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

2023 annual meeting votes in favour: 99.24% (117.3m votes)

2023 annual meeting votes against: 0.76% (0.9m votes)

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.

Board and Committee attendance during 2023

Board of Directors	8/8
Audit, Finance and Risk Committee	2/2
Total Board and Committee attendance	100%

Other public board directorships

No other public board directorships

Ownership and total value of equity

	2023-12-31	2022-12-31
DSUs	2,923.97	
Total Shares/DSUs	2,923.97	
Total value	\$54,649	

Share ownership guideline status and 5-year target date to meet

Five-year target (2028-05 | \$585,000): **0.1x**.

Madeleine Paquin, C.M., FSCMA



Corporate director
Director since May 2015
Age: 61
Status: Independent
Québec, Canada

Major competencies and experience:

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

2023 annual meeting votes in favour: 97.74% (115.5m votes)

2023 annual meeting votes against: 2.26% (2.7m votes)

Madeleine Paquin is a corporate director. From 1996 to 2024, she was President and Chief Executive Officer of Logistec Corporation, a North American marine and environmental services provider.

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

Ms. Paquin graduated from the Richard Ivey School of Business at the University of Western Ontario with an honours in business administration and from the *École des Hautes Études Commerciales*, Université de Montréal, with a graduate diploma in administrative sciences. In 2017, Ms. Paquin was appointed a Member of the Order of Canada for her role in leading innovation in supply chain practices and environmental protection, two major drivers of change in the Canadian economy. She was named a companion of the Canadian Business Hall of Fame in 2023.

Board and Committee attendance during 2023

Board of Directors	12/12
Governance and Nominating Committee	5/5
Safety, Health, Environment and Security Committee	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

Logistec Corporation (1987-2024)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	6,500	6,500
DSUs	62,958.57	56,593.69
Total Shares/DSUs	69,458.57	63,093.69
Total value	\$1,298,181	\$1,223,387

Share ownership guideline status and 5-year target date to meet

Five-year target (2020-05 | \$585,000): **Met (2.2x)**.

Michael Rousseau



President and Chief Executive Officer, Air Canada
Director since February 2021
Age: 66
Status: Not Independent

Québec, Canada

Major competencies and experience:

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

2023 annual meeting votes in favour: 97.94% (115.7m votes)

2023 annual meeting votes against: 2.06% (2.4m votes)

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

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

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

Board and Committee attendance during 2023

Board of Directors	12/12
Total Board and Committee attendance	100%

Other public board directorships within past five years

Resolute Forest Products Inc. (2010–2023)
 Chorus Aviation Inc. (2019–2020)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares ⁽¹⁾	166,805	160,277
RSUs	163,403	92,158
Total shares/RSUs	330,208	252,435
Total value	\$6,171,588	\$4,894,715

Share ownership guideline status and 5-year target date to meet

Please see "Share ownership guidelines" for Mr. Rousseau's share ownership requirements.

(1) 8,500 Class B voting shares held by Mr. Rousseau's spouse are included as contemplated under Air Canada's share ownership requirements.

Vagn Sørensen



Corporate director
Director since November 2006
Chair since May 2017
Age: 64
Status: Independent

England, United Kingdom

Major competencies and experience:

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

2023 annual meeting votes in favour: 90.36% (106.8m votes)

2023 annual meeting votes against: 9.64% (11.4m votes)

Vagn Sørensen is a corporate director. Mr. Sørensen serves as Chair of Pantheon Infrastructure PLC. He also represents various private equity funds in some of their portfolio companies. Mr. Sørensen was President and Chief Executive Officer of Austrian Airlines Group from 2001 to 2006 and held various senior commercial positions with SAS Scandinavian Airlines System including Deputy Chief Executive Officer.

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

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

Board and Committee attendance during 2023

Board of Directors (Chair)	12/12
Total Board and Committee attendance	100%

Other public board directorships within past five years

Pantheon Infrastructure PLC (since 2021)
 CNH Industrial N.V. (since 2020)
 Royal Caribbean Cruises Ltd. (since 2011)
 FLSmidth & Co. A/S (2009–2022)
 SSP Group PLC (2014–2020)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	19,300	19,300
DSUs	180,959.67	170,721.58
Total shares/DSUs	200,259.67	190,021.58
Total value	\$3,742,853	\$3,684,518

Share ownership guideline status and 5-year target date to meet⁽¹⁾

Five-year target (2022-05 | \$975,000): **Met (3.8x)**.

(1) The Chair of the Board is required to own a minimum of securities equivalent in value to five times the annual Board retainer fee.

Kathleen Taylor, C.M.



Corporate director
Director since May 2016
Age: 66
Status: Independent
 Ontario, Canada

Major competencies and experience:

- Digital transformation and technology
- Finance
- Global business
- Human resources | Labour, legal and regulatory
- Operational experience
- Related industry experience

2023 annual meeting votes in favour: **97.56% (115.3m votes)**

2023 annual meeting votes against: **2.44% (2.9m votes)**

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 served as immediate past Chair. Ms. Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts.

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

Ms. Taylor holds a master of business administration from the Schulich School of Business, a law degree from Osgoode Hall Law School, and a bachelor of arts (honours) from the University of Toronto. She has also received an honorary doctorate of laws from the University of Toronto, McGill University, York University, and Trent University, an honorary doctorate of humane letters from Mount Saint Vincent University and an honorary doctorate of divinity from Huron University.

Board and Committee attendance during 2023

Board of Directors	12/12
Human Resources, Compensation and Pension Committee (Chair from May 2023)	4/4
Audit, Finance and Risk Committee	6/6
Governance and Nominating Committee	5/5
Total Board and Committee attendance	100%

Other public board directorships within past five years

Adecco Group AG (since 2015)
 Element Fleet Management Corp. (since 2023)
 Royal Bank of Canada (2001–2023)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	10,000	10,000
DSUs	60,500.24	53,197.78
Total Shares/DSUs	70,500.24	63,197.78
Total value	\$1,317,649	\$1,225,405

Share ownership guideline status and 5-year target date to meet

Five-year target (2021-05 | \$585,000): **Met (2.3x)**.

Annette Verschuren, O.C.



Chair and Chief Executive Officer, NRStor Inc.
Director since November 2012
Age: 67
Status: Independent
 Ontario, Canada

Major competencies and experience:

- Carbon emissions or innovation and policy
- Digital transformation and technology
- Finance
- Global business
- Government affairs and public policy
- Operational experience
- Risk management
- Safety, health and environment

2023 annual meeting votes in favour: **96.58% (114.1m votes)**

2023 annual meeting votes against: **3.42% (4.0m votes)**

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 Liberty Mutual Insurance Group, of Ontario Energy Association and of the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton. She serves as Chancellor of Cape Breton University and supports many 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 Canadian universities including St. Francis Xavier University where she also earned a bachelor of business administration degree.

Board and Committee attendance during 2023

Board of Directors	10/12
Governance and Nominating Committee (Chair)	5/5
Audit, Finance and Risk Committee	6/6
Total Board and Committee attendance	91%

Other public board directorships within past five years

Saputo Inc. (since 2013)
 Canadian Natural Resources Limited (since 2014)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	62,168	62,168
DSUs	69,550.59	63,876.47
Total Shares/DSUs	131,718.59	126,044.47
Total value	\$2,461,820	\$2,444,002

Share ownership guideline status and 5-year target date to meet

Five-year target (2017-11 | \$585,000): **Met (4.2x)**.

Michael M. Wilson



Corporate director
Director from May 2008 to May 2009, and since October 2014
Age: 72
Status: Independent
 Alberta, Canada

Major competencies and experience:

- Carbon emissions or innovation and policy
- Finance
- Global business
- Human resources | Labour and policy
- Operational experience
- Risk management

2023 annual meeting votes in favour: 96.95% (114.6m votes)

2023 annual meeting votes against: 3.05% (3.6m votes)

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

Mr. Wilson holds a bachelor of science degree in chemical engineering from the University of Waterloo.

Board and Committee attendance during 2023

Board of Directors	12/12
Audit, Finance and Risk Committee	6/6
Human Resources, Compensation and Pension Committee (Chair until May 2023)	4/4
Total Board and Committee attendance	100%

Other public board directorships within past five years

Celestica Inc. (since 2011)
 Suncor Energy Inc. (since 2014)

Ownership and total value of equity

	2023-12-31	2022-12-31
Class B voting shares	7,468	7,468
DSUs	109,902.29	98,784.29
Total Shares/DSUs	117,370.29	106,252.29
Total value	\$2,193,651	\$2,060,232

Share ownership guideline status and 5-year target date to meet

Five-year target (2019-10 | \$585,000): **Met (3.7x)**.

Trust arrangement in connection with pension MOU

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

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

Remuneration of non-executive directors

The Board’s compensation program for non-executive directors is designed to lead to the long-term success of Air Canada by attracting and retaining highly qualified, committed and experienced directors, aligning the interests of our directors with our own long-term interests and those of our shareholders and offering competitive compensation. Any director who is also an employee of Air Canada or any of its subsidiaries does not receive any compensation as a director.

The Board sets the compensation of non-executive directors based on recommendations of the Governance and Nominating Committee, with the assistance of the Human Resources, Compensation and Pension Committee. The compensation of non-executive directors is reviewed periodically, and adjustments are recommended when appropriate, including to reflect the responsibilities, workload and time commitment of the Board and Committee members. The compensation of non-executive directors has remained unchanged since 2018. Our objective for compensation to non-executive directors is to make measured adjustments every few years, rather than smaller adjustments that are more frequent.

Each non-executive director is paid a flat annual fee to cover all of their responsibilities, attendance and work performed during the year. Directors are also reimbursed for expenses incurred for attendance at Board and committee meetings or Board-related activities such as other meetings or business at the request of Air Canada. Non-executive directors do not receive any stock options, shares, benefits, pension, or other fees or compensation.

The table below lists the annual retainer fees payable to non-executive directors of Air Canada in 2023.

Annual retainers	Fees
Directors	\$195,000
<i>Other</i>	
Chair of the Board	\$220,000
Chair of the Audit, Finance and Risk Committee	\$25,000
Chair of other Committees	\$20,000
Member of the Audit, Finance and Risk Committee	\$15,000
Member of other Committees	\$10,000

The annual fees are payable in cash, DSUs under the Deferred Share Unit Plan for Non-Employee Directors or shares (acquired on the open market), or a combination thereof. DSUs are notional units whose value is always equal to the value of the shares of Air Canada. Such DSUs are vested on the date of grant. Non-executive directors are required to receive a minimum of 50% of their annual Board retainer fee and Committee fees in DSUs or in shares of Air Canada. DSUs are not settled until directors leave the board.

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

In 2023, non-executive directors received 70.2% of their aggregate compensation in equity.

The table below shows the amounts earned by individual non-executive directors of Air Canada for the year ended December 31, 2023, in respect of their memberships on the Board and its committees. Mr. Rousseau is not included in the table because we fully describe his compensation in this circular under “Executive compensation.”

Name	Fees earned by retainer			Total	Allocation of total fees	
	Board	Board Committee Chair	Committee member		In cash	In DSUs
Ameé Chande	\$195,000	Nil	\$25,000	\$220,000	\$110,000	\$110,000
Christie J.B. Clark	\$195,000	\$25,000	\$10,000	\$230,000	\$115,000	\$115,000
Gary A. Doer	\$195,000	Nil	\$20,000	\$215,000	Nil	\$215,000
Rob Fyfe	\$195,000	\$20,000	\$10,000	\$225,000	Nil	\$225,000
Michael M. Green	\$195,000	Nil	\$20,000	\$215,000	Nil	\$215,000
Jean Marc Huot	\$195,000	Nil	\$20,000	\$215,000	\$53,750	\$161,250
Claudette McGowan ⁽¹⁾	\$97,500	Nil	\$7,500	\$51,250	\$25,625	\$25,625
Madeleine Paquin	\$195,000	Nil	\$20,000	\$215,000	\$86,000	\$129,000
Vagn Sørensen	\$195,000	\$220,000	Nil	\$415,000	\$207,500	\$207,500
Kathleen Taylor	\$195,000	\$10,000 ⁽²⁾	\$30,000	\$235,000	\$88,750	\$146,250
Annette Verschuren	\$195,000	\$20,000	\$15,000	\$230,000	\$115,000	\$115,000
Michael M. Wilson	\$195,000	\$10,000 ⁽²⁾	\$20,000	\$225,000	Nil	\$225,000

(1) Ms. McGowan joined the Board in May 2023.

(2) Ms. Taylor became Chair of the HRCPC in May 2023, succeeding Mr. Wilson.

Non-executive directors do not receive any stock options, shares, benefits, pension or other fees or compensation. Transportation privileges are provided to directors of Air Canada in line with airline industry practice. Mr. Rousseau receives no compensation as a director of Air Canada or of any of its subsidiaries. In those cases where the directors of our subsidiaries are also executive officers or members of senior management, they receive no compensation as directors of any such subsidiary.

Share ownership requirements for directors

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

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

The number of securities of Air Canada owned by individual directors and their market values as of the date indicated are provided in their biographical information under our “Our director nominees.”

Statement of governance practices

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

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

The Board focuses on five areas in carrying out its stewardship role, namely strategy and enterprise risk management, business and financial performance and internal controls, environmental, social and governance matters, succession planning and talent, and culture and integrity. The Board has delegated certain decision-making authority to management to allow it to manage its business and operations in the normal course, subject to Board approval for matters that exceed certain dollar thresholds.

These governance practices are reflected in the written charter that sets out its roles and responsibilities, which we reproduce in Schedule "D" to this circular. See "Board mandate" below.

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

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

Board of Directors

Director independence

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

Directorships of other reporting issuers

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

Chair of the Board

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

Board size

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

Board mandate

The Board has adopted a written charter that sets out its roles and responsibilities, which we reproduce in Schedule "D" to this circular. See also "Statement of governance practices" above and "Overview of climate and other sustainability governance" below.

Independent directors' meetings

Consistent with our Governance Code and Organizational Guidelines, the practice of the independent directors of the Board is that at every meeting thereof the Chair leads a session without the presence of Mr. Rousseau and other members of management. In 2023, the Board held in-camera sessions without the presence of management at every Board meeting.

Board and Committee meeting attendance

The table below shows the record of attendance by directors at meetings of the Board and its committees during 2023.

Name	Board of Directors		Committees				Overall ⁽²⁾
	Regular	Special ⁽¹⁾	FRC	GNC	HRCPC	SHESC	
Amee Chande	9/9	2/3	6/6			4/4	21/22 (95%)
Christie J.B. Clark	9/9	3/3	6/6 ^(C)	5/5			23/23 (100%)
Gary A. Doer	9/9	3/3			4/4	4/4	20/20 (100%)
Rob Fyfe	9/9	3/3			4/4	4/4 ^(C)	20/20 (100%)
Michael M. Green	9/9	3/3			4/4	4/4	20/20 (100%)
Jean Marc Huot	9/9	3/3		5/5		4/4	21/21 (100%)
Claudette McGowan	9/9	3/3	2/2				10/10 (100%)
Madeleine Paquin	9/9	3/3		5/5		4/4	21/21 (100%)
Michael Rousseau	9/9	3/3					12/12 (100%)
Vagn Sørensen	9/9	3/3					12/12 (100%)
Kathleen Taylor ⁽³⁾	9/9	3/3	6/6	5/5	4/4 ^(C)		27/27 (100%)
Annette Verschuren	9/9	1/3	6/6	5/5 ^(C)			21/23 (91%)
Michael M. Wilson ⁽³⁾	9/9	3/3	6/6		4/4 ^(C)		22/22 (100%)

(1) Special Board meetings are called on short notice due to exceptional circumstances, and must, on occasion, be held at a time and date when the largest number of directors is available, but certain members may be unable to attend. Ms. Chande and Ms. Verschuren were unable to attend certain special meetings due to previously scheduled travel or other commitments.

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

(3) Ms. Taylor succeeded Mr. Wilson as Chair of the HRCPC in May 2023.

Legend: C denotes Board or Committee Chair.

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

Directors are also encouraged to attend other committee meetings, regardless of membership, on a non-voting basis. While the Chair of the Board and our President and Chief Executive Officer are not members of Board committees, they attend and participate on a non-voting basis in meetings thereof as ex-officio members (except, with respect to our President and Chief Executive Officer, for non-executive in camera sessions). In 2023, independent directors attended 31 meetings in total that were held by committees of which they are not members, and the Chair of the Board and our President and Chief Executive Officer attended all Board committee meetings on a non-voting observer basis, except, with respect to our President and Chief Executive Officer, for in-camera meetings or in-camera portions of meetings.

Position descriptions

President and Chief Executive Officer

The Board has adopted a position description for the President and Chief Executive Officer. The President and CEO has responsibility for management of Air Canada's business in accordance with its strategic plan and business plans as approved by the Board, including in respect of its climate and other sustainability priorities. He provides the leadership and vision for our effective management. The primary responsibilities of the CEO include managing the business and day-to-day operations, creating and maintaining a culture and tone of engagement, ethical conduct and performance that drives the achievement of strategic and operational objectives and long-term success in an inclusive, sustainable and responsible manner, fostering and promoting a corporate culture that promotes customer focus and service excellence, including through our official languages action plan, working with the Chair of the Board to ensure an effective relationship between management and members of the Board, and ensuring, in co-operation with the Board, that there is an effective succession plan in place for the CEO position.

Chair of the Board

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

Chairs of standing committees

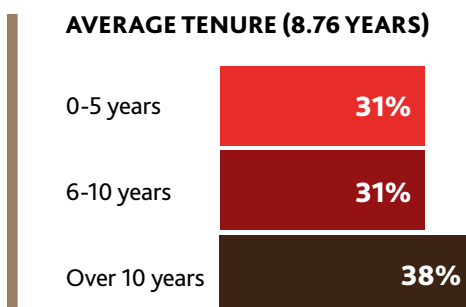
The Chairs of the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources, Compensation and Pension Committee and the Safety, Health, Environment and Security Committee are, respectively, Christie J.B. Clark, Annette Verschuren, Kathleen Taylor and Rob Fyfe.

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

Mechanisms of Board renewal

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

Over the past five years, two new non-executive directors have joined the Board. The average tenure of the director nominees standing for election to the current Board is 8.76 years. The following chart shows the number of completed years of Board service of the director nominees:



Director term limits and retirement policy

Board members are elected annually by our shareholders. Our governing law and articles also allow the Board to appoint directors to fill vacancies or as additional directors. The Board’s Governance Code and Organizational Guidelines reflect its policy that (a) a director shall not stand for re-election after having served for 15 years from the later of the date of the 2019 shareholder meeting and the date on which the director first began serving on the Board; and (b) no person shall be appointed or elected as a director after having reached 75 years of age; in each case except where the Board determines it is in the interest of Air Canada to request a director to extend their term beyond the regular retirement age, provided, however, that such extension is requested in one-year increments. The Board has determined that it is in the interest of Air Canada to ask Gary Doer, who has reached the age of 75, to stand for re-election at the meeting and to serve as director for an additional year, based on Mr. Doer’s proven performance, wide-ranging experience and skills (including on labour and climate and other sustainability matters) and qualifications.

Assessment of directors

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

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

After the completion of the annual evaluation process, a summary report is prepared and is presented to the Board. If appropriate, the Board then considers procedural or substantive changes to increase the effectiveness of the Board and its committees. In addition, the Chair of the Governance and Nominating Committee meets with the Chair of each committee and the Chair of the Board to discuss the results of the survey on their effectiveness.

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

Nomination of directors

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

Competencies and skills

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

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

The Board has considered which competencies are relevant for climate change and other sustainability matters in overseeing the management of our business and affairs. The Board has observed that directors can contribute a broad range of skills in this respect. The Board's ongoing education program has emphasized climate and sustainability related topics to enhance their existing skills and experience.

The Governance and Nominating Committee also reviews the qualifications, skill set and experience of the candidate nominated by the trustee appointed under the Pension MOUs, as indicated under "Trust arrangement in connection with pension MOU" at [page 24](#) of this circular.

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

Board diversity policy

The Board is committed to greater diversity, equity and inclusion at all levels and embraces the need to promote and support these values within Air Canada, both in the boardroom and within our workforce in Canada and around the world. The Board also believes that a diversity of perspectives maximizes its own and management's effectiveness and improves decision-making in the best interests of Air Canada. The Board aspires to see its composition further reflect Canada and the diversity of our customers and employees through its ongoing renewal.

Diversity policy

Our belief in diversity translated into a written Board diversity policy first adopted by the Board in February 2015 and more recently amended in February 2022.

The Governance and Nominating Committee reviews our diversity policy annually and assesses its effectiveness in promoting a diverse Board. In measuring effectiveness, the Governance and Nominating Committee considers its identification and consideration of candidates in the previous year and reviews the Board's composition and any anticipated vacancies. The Governance and Nominating Committee reports to the Board with respect to measures taken to ensure that the diversity policy has been effectively implemented. The diversity policy, having been updated in 2022, was reviewed and discussed in each of 2023 and 2024, and was found to continue to reflect the Board's approach and objectives.

The diversity policy states that the search for and selection of candidates is based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of diversity for the Board including the representation of members of "designated groups" as defined in the *Employment Equity Act* (Canada) (that is, women, members of visible minorities, Indigenous Peoples and persons with disabilities). Consistent with the objectives of the diversity policy and in order to ensure its effective implementation, the Board and the Governance and Nominating Committee consider the level of representation of women and members of other designated groups on the Board when identifying and nominating candidates for election or re-election to the Board.

The Governance and Nominating Committee strives to include gender-diverse candidates and candidates from other designated groups among the qualified candidates considered for nomination to the Board and will instruct any search firm it engages to identify individuals who will contribute to the overall diversity of the Board to be included in the pool of candidates from which nominees to the Board are selected. The Governance and Nominating Committee maintains a list of potential candidates that includes women and members of other designated groups. Any new search process and external search firm that would be retained would also draw on that slate. The Board and the Governance and Nominating Committee also take other dimensions of diversity into account in the process of selecting individual candidates.

Diversity milestones and highlights

We have joined in the leadership of many organizations in pledging or committing to advance diversity and equity at our Board and at Air Canada. We further built on these efforts by committing, in 2022, to having women represent at least 40% of the directors of Air Canada by 2025, up from 30% by 2020. If all nominees are elected at the meeting, five or 38% of the directors will be women and two out of 13 directors (15%) will be members of a racialized group (visible minority). None of the current directors or nominees have self-identified as an Indigenous person or a person with a disability. Our determination to advance our diversity aspirations will continue beyond when we meet any goals we have pledged or committed alongside other organizations.

We are also very proud of our diverse and inclusive workforce and share more information on how we seek to advance diversity among our senior management and throughout our company in the "Diversity, equity and inclusion" section at [page 39](#) of this circular.

38% of our director nominees identify as women

15% identify as members of visible minority

Orientation and continuing education

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

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

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

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

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

The following table provides an overview of selected education sessions, presentations and reports attended or received by our directors in 2023.

Topic	Attendance	
Q1 2023	Quarterly reports on business, strategic matters	Board
	Presentation of recent trends in executive compensation, including as to sustainability	HRCPC
	Training module on alternative investments	HRCPC
	Presentation on official languages	GNC
Q2 2023	Quarterly reports on business and strategic matters	Board
	IT modernization projects	Board
	Training module on pension investment strategy	HRCPC
Q3 2023	Quarterly reports on business and strategic matters	Board
	Report and information session on Generative AI	Board
	Marketing and digital transformation strategy update	Board
	Training module on pension fiduciary duties	HRCPC
	Off-site visits with equipment manufacturer and information technology group	Board
	Presentation on sustainable aerospace and decarbonizing aerospace (climate action)	Board
Q4 2023	Quarterly report on business and strategic matters	Board
	Corporate strategic planning	Board
	Presentation on IT, data, and digital strategic planning	Board
	Update on operational strategy and customer experience initiatives, including as to accessibility	Board
	Briefings on climate action and sustainability governance and reporting framework	Board / AFRC
	Briefings on emissions frameworks and methodologies	SHESC
	Briefings on geopolitical landscape	Board
	Briefings on airport infrastructure	Board
	Briefing on policy matters	Board
	Training module on pension matters	HRCPC

There are a number of other standing items on the agendas of the Board and its Committees through which subject matter experts periodically report to our directors on our business and affairs and our operating environment.

Code of conduct

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

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

Employees are required under the Code of conduct to report any illegal acts or violations thereof. It also provides guidance on how to file such a report including through our confidential and anonymous telephone and online reporting system administered by an independent third party. On a quarterly basis, the Audit, Finance and Risk Committee receives an overview of reports logged and investigated, and the Human Resources, Compensation and Pension Committee receives an overview of complaints received and investigated by the Human Rights and Harassment Office.

Since its original adoption, no reported departure from the Code of conduct has been substantiated, and Air Canada has not authorized any waiver of the obligations under the Code, in respect of any director or executive officer.

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

Related-party transactions

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

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

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

Annual shareholder and stakeholder engagement

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

Good corporate governance involves frequent, constructive dialogues with our shareholders to actively seek their feedback and to respond to their questions. We communicate regularly with shareholders to make sure we listen carefully to different viewpoints on various topics such as strategy, business performance, compensation practices and climate and other sustainability matters.

In 2016, the Board began inviting major institutional investors to meet with the Chair and other members of the Board on an annual basis. This year, we decided to advance our annual outreach to the fourth quarter of 2023 instead of the first quarter of 2024, as we would have done usually, so that we could engage and collect feedback from our shareholders sooner. We invited

some of our largest institutional shareholders to meet individually with the Board and the Chairs of the Governance and Nominating Committee and the Human Resources, Compensation and Pension Committee. Meetings were held with four shareholders collectively holding over 8% of our outstanding voting shares. There was interest and feedback on a variety of topics, such as Board oversight and governance, executive compensation and succession planning, climate and other sustainability (including climate change and sustainable aviation fuels), capital expenditures and shareholder return, artificial intelligence, markets and auditor rotation.

Our Office of the Corporate Secretary co-ordinates the Board's shareholder engagement with Investor Relations.

Annual meeting

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

Investor conferences

Since 2013, we have held Investor Day events, including most recently on March 30, 2022. The event was offered in a hybrid format (in-person and virtual) and was attended by 325 participants, a significant increase from prior editions. Through the Investor Relations channels, we also regularly participate in investor conferences, fireside chats and one-on-one meetings. In 2023, we participated in 10 investor conferences, six additional investor events and hosted over 100 engagements with investors. Quarterly conference calls are also held by executive management with the investment community to review Air Canada's most recently released financial and operating results.

Other engagements

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

In 2023 we began a survey of many of our stakeholders about the issues they consider most important. Our largest 100 shareholders were invited to participate in the exercise. Interviews were held with investors collectively holding close to 10% of our shares.

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

Customers

- Customer service discussions through our Contact Centres or Customer Relations or other channels (in person, by phone, email, digital platforms, etc.)
- Satisfaction surveys, customer feedback panels and focus groups, including as part of our customer experience initiative
- Content on website and via social networks
- Conferences and regular discussions with corporate customers

Employees

- Town halls (at least quarterly) with the President and Chief Executive Officer and other members of the Executive Committee
- Internal social media platform
- Surveys and discussion groups on employee experience
- Diversity Equity and Inclusion Executive Council
- Employee resource groups
- General employee communications and meetings

Communities

- Media relations
- Participation in consultations, roundtables, surveys, conferences and forums
- Participation in community events, including with the Air Canada Foundation
- Involvement with industry or business associations

Accessibility

We filed our first accessibility plan in June 2023, after having asked customers and employees with disabilities for their views about accessibility at Air Canada.

We have committed to consult persons with disabilities and accessibility organizations with a view to creating a positive travel experience for persons with disabilities, whether in services or infrastructure, and providing a fulfilling employment experience in the workplace. We are seeking accessibility feedback (including feedback on the plan) through any of the options we provide at [Accessibility plan](#).

Communication channels

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

For any questions or comments, please contact the Board through the Chair via email at corporate.secretary@aircanada.ca, or Shareholder Relations by phone on +1-514-422-6644, by email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Montréal, Québec, H4Y 1H4, Canada. Please also refer to the section entitled “Documents you can request” at [page 84](#) of this circular.


Questions directed at the meeting may be submitted by shareholders either in advance of, or at the meeting. Please see “Participating in the annual meeting and voting your shares” at [page 5](#) of the circular for additional information.



Board committees

The Board fulfils its duties and responsibilities directly and through four standing committees: Audit, Finance and Risk Committee; Governance and Nominating Committee; Human Resources; Compensation and Pension Committee; and Safety, Health, Environment and Security Committee. All Board committees are entirely composed of independent directors. Their roles and responsibilities are set out in written charters, which are reviewed annually. The tables below contain information about the members and purposes of each committee. The Board has further updated its committee charters with respect to climate and other sustainability reporting, in preparation of expected new rules.




Audit, Finance and Risk Committee 	
<p>Christie J.B. Clark, FCA⁽¹⁾ (Chair)</p> <p>Amee Chande</p> <p>Claudette McGowan</p> <p>Kathleen Taylor</p> <p>Annette Verschuren</p> <p>Michael M. Wilson</p>	<p>PURPOSE AND SELECTED RESPONSIBILITIES</p> <ul style="list-style-type: none"> Assist the Board in its oversight responsibilities relating to (i) financial reporting and audit process; (ii) the independence, qualifications and appointment of the external auditor; (iii) Air Canada's enterprise risk management process; and (iv) the development of internal controls and disclosure processes for climate and other sustainability matters, such as climate action and related plans. Oversee management's responsibility as to the adequacy of the supporting systems of internal financial and accounting controls. Oversee management's assessment of major information technology and cybersecurity risks. Facilitate in-depth and candid discussions regarding significant issues involving judgment and impacting quality of controls and reporting.
Meetings in 2023: 6	

2023 selected highlights

- ✓ Oversaw the annual and quarterly financial reporting process and recommended quarterly and annual financial reports to the Board.
- ✓ Reviewed and approved the 2023 Corporate Audit and Advisory Plan and oversaw its execution.
- ✓ Assessed the independence, qualifications, and performance of PricewaterhouseCoopers LLP and their ability to meet Air Canada's future needs.
- ✓ Reviewed management reports on disclosure controls and procedures and internal controls over financial reporting as well as received regular updates on the control environment, including control issues, associated risks and corrective actions.
- ✓ Received quarterly management updates on fuel, foreign exchange, interest rate, compliance matters and major information technology projects and cybersecurity matters.

(1) Mr. Clark is an audit financial expert for purposes of the Audit, Finance and Risk Committee.

Governance and Nominating Committee 	
<p>Annette Verschuren (Chair)</p> <p>Christie J.B. Clark</p> <p>Jean Marc Huot</p> <p>Madeleine Paquin</p> <p>Kathleen Taylor</p>	<p>PURPOSE AND SELECTED RESPONSIBILITIES</p> <p>Assist the Board in its oversight responsibilities relating to:</p> <ul style="list-style-type: none"> corporate governance guidelines and practices, including as to qualification standards, compensation, orientation and continuing education and annual performance evaluations. identifying individuals qualified to become new directors and recommending the nominees for each annual meeting of shareholders, including having regard to the Board's diversity policy. overseeing progress on overall efforts with respect to sustainability, including climate and other matters, and providing guidance about the general strategy and direction in their respect.
Meetings in 2023: 5	

2023 selected highlights

- ✓ Reviewed and approved Committee charters, board governance guidelines and board meeting policy.
- ✓ Oversaw the process for the annual assessment of the performance of the Board, the Committees and individual directors.
- ✓ Received updates on governance best practices and recent regulatory developments including about climate-related financial disclosures.
- ✓ Reviewed and approved the director nominees to stand for election at the 2023 annual meeting.
- ✓ Oversaw and actively engaged in future board succession planning.
- ✓ Reviewed our Board Diversity Policy, Official Languages Policy and Business Code of Conduct.

Human Resources, Compensation and Pension Committee	
<p>Kathleen Taylor (Chair) Gary A. Doer Rob Fyfe Michael M. Green Michael M. Wilson</p>	<p>PURPOSE AND SELECTED RESPONSIBILITIES</p> <p>Assist the Board in its oversight responsibilities relating to:</p> <ul style="list-style-type: none"> • human resources, compensation and pension matters including: (i) Air Canada’s compensation philosophy and policies, including as they relate to climate and other sustainability and other non financial matters; (ii) succession plans; (iii) key talent management strategies and practices; and (iv) workplace practices and labour relations. • Air Canada’s retirement plans including that pension liabilities are appropriately funded and that pension assets are prudently invested. • priorities and risks related to human resources, including to monitor trends in respect of climate and other sustainability matters and their integration in compensation matters.
Meetings in 2023: 4	

2023 selected highlights

- ✓ Reviewed approach to executive compensation, including design and positioning relative to comparators.
- ✓ Reviewed the performance assessment of the CEO against 2023 objectives and made recommendations to the Board for the performance objectives and metrics for 2024.
- ✓ Reviewed and made recommendations to the Board to approve the compensation of the CEO and other members of executive management, as well as target compensation for 2024.
- ✓ Reviewed new executive appointments and oversaw executive succession planning.
- ✓ Received regular updates on diversity, equity and inclusion objectives.
- ✓ Received quarterly updates on pension matters and recent investment activities.
- ✓ Reviewed and approved a new policy on conflicts of interest regarding pension plans administered by Air Canada.

Safety, Health, Environment and Security Committee	
<p>Rob Fyfe (Chair) Ameer Chande Gary A. Doer Michael M. Green Jean Marc Huot Madeleine Paquin</p>	<p>PURPOSE AND SELECTED RESPONSIBILITIES</p> <p>Assist the Board in its oversight responsibilities concerning safety, health, environment and security matters including in relation to:</p> <ul style="list-style-type: none"> • strategies, policies, systems and processes of Air Canada and its subsidiaries. • management of risks relating to safety, health, environment and security matters. • compliance with statutory and regulatory obligations. • reviewing, recommending to the Board and monitoring progress on the five-year climate action plans.
Meetings in 2023: 4	

2023 selected highlights

- ✓ Received regular updates on initiatives relating to safety, health, environment and security matters.
- ✓ Received quarterly updates on safety and operational matters.
- ✓ Received quarterly updates on indicators relating to safety management.
- ✓ Received quarterly updates on environmental and compliance matters.
- ✓ Provided strategic direction and oversight of climate action plans and targets.

Overview of climate and other sustainability governance

The Board evaluates climate and other sustainability-related matters that affect Air Canada, such as climate, safety, sustainability, human capital and diversity, equity and inclusion, on a regular basis. It considers and prioritizes how to allocate resources including with regard to Air Canada's best interests and long-term performance and value creation.

Air Canada has multiple levels of oversight and management for environmental, social and governance matters.

Our Board and its committees

The Board of Directors has oversight of Air Canada's climate and other sustainability activities and strategies, and all Board committees are mandated to perform their activities having regard to them.

Some matters that benefit from focused attention are reserved to certain committees. The Board annually reviews its committee charters with respect to climate and other sustainability reporting, including in light of evolving sustainability disclosure standards.

Board of Directors

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

Audit, Finance and Risk Committee



- Monitor trends relating to, and oversee the development of, control mechanisms and the integration of climate and other sustainability criteria in financial or other corporate reporting.
- Review the audit scope and approach of the external auditors relating to climate and other sustainability matters.
- Review and recommend to the Board certain public disclosures including as may become required under sustainability standards.

Governance and Nominating Committee



- Review, monitor and evaluate trends and Air Canada's progress in its overall efforts with respect to climate and other sustainability matters and their integration in its governance.
- Facilitate information sharing among the Board committees in respect of climate and other sustainability matters.
- Review and recommend to the Board the Board Diversity Policy, the Modern Slavery and Human Trafficking Statement, and any updates to the Air Canada Code of Conduct.
- Report regularly to the Board on its activities, findings and conclusions, including on policies, practices, and progress on key climate and other sustainability matters, and provide guidance to the Board about the general strategy and direction with respect to such matters.

Human Resources, Compensation, and Pension Committee



- Assist the Board in its human resources, compensation and pension responsibilities, including monitoring trends in respect of climate and other sustainability matters and their integration in compensation matters, reviewing whether Air Canada's human resources management strategies and organizational culture are aligned with its climate and other sustainability practices and strategies, and reviewing the key measurable objectives of Air Canada's diversity, equity and inclusion action plan and monitoring progress on the achievement of such objectives.

Safety, Health, Environment and Security Committee



- Assist the Board in its oversight responsibilities concerning safety, health, environment and security matters, including the strategies, policies, systems and processes of Air Canada and its subsidiaries.
- Oversee Air Canada's approach and progress in areas relating to climate change and environmental initiatives.
- Review the effectiveness of Air Canada's risk management framework in relation to safety, health, environment (including climate change), security matters and compliance with statutory and regulatory obligations.
- Review and make recommendations on Air Canada's Climate Action Plan to the Board.

Our management

Our Corporate Sustainability Working Group tracks and co-ordinates our corporate sustainability initiatives, under the oversight of a Corporate Sustainability Steering Committee, made up of members of our Executive Committee. Our Head of Investor Relations and Corporate Sustainability leads the Corporate Sustainability Working Group, which comprises senior management subject matter experts from diverse functions. Several other working groups are tasked with advancing climate and other sustainability initiatives, such as in respect of customer engagement, climate, diversity, equity and inclusion, accessibility, official languages, community investments and human trafficking.

In 2023 we began a survey of many of our stakeholders about the issues they consider most important. We will factor the results from our stakeholder analysis into our continuing process.

Sustainability highlights

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

Sustainability reporting

Our social and environmental achievements are reported through our annual Corporate Sustainability Report, "Citizens of the World," in accordance with the Global Reporting Initiative (GRI) standards. The 2022 edition describes our approach, commitments and progress respecting our environmental, social and governance activities and performance throughout that year. The report also outlines Air Canada's ambitions for the future.

We were the first Canadian airline to join the UN Global Compact (UNGC), which encourages businesses around the world through its networks to adopt more sustainable and socially responsible practices. Air Canada is committed to supporting the 10 principles of the UNGC and its 17 Sustainable Development Goals (SDGs), established by the UN General Assembly. Since 2020, Air Canada has aligned the SDGs with its reporting on the GRI.

Our climate governance, strategy, risks and performance are also reported through our report aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework, as well as through the CDP. Formerly known as the Carbon Disclosure Project, the CDP has aligned its approach with the TCFD framework. Air Canada holds a "B" CDP score for climate change. For additional information relating to the CDP, visit www.cdp.net.

Our 2022 Corporate Sustainability Report, 2022 TCFD supplement, GRI Content Index (and related charts) and United Nations Sustainable Development Goals index are available at www.aircanada.com/citizensoftheworld. Prior editions are also available.

Safety

Safety First, Always is at the heart of our culture. In everything we do, the safety of our customers, employees and those in communities where we fly and serve is always our first priority.

Safety management is a critical responsibility and affects virtually every operational decision Air Canada makes. We maintain a comprehensive regime of oversight programs and have focused on aligning our efforts with the growth in our activity. We support and promote effective employee training, support the continued development and integration of safety data analytics and artificial intelligence into its Safety Management System (SMS), 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, protecting safety critical information in order to inform our decisions going forward.

Our Occupational Health and Safety (OHS) Program is designed to protect employees from occupational hazards, minimizing risks to their health and well-being. The program establishes procedures for dealing with workplace hazards and meeting our obligations under applicable laws and regulations. See "Employee well-being" below as well.

We also we continue to engage with other aviation organizations and authorities around the world to promote safety and to share best safety practices.

Artificial intelligence

We are leveraging artificial intelligence and machine learning to augment our capabilities. We believe in using AI responsibly. We have established an AI governance framework to identify opportunities and priorities and to oversee the development and use of AI across Air Canada. We have adopted an AI ethics policy, which sets forth principles that govern our use and development of any artificial intelligence, machine learning or advanced analytics, models, applications, processes and systems related to AI. It applies to the entire life cycle of AI, which includes planning, design, building, operation and monitoring as well as the collection and processing of data. The policy applies to internal development as well as third-party providers of AI tools.

Our values and Code of conduct provide the foundation for the principles that guide our responsible use of AI, including fairness, privacy, security, accountability and integrity. These values are also reflected in our Supplier Code of conduct. Our Board and AFRC have received reports on our governance framework and initiatives relating to the use of AI.

Privacy and information security

Safety First, Always, extends to privacy and cybersecurity. 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.

The Board oversees, through the AFRC, Air Canada's risks relating to information technology, systems and security, including in relation to cybersecurity. The AFRC oversees and reviews 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 exposure. Management provides quarterly (or more frequently if required) reports to the AFRC (and to the Board, as required) on technology and cybersecurity matters.

We are also focused on cybersecurity and safeguarding our systems, information and ability to operate. We have developed a cybersecurity framework and continually seek to advance privacy maturity and cybersecurity resilience. We invest in security initiatives that include technology, processes, resourcing, training, disaster recovery and regular testing and benchmarking against best practices.

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, which 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 and other third parties we deal with 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.

We have not experienced a material cybersecurity breach over the last three years. In 2023, an unauthorized group briefly obtained limited access to an internal Air Canada system. Our flight operations systems and customer-facing systems were not affected, and no customer information was accessed. We contacted parties whose information had been involved as appropriate, as well as the relevant authorities. Our systems remained fully operational, and we have since implemented further enhancements to our security measures, including with the help of leading global cyber security experts, to help prevent such incidents in the future as part of our ongoing commitment to maintaining the security of our systems and the data we hold.

Employee well-being

In 2023, Air Canada continued to invest in programs and training to support the overall well-being of our employees, including their physical and mental health. We enhanced the Unlock the Best in You (UBY) program to include comprehensive financial education and support, access to telemedicine for employees and many videos, webcasts and resources in support of physical and mental health, wellness, financial wellness and professional development. The UBY program supports employees with overall well-being: work health, mental health, financial well-being and general health and wellness.

Diversity, equity and inclusion

A diverse and inclusive workforce is a true strength for Air Canada that helps attract and retain the best available global talent. We work collaboratively to nurture an inclusive work environment, making our employees feel welcome, providing a safe space for them to express who they choose to be and demonstrating our appreciation for their contributions. Air Canada is proud of the fact that customers and stakeholders can see themselves and their diverse backgrounds reflected in our employees around the world. We recognize that there is always more to be done and are stepping up our efforts to nurture a diverse, equitable and inclusive work environment.

Our approach to diversity, equity and inclusion includes the following key components:

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

Air Canada aspires to continue increasing the representation of designated groups in senior management positions. We have not currently adopted targets with respect to representation of designated groups for senior management. We believe a holistic approach to DEI, which considers levels of diversity throughout all levels of our workforce, is most aligned with our organization and will help us achieve meaningful results overall. This holistic approach to DEI is centred around the CARE model (Community Outreach, Accountability, Representation, Engagement and Belonging):

- **Community outreach:** Creating strong partnerships with underrepresented communities to support education and diverse talent. The outreach takes the form of promoting the aviation industry and its wide range of career opportunities by supporting and engaging underrepresented youth (elementary and high school level) and offering support for diverse talent from underrepresented groups through scholarship and mentoring for post-secondary level youth.
- **Accountability:** Ensuring accountability through data-driven metrics shared with internal and external stakeholders, while remaining accountable to these stakeholders through transparent and authentic approaches.
- **Representation:** Ensuring we are constantly striving toward representation of underrepresented groups through all levels of the organization.

- **Engagement and belonging:** Elevating the employee value proposition through heightened visibility and celebration of our diverse workforce. Creating a movement of allyship and a greater sense of belonging for all employees and equipping them with tools to engage with a diverse workforce and passenger base. This includes ensuring company-wide and targeted sensitization campaigns within the workplace to highlight and celebrate diversity.

The accountability framework we are implementing will guide us in setting our goals with respect to representation. This framework includes two key components: engaging with leadership and internal reporting of representational data and ensuring that all levels of our organization are informed, responsible and empowered to move toward increased representation.

The composition and diversity of our executive and senior management is supported by our talent pipeline. We manage talent and plan succession by identifying, assessing and developing candidates for future roles, allowing us to build a diverse pipeline of leaders as well. Our latest employee pulse survey revealed that 82% of employees responding feel that people of all backgrounds can succeed at Air Canada.

Based on self-identification, three of our executive officers who served in such capacity during 2023 identified as women. At the end of 2023, following two retirements during the year, one of Air Canada's executive officers identified as a woman. None identified as being members of a visible minority or Indigenous. Our objectives do not specifically focus on executive officer positions only due to the small size of this group. Eight vice presidents (21%) have self-identified as women, one (3%) as living with a disability, five (13%) as members of visible minorities and none have self-identified as Indigenous. As of December 31, 2023, out of 38 vice presidents, 35 have elected to self-identify in response to our survey.

Data on representation is obtained through voluntary self-identification of Canadian-based employees, 84.9% of whom have elected to self-identify as of 2023.

More information about Air Canada's DEI achievements is available in its corporate sustainability report, "Citizens of the World," at www.aircanada.com/citizensoftheworld.

Accessibility

Air Canada is committed to being a leader in accessible travel and employment. We invest significant resources in accessibility and will continue to do so. We believe in designing our product and service offerings and employment experience with accessibility in mind. As a partner to persons with disabilities, we have the following commitments:

- Engage with persons with disabilities and accessibility organizations to create a seamless and enjoyable travel experience for persons with disabilities, whether in services or in infrastructure, and to provide a fulfilling employment experience in the workplace.
- Develop and enhance accessibility features, policies and processes that broaden travel and employment opportunities for persons with disabilities.
- Train our employees and provide them with tools to encourage co-operation, lift barriers and implement accommodation for our customers and our employees.
- Promote a culture of respect and dignity in all our employees' interactions with one another and with our customers and increase representation of persons with disabilities within our workforce.
- Collaborate with Canadian and international organizations and airport authorities and other partners in the aviation ecosystem to ensure the needs of persons with disabilities are considered in the workplace and throughout their travel experience.

In June 2023, we published our first Accessibility Plan, which sets out our commitment to improve accessibility and remove barriers for customers and employees with disabilities. This initial plan spans 2023–26, and we will report on progress after the first two years. We have since announced measures to reduce barriers and make travel simpler, more comfortable and consistently reliable for customers with disabilities, and to address major sources of dissatisfaction and trip disruption for customers with disabilities. Our main focus has been on boarding, storage of mobility aids and training. We have also implemented the Hidden Disability Sunflower program, which is a voluntary program that allows customers with non-visible disabilities to wear a sunflower lanyard to discretely indicate that they have a non-visible disability and need a little extra time or patience. We have launched an Accessibility Advisory Committee, made up of customers with disabilities who will be advising and consulting on our accessibility plans and priorities going forward. And we have made adjustments to our zonal boarding policy to make it simpler for customers with disabilities to pre-board.



Official languages

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

Our services are offered in a variety of settings, but most concretely aboard our aircraft, carrying on average more than 125,000 passengers on about 1,025 flights, every day in 2023. We are one of few airline companies in the world that serve customers in English and in French on the scale we do, and we are proud to reflect Canada in that way both within and outside our borders.

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

We operate throughout Canada and in 56 countries and serve our customers, in addition to the official languages, in 23 route languages as well as in American Sign Language and in *Langue des signes québécoise* (Québec Sign Language) on our network, thanks to the diverse linguistic abilities of our workforce. Both official languages of Canada are freely used at our head office in Montréal and in our operations in Québec, as well as in many other parts of our operations elsewhere and on hundreds of routes in serving our customers. We use both official languages of Canada in our communications.

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

We are committed to using and promoting both official languages of Canada across the country. We care about all the communities in which we live and work, as citizens of the world, including Québec where our head office is located. We will continue to work with all our stakeholders to see how we can meet their expectations, while honouring individual rights and our legal obligations. In 2023, we announced our voluntary registration with the *Office québécois de la langue française* under the Charter of the French language, following discussions with the *Office*, reflecting our aim to contribute to the protection, promotion and reach of the French language, while complying with the *Official Languages Act* that applies to us.

Our Official Languages department has responsibility for implementing our Linguistic Action Plan and official languages initiatives. It reports on progress to executive management on a regular basis. An Official Languages Committee, composed of senior management from key functions, supports the Official Languages department by facilitating the implementation of official languages initiatives throughout our organization. A network of Official Languages Supporters helps implement initiatives at each airport and in-flight service base. A *Comité de francisation* is also in place focusing on activities in Québec.

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

Climate action

The Safety, Health, Environment and Security Committee has oversight of climate-related sustainability matters for the Board. The SHESC reviews and recommends to the Board Air Canada's five-year climate action or other environmental sustainability plans, and monitors and evaluates progress on each of these plans in achieving its goals, through the receipt of regular reports and updates from management and subject matter experts on key projects, initiatives, and other developments.

We are committed to advancing climate action and environmental sustainability throughout our business and to reporting on our progress. In March 2021, Air Canada announced its Climate Action Plan, which aims to achieve an ambitious goal of net-zero emissions by 2050. In defining its pathway to this goal, we have set the following 2030 absolute mid-term GHG net-reduction targets:

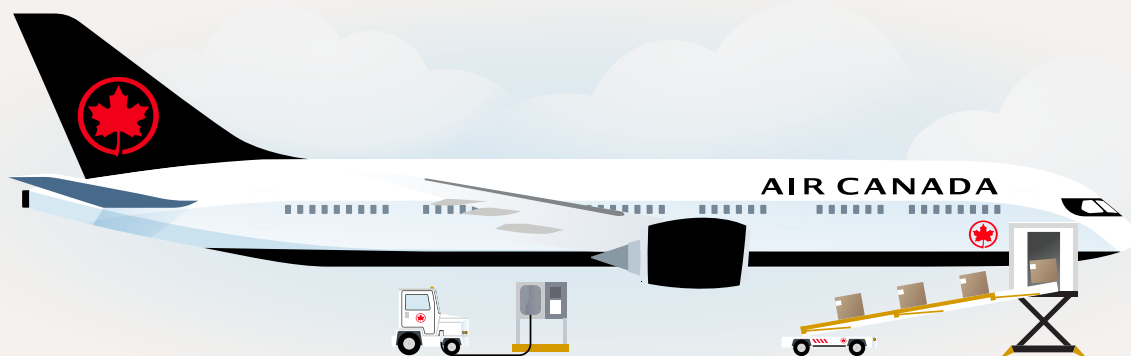
- 20% GHG net reductions from our air operations by 2030 compared to our 2019 baseline.
- 30% GHG net reductions from our ground operations by 2030 compared to our 2019 baseline.

In support of these targets, we have committed a \$50 million investment fund for low-carbon technologies to accelerate decarbonization, such as SAF and new aircraft technologies.

Our climate action goals are ambitious.

We cannot achieve them 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.

See our discussion of risks at "Caution Regarding Forward-Looking Information" at [page 2](#) of this circular.



20%

GHG net reductions

from **air operations** compared to 2019 baseline by 2030

30%

GHG net reductions

from **ground operations** compared to 2019 baseline by 2030

\$50 million

Investment Fund

For Sustainable Aviation Fuels (SAF) and carbon reduction and removal development by 2030

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

- **Fleet and operations:** With our fleet renewal program, we will continue deploying more energy-efficient aircraft. We will continue to integrate climate factors in route and fleet planning. On the ground, we expect to phase out carbon-intensive ground equipment and plan on further advancing electric vehicles use and seek other electrification opportunities.
- **Innovation:** We will, over time, evaluate the viability, safety and performance of new electric, hydrogen or hybrid propulsion technologies and will look for other innovative opportunities elsewhere in our operations.
- **SAF and renewable energy:** To further our work on sustainable aviation fuels, we are investing in SAF and other low carbon aviation fuel (LCAF) technology development and are actively evaluating the practical applications of renewable energy sources, such as biogas and renewable electricity and energy transition measures. Air Canada firmly believes that a concrete action plan is required in Canada to establish a competitive investment climate and to capture the economic added value of SAF that is made in Canada.
- **Carbon reductions and removals:** We are exploring carbon negative emission technologies and other direct emission reduction and removal strategies in addition to further developing our regulatory carbon offset compliance actions and customer offerings.

To continue collaboration and dialogue, we have led and worked with industry and other stakeholders in several initiatives relating to climate action or environmental protection locally and globally, such as the following:

- Reporting on international flights under the ICAO Carbon Offsetting and Reduction Scheme for International Aviation
- Chairing the National Airline Council of Canada (NACC) Environmental Subcommittee
- Participating in IATA, Airlines for America and Star Alliance® environment or sustainability committees and working groups
- Supporting the aspirations set out in Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation and participating in the development of the Canadian Clean Fuel Regulations
- Founding member of the Canadian Council for Sustainable Aviation Fuels (C-SAF), a not-for-profit organization aiming to accelerate the commercial production and supply of affordable SAF in Canada
- Founding member and the first Canadian carrier to join the Aviation Climate Taskforce
- Signing the Clean Skies for Tomorrow 2030 Ambition Statement, uniting companies dedicated to transition to net-zero emissions for aviation

Executive compensation

This section explains our executive compensation philosophy and programs and the decisions we took regarding the compensation of our named executive officers.

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Message from the Human Resources, Compensation and Pension Committee

Dear fellow shareholders,

In 2023, Air Canada returned to operational consistency, allowing our company to pursue opportunities in a world transformed by historic and accelerated change. Our Board and senior management teams have focused on providing leadership, stability, and guidance as we navigate our next chapter in building a sustainably profitable global champion.

Last year brought a rapidly changing and uncertain outlook in the economy and global affairs, with factors such as higher inflation and increasing interest rates affecting businesses and consumers alike. We nonetheless continued to set rigorous performance goals and remained focused on the alignment of executive compensation with the interests of Air Canada and its shareholders for the long term.

We are pleased to share our approach to executive compensation for 2023 and to highlight the performance metrics considered in determining 2023 compensation awarded to Michael Rousseau, our President and Chief Executive Officer, and the executive management team. Our NEOs work together toward the achievement of performance objectives set at the President and CEO level and cascaded down from there within their areas of responsibility. Each NEO's performance is measured by how well they achieved their individual goals, which are aligned with Air Canada's key priorities and 2023 corporate and other objectives.

2023 corporate performance that influenced compensation

In determining 2023 compensation for the President and CEO, the Board of Directors identified three key focus areas for Air Canada:

1. Financial performance.
2. Strategic and operational initiatives.
3. Climate or other sustainability priorities.

These three key areas were then viewed against our pay for performance philosophy, the details of which are outlined below.

Financial performance

Our team delivered robust results on our most critical financial performance metric, namely Adjusted Net Income⁽¹⁾, generating \$1.713 billion as compared to a target of \$493 million.

Other financial and operational performance metrics also showed marked improvement in 2023:

- Adjusted EBITDA⁽¹⁾ (earnings before interest, taxes, depreciation and amortization) was \$3.982 billion, more than double the full year 2022
- Operating income was \$2.279 billion
- Net cash flows from operations reached nearly \$4.320 billion
- Passenger traffic and total operated passenger capacity increased 29% and 20%, respectively, from 2022, with 2023 capacity recovering to about 88% of 2019 (which was the last full year of operations prior to the pandemic)
- Materially improved year-end leverage ratios of 1.1 for 2023 as compared to 5.1 for 2022.

While our share price fluctuated throughout the year, our team focused their efforts on key drivers which translated into meaningful operational and financial performance improvements in 2023, laying the foundation for delivering on our commitment of creating sustainable profitability and delivering long-term shareholder value.

Strategic and operational initiatives and climate or other sustainability priorities

We are especially proud of Air Canada's progress in building on our renewal with key strategic initiatives and on accomplishments on issues that matter to our customers and other stakeholders. In 2023, Air Canada achieved or exceeded a wide range of customer, risk mitigation and strategic objectives, including climate and other sustainability initiatives.

For 2023 we linked five strategic and five sustainability areas to executive compensation. Overall we made significant progress and our expectations were exceeded in most of these areas. Highlights of Air Canada's strategic initiatives and sustainability progress can be found within the discussion and analysis that follows.

(1) Adjusted Net Income and adjusted EBITDA are non-GAAP financial measures which are not recognized measures for financial statement presentation under GAAP, do not have standardized meanings, may not be comparable to similar measures presented by other entities and should not be considered a substitute for, or superior to, GAAP results. Please refer to section 20 "Non-GAAP Financial Measures" of Air Canada's 2023 MD&A (which section is incorporated by reference herein), which is available under Air Canada's profile on SEDAR+ at www.sedarplus.ca, for an explanation of the composition of these non-GAAP measures, an explanation of how they provide useful information to investors and the additional purposes for which management uses them, as well as a reconciliation to the most directly comparable GAAP measure.

Strategic and operational initiatives

Strategic initiatives that our executive team advanced or delivered in 2023 include the following:

- **Customer service (ECX):** Over 41 initiatives were launched relating to on-time performance, customer communications, disruption handling and recovery, employee engagement and service excellence.
- **Market:** Produced strong revenues from key segments and focused on opportunities such as by finalizing new distribution capability (or NDC) arrangements with key partners.
- **Diversification:** Our Aeroplan membership grew to over eight million members, and we operated seven all cargo freighters, and materially increased revenues from Air Canada Vacations.
- **Cost efficiency:** Despite continuing macroeconomic and structural cost pressures on our industry, our unit costs were contained within our adjusted CASM guidance. Also, cost efficiency initiatives were completed or identified, and certain avoidable costs were deferred.
- **Technology and major projects:** Major projects were advanced or completed including to modernize our contact centres, to expand pilot initiatives for digital identification such as facial recognition technology, to provide Internet connectivity for nearly 100 additional aircraft across our fleet.

Climate or other sustainability priorities

The climate or other sustainability initiatives that our executive team advanced or delivered in 2023 include the following:

- **Climate action plan:** We ordered 18 Boeing 787-10 Dreamliner aircraft, continuing our fleet transition to more modern, efficient aircraft to lower emissions per seat. In addition, Aeroplan Carbon Offset Program was launched, and we signed Airbus' carbon removal initiative, being the first North American airline to do so.
- **Employee well-being:** A telemedicine service for employees and family members was introduced.
- **Safety:** We completed our ninth biannual IATA Operational Safety Audit.
- **Official languages:** A multi-year linguistic strategic plan (2024–27) was created, with key steps taken to support its implementation.
- **Equity and inclusion:** We increased the proportion of self-identified women in our top three levels to 24% and of self-identified visible minorities to 35.9% from 34.6% overall. In addition, we strengthened partnerships with community-based organizations focused on underrepresented groups in the airline industry.

2023 compensation program updates and decisions

After Air Canada withdrew from the Government of Canada pandemic financial support in 2021, our Board and HRCPC determined for 2022 that its executive compensation policies and programs should realign to market competitive levels linked to company performance. In doing so, we maintained significant weighting on incentive- and performance-driven compensation that is at risk, ensuring close alignment of the interests of Air Canada's executives with those of our shareholders. We continued this approach for 2023.

Our executive leadership team delivered meaningful improvements in financial and operational results throughout 2023. Our major compensation decisions in respect of last year are accordingly as follows:

- **CEO:** Reflecting his continued leadership in laying the foundation for our future ambitions following a uniquely challenging environment, the Board maintained the President and CEO's total direct compensation at essentially the same level as in 2022, and approximately at the 50th percentile of our comparator group.
- **Other NEOs:** As we also brought the NEOs' total direct compensation towards the 50th percentile in 2023, individual AIP and LTIP target payouts were set to ensure that a significant portion of their total compensation remains at-risk and closely aligned with the creation of long-term profitability and shareholder value. In some cases, salary increases were also approved to realign to market-competitive levels.
- **Annual Incentive Plan:** As Air Canada's financial performance exceeded the target for Adjusted Net Income by more than 15%, a performance weighting of 200% was awarded for the financial component of the AIP award.
- **LTIP:** The CEO and the other NEOs received grants of stock options and share units in 2023 based on the target grant value for their position and aligned to market-competitive levels and performance adjustments.

As a result, 88% of Mr. Rousseau's and 77% on average of the other NEOs' target total direct compensation is considered pay at risk.

Our *Compensation discussion* and analysis follows this letter and provides the details of our executive compensation program for our NEOs in 2023.

2024 compensation program updates and decisions

Each year, our committee reviews existing compensation program and considers investor feedback and business results, as well as our strategic plan. We also annually review the CEO objectives, including relevant metrics and weightings.

For 2024, the total compensation opportunity for all NEOs will be generally near the median of Air Canada's comparator group for similar positions, while maintaining a significant component of "pay at risk."

We have also decided to extend our approach of linking sustainability areas to compensation to others in management who are accountable for the performance of their respective units. This means that part of the incentive pay for about 370 senior leaders will depend on how well they meet sustainability objectives.

Conclusion

Shareholder input on compensation is an important part of our engagement process, and we invite you to have your say on our approach to executive compensation at each annual meeting. While this vote is advisory and non-binding, the Board will consider the results in future compensation planning. We will continue to ensure that the design of our executive compensation policies and programs help Air Canada achieve its strategic and performance objectives and generate returns for our shareholders over the long term.

If you have any comments or questions about our approach to executive compensation, please contact us using the information in this circular. We also look forward to your participation at our upcoming annual meeting of shareholders.

In closing, we want to express our gratitude to Michael Wilson who led our committee for six years. Michael's leadership, guidance and knowledge were invaluable to us during those busy years.

Sincerely,



Kathleen Taylor
Chair, Human Resources, Compensation and Pension Committee

Compensation discussion and analysis

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

Air Canada continues to evolve its business to better prepare for the future. As part of these efforts, “Rise Higher” was introduced in 2021 to freshly articulate and elevate our business and its imperatives around four key priorities, with which our performance objectives under Air Canada’s AIP are aligned:



Fund Our Future

Staying vigilant on costs, seizing on opportunities and making the right strategic investments.



Reach New Frontiers

Embracing our competitive strengths to grow our business, restoring and expanding our international reach and continually exploring new opportunities.



Elevate its Customers

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



Lift Each Other Up

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

Named executive officers

This Compensation discussion and analysis section describes the philosophy, policies and components of our executive compensation program, as well as the compensation decisions of the Human Resources, Compensation and Pension Committee (here we refer to our committee as the HRCPC or the Compensation Committee) and the Board of Directors for the following NEOs in 2023.

Named executive officer	Role
Michael Rousseau	President and Chief Executive Officer
John Di Bert	Executive Vice President and Chief Financial Officer
Craig Landry	Executive Vice President and Chief Operations Officer
Arielle Meloul-Wechsler	Executive Vice President, Chief Human Resources Officer and Public Affairs
Marc Barbeau	Executive Vice President, Chief Legal Officer and Corporate Secretary
Amos Kazzaz	Former Executive Vice President and Chief Financial Officer

Executive compensation philosophy

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

- Align the interests of executives with those of Air Canada and its shareholders.
- Reward executives for results based on corporate performance in the short term and long term.
- Design and maintain an executive compensation program that achieves the right mix of pay components, including performance-based pay that is at risk.
- Provide compensation that is market competitive, while maintaining significant weighting on incentive- and performance-driven compensation that is at risk.

Our executive compensation program is designed by our HRCPC and recommended to our Board of Directors to align to our long-term strategy.

Role, responsibilities and composition of the HRCPC

The HRCPC'S core responsibilities include to recommend appropriate compensation for our named executive officers and to approve, design, evaluate and oversee our executive compensation philosophy, plans, policies and programs for all our executives.

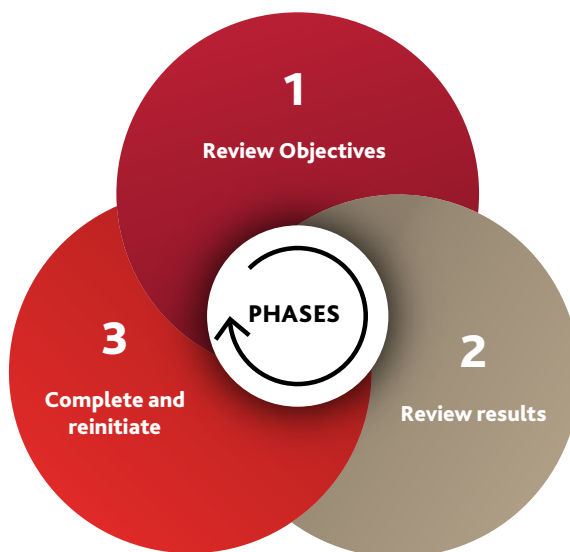
The HRCPC reviews our executive compensation program and incentive structure each year and considers a variety of factors in setting total target compensation values and structure or making any potential changes, including the scope and complexity of our business, evolving compensation trends, our financial and operational performance and results and our strategic roadmap. It also considers the advice of its independent compensation consultant, the views of management and investor feedback.

The HRCPC'S final recommendations regarding the compensation of our named executive officers and any changes to it are based on the compensation principles discussed in this analysis based on its own informed business judgment. The role and responsibilities of the HRCPC are also described under "Board committees" in this circular.

The members of the HRCPC have extensive knowledge of key areas of executive compensation. They also have many years of direct experience in applying the principles and policies underlying executive compensation decisions, in designing, implementing, or overseeing compensation programs, and in leadership and succession planning. They have acquired this through their experience as business and government leaders, and through other roles and functions. For more information on the experiences of each committee member, as well as their occupations and education, please see their individual profiles in the "Our director nominee" section of this circular.

Annual review process

The HRCPC follows an annual process to align the total compensation for our NEOs and our executive compensation program with Air Canada’s compensation philosophy, as outlined below.



Phase 1

At the beginning of each calendar year, the HRCPC reviews the annual budget and operating, strategic and climate or other sustainability goals subsequently approved by the Board and, having received the recommendations of the President and Chief Executive Officer’s and Human Resources group, engages in a rigorous review of annual objectives, which include financial and operational objectives and strategic and climate or other sustainability priorities.

For the short- and long-term incentive plans, the HRCPC (i) reviews and approves performance metrics, (ii) sets applicable thresholds, targets and limits, and (iii) decides weightings for company-wide and individual performance goals.

The HRCPC approves compensation adjustments for the following year by taking into consideration comparator group practices, individual performance and other factors.

Phase 2

Once the year is completed, the President and Chief Executive Officer and HR group provide recommendations to the HRCPC on the compensation of the other NEOs based on the performance criteria and targets derived from the business plan.

The HRCPC reviews year-to-date financial, operational, strategic and climate or other sustainability performance, evaluates NEO performance and contributions in achieving corporate performance, and reviews competitive market compensation data provided to it by its independent consultant, taking into consideration NEO roles and other factors.

Phase 3

The HRCPC then makes recommendations to the Board on the NEOs’ compensation, ensuring they are aligned with our overall executive compensation philosophy.

All aspects of the President and Chief Executive Officer’s compensation and resulting compensation decisions are assessed and determined by the Board taking into account the recommendations of the HRCPC.

At the same time, the HRCPC completes the reviews described in Phase 1 in respect of the next following year.

Ongoing

Independent compensation consultant

The HRCPC also receives and considers advice and recommendations from its independent compensation consultant on a variety of matters throughout the year and during the annual executive compensation review process. (See “Role of the compensation consultant” below for more information.)

Updates throughout year

The HRCPC is provided with updates related to our performance against targets throughout the year.

Management support

Our management supports the HRCPC by providing input regarding the elements of a compensation program that support performance without undue risk taking, by implementing and managing processes to administer the program and to measure individual and corporate performance against set objectives, by offering an assessment of the results achieved by officers and by offering recommendations on certain compensation levels.

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

Compensation risks, factors and governance

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

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

We recognize that long-term growth and value creation can only be achieved within an acceptable level of risk. We ensure our compensation policies and practices reward executives for short- and long-term decision-making and performance but do not encourage undue risk taking or produce excessive compensation levels. We also ensure our policies and practices reflect best practices in terms of market trends and governance standards. The following are key risk mitigation policies and factors that are part of our approach to sound compensation design and management at Air Canada.

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

Role of the compensation consultant

The HRCPC's independent compensation consultant, Willis Towers Watson reviewed executive compensation practices relative to our comparator group. Willis Towers Watson was first engaged by Air Canada in 1980. Willis Towers Watson also assists with preparing information on executive compensation and provides benefit consulting services to Air Canada. The executive compensation consulting services provided by Willis Towers Watson include:

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

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

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

Willis Towers Watson services	2023	2022
Executive compensation-related fees	\$84,322	\$ 51,634
Total fees	\$84,322	\$ 51,634

Clawback policy

In 2011, the Board of Directors first adopted a clawback policy concerning awards under Air Canada's annual and long-term incentive plans. The policy was reviewed, and its scope was expanded, in 2020. Under this policy, which applies to all executives, the Board may require reimbursement of all or a portion of annual or long-term incentive compensation received by an executive or former executive for situations involving:

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

Recoupment under the clawback policy is not contingent on whether the employment of the executive was terminated with or without cause.

Executive succession planning

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

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

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

The retirements of Executive Vice President and Chief Commercial Officer Lucie Guillemette and of Executive Vice President and Chief Financial Officer Amos Kazzaz in 2023 allowed their vacancies to be filled by internal and external candidates.

Shareholder input and engagement

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

We discuss last year's say-on-pay vote and our engagement with investors and shareholders on a variety of topics at [pages 14](#) and [32](#) of this circular.



Air Canada compensation comparator group

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

In respect of 2023, the comparator group consisted of 24 companies. These companies are selected and validated annually by the HRCPC from among large Canadian and U.S. airlines and Canadian companies having all or some of the following attributes: operating in the transportation or aviation industry, with annual revenues exceeding \$5 billion and a large asset base, having an extensive customer service component and operating in a highly technological environment.

Air Canada monitored the comparator group in 2023 to measure its compensation plans and policies against them. Air Canada’s independent compensation consultant, Willis Towers Watson, completes an annual analysis of our NEO pay opportunities relative to prevailing market practices, based on our comparator group and information from published surveys of executive pay practices. The comparative market data provided by Willis Towers Watson represents one factor considered by the HRCPC when making executive compensation decisions. Accordingly, the HRCPC also considers other factors, including individual skills, experience, tenure, performance, retention considerations, succession plans and internal equity.

The comparator group for 2023 consisted of the companies set out below.

	Alaska Airlines	American Airlines Group Inc.	Bank of Montreal	BCE Inc.	Bombardier Inc.	CAE Inc.	Canadian National Railway Corp.	Canadian Pacific Kansas City Limited	Canadian Tire Corporation, Limited	Celestica Inc.	Delta Air Lines, Inc.	Enbridge Inc.	Nutrien Ltd.	Ovintiv Inc.	Rogers Communications Inc.	Royal Bank of Canada	SNC-Lavalin Group Inc.	Southwest Airlines Co.	Sun Life Financial Inc.	Telus Corporation	TFI International Inc. ⁽¹⁾	Toronto-Dominion Bank	TC Energy Corporation	United Airlines Holdings, Inc.	
Transport sector or aviation related	A	A			•	•	•	•			A							A			•			A	
Revenue above \$5 billion	•	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Large asset base	•	•		•	•	•	•	•			•	•	•	•	•		•	•		•	•		•	•	
Extensive customer service	•	•	•	•					•		•				•	•		•	•	•	•	•		•	
Highly technological environment	•	•	•	•	•	•				•	•				•	•	•	•	•	•	•	•	•	•	

(1) TFI International Inc. was added in 2023 in replacement of another company that had been privatized. Legend: We designate airlines with the letter A.

The table below shows how Air Canada compares to the comparator group in terms of revenue in 2023 and number of employees as of December 31, 2023.

	Comparator group of companies as compared to Air Canada ⁽¹⁾	
	Revenue (\$B)	Employees (thousands)
25th percentile	\$13.44	18,745
Median	\$19.01	25,492
75th percentile	\$41.78	78,954
Air Canada (2023)	\$21.83	38,733

(1) Source: S&P Capital IQ as of February 1, 2024 (data is for the most recently available 12-month periods closest to December 31, 2023), except for Air Canada figures.

While the executive compensation peer group includes companies that are close to Air Canada in size and scale across selected metrics, it also contains companies from other industries that involve different business cycles, growth drivers, geographic markets, exposure to macroeconomic market influences and other factors, making their share performance less relevant for comparison. Accordingly, we use two peer groups: a *compensation peer group* to benchmark and evaluate executive pay and a *performance peer group* to meaningfully assess our total shareholder return performance for purposes of our PSU awards.

The performance peer group includes six large international airlines (Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France-KLM Group). The HRCPC considers these six international airlines to be more comparable than others from an industry, operational and complexity perspective and generally face similar industry pressures and macroeconomic and other factors as does Air Canada.

The table below shows how Air Canada ranks relative to the peer airline companies of the performance peer group in respect of TSR in 2023, for the one-year period ending December 31, 2023, the three-year period from 2021 to 2023 and the five-year period from 2019 to 2023.

TSR 2023	Air Canada	Air Canada rank out of 7	Performance peer group⁽¹⁾ median
One-year total shareholder return ⁽²⁾	(3.6)%	7	9.93%
Three-year total shareholder return ⁽³⁾	(17.9)%	6	(3.8)%
Five-year total shareholder return ⁽⁴⁾	(28)%	2	(53.6)%

(1) This group consists of Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France-KLM Group.

(2) One-year TSR is as at December 31, 2023.

(3) Three-year TSR is for the period from January 1, 2021 to December 31, 2023.

(4) Five-year TSR is for the period from January 1, 2019 to December 31, 2023.

Supporting our pay-for-performance philosophy

There is no single definitive way to measure how pay and performance are related, and no single indicator can alone show the full extent of such relationship. When assessing performance, the HRCPC considers performance results in the context of other qualitative factors not captured in formal financial metrics, including key performance indicators and the business and operational environment and market and industry conditions in which the performance was achieved. The HRCPC evaluates performance considering financial and non-financial objectives to assess the overall leadership and performance of the CEO and other NEOs in a comprehensive and balanced way. The Board believes the use of informed judgment is important when determining final compensation to ensure awards appropriately reflect our compensation philosophy. We accordingly may set target compensation above or below the median based on various factors, including sustained performance over time, readiness for increased responsibilities, skill set, experience relative to external market counterparts and internal equity.

Compensation mix at risk

The majority of the **total target direct compensation** for our named executive officers — **88%** for our President and CEO and on average **77%** for our NEOs — depends on meeting specific performance objectives or is influenced by our stock price.

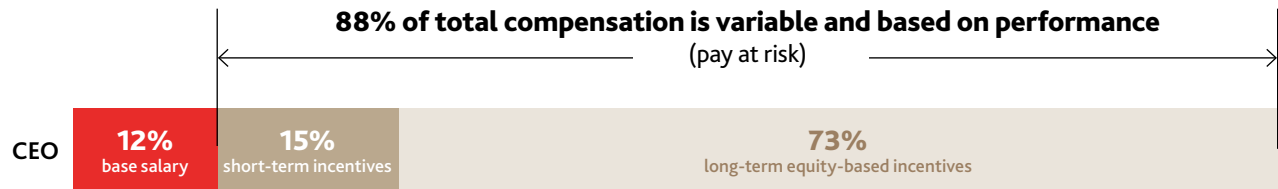
During the past few years, the executive team took several proactive and strategic actions, balancing short-term considerations with long-term objectives and priorities, in the best long-term interest of Air Canada. Air Canada completed 2023 having achieved significant financial and operational progress.

The HRCPC determined that despite facing years of unprecedented challenges, our executive team delivered on key priorities, namely, to achieve meaningful improvements leading to robust results in financial and operational metrics. These efforts have been seen in Air Canada’s financial and operational performance in 2023, including significant year-over-year improvements, as well as an improved leverage ratio.

The compensation mix we provide named executive officers includes both annual and long-term elements of pay at risk to support our pay-for-performance philosophy. In 2023, total compensation maintained significant weighting on incentive- and performance-driven compensation that is “at risk” to ensure close alignment of the financial interests of Air Canada’s executives with those of the shareholders. This incentive-based compensation structure conforms to industry best practices and is designed to motivate executives to achieve and surpass key performance goals linked to the disciplined execution of Air Canada’s business plan in the short term, leading to positive long-term results and sustainable value creation for our shareholders over the long term.

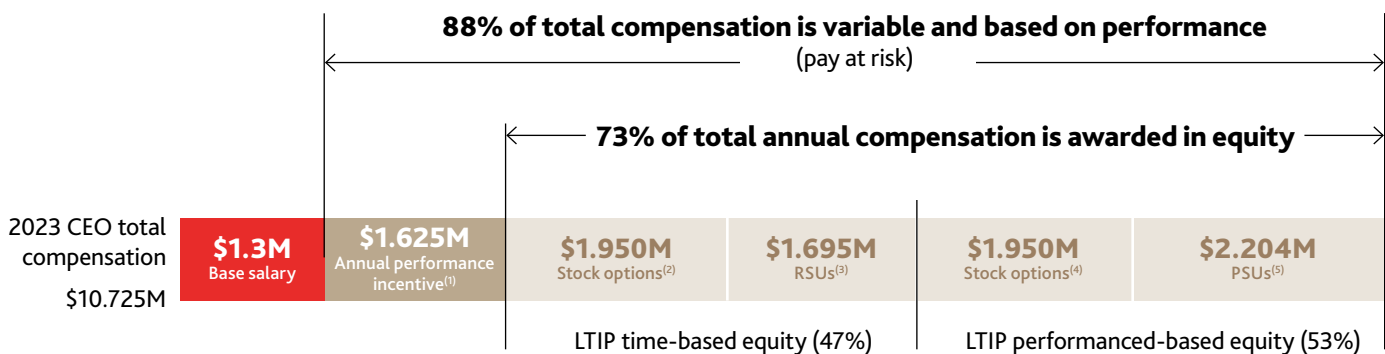
Components of our President and Chief Executive Officer’s total target direct compensation

Mr. Rousseau’s 2023 target total direct compensation takes into consideration the scope and complexity of his role as President and CEO. As shown in the chart below, Mr. Rousseau’s total target direct compensation (base salary, target short-term incentive and target long-term incentive) is \$10,725,000 for the financial year ended December 31, 2023, of which \$9,425,000 is at risk and based on Air Canada’s performance (representing 88% of total target direct compensation) with only the remaining 12% forming base salary.



President and Chief Executive Officer pay at risk

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



(1) Annual performance incentive based on financial and non-financial components.

(2) 4-year rateable vesting (10-year term).

(3) 3-year cliff vesting.

(4) 4-year cliff vesting based on 4-year average annual operating margin performance (10-year term).

(5) 3-year cliff vesting based on 3-year cumulative annual adjusted EBITDA performance and 3-year TSR against (1) six international airlines and (2) S&P/TSX Composite Index.

Most of the target direct pay of the NEOs other than the CEO also depends on how well Air Canada performs. Our executive compensation philosophy is based on paying for results that are related to short- and long-term performance (pay-for-performance). See “Elements of the executive compensation program” for a more detailed explanation of how we compensate our NEOs.

Elements of the executive compensation program

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

	Objective	Type	Time horizon	Key features
Base salary	Attract and retain executives in a competitive marketplace	Cash	1 year	<ul style="list-style-type: none"> • Reflects individual skills, competencies and experience • Influences short-term incentives, long-term incentives, pension and benefits
Short-term incentives – Annual incentive plan	Reward performance that contributes to Air Canada’s annual profitability, performance, and growth	Cash	1 year	<ul style="list-style-type: none"> • Ties performance-based rewards to corporate, department and individual performance • Reflects annual achievement of Air Canada’s financial performance against pre-established targets
Long-term incentives	<p>Promote a focus on long-term business results</p> <p>Align the interests of executives with the interests of shareholders</p>	Equity	<p>Stock options: 4 year rateable and cliff vesting</p> <p>Share units: 3 year cliff vesting</p>	<ul style="list-style-type: none"> • Increases ownership in Air Canada through compensation that is at risk • Provides a mix of performance-based and time-based stock options and share units • Gives executives the opportunity to participate in future growth • Rewards long-term financial results that drive shareholder value creation • Generates compensation linked to business results and long-term value creation • Supports retention of executives
Deferred share unit plan	Provide a vehicle for deferred compensation	Equity	Retirement, termination or death	<ul style="list-style-type: none"> • Allows eligible participants to voluntarily receive all or part of their annual incentive award or annual PSU and/or RSU grant in DSUs • Retains same vesting schedule as PSUs and RSUs • DSUs are redeemed in cash following retirement, termination or death
Pension plan	Retain executives by offering a valuable source of retirement income	Benefit	Retirement	<ul style="list-style-type: none"> • Provides a lifetime retirement pension based on service and annualized base salary
Other benefits and privileges	Offer a variety of benefits and privileges that support personal needs	Benefit / Privilege	1 year	<ul style="list-style-type: none"> • Offers a comprehensive benefits program that includes both care-based and financial protection benefits • Flexible Perquisites Program that includes travel privileges, Maple Leaf Club Card, car lease support, and health counselling

Analysis of 2023 compensation

In 2022, the HRCPC and the Board determined that our NEOs' compensation outcomes in 2020 and 2021 were not suitable as baselines against which to compare NEO compensation. The compensation decisions for those prior years were made in extraordinary circumstances leading to amended compensation practices, including voluntary base pay reductions and limits required under financing arrangements with the Government of Canada in 2021. As a result, NEO compensation in those years did not reflect Air Canada's financial and operational performance, the individual performance of the NEOs, or market comparables.

For 2023, the Board's and HRCPC's main focus was to ensure that Air Canada's executive compensation policies and programs, which had been restored in 2022, remain competitive, commensurate to our size and complexity and the roles of our NEOs and drive rigorous execution of our strategic plan. The Board considers that it is critical and part of its fundamental role to ensure that a highly skilled and proven management team is recruited, incentivized and retained. The HRCPC and the Board aimed to provide named executive officers with target total compensation opportunities at market-competitive levels generally near the 50th percentile of the comparator group, based on all relevant factors but maintaining significant weighting on incentive- and performance-driven compensation that is at risk. This compensation approach is aligned toward market levels and practices and ensures close alignment of the financial interests of Air Canada's executives with those of its shareholders.

2023 base salary decisions

Base salary reflects each executive's level of responsibility, capabilities and experience in the context of their role and the market. Although Air Canada does not automatically adjust salaries for executives on an annual basis, we review total compensation and align their overall compensation in accordance with our compensation philosophy described above.

Named executive officer	2022 salary	2023 salary
Michael Rousseau	\$ 1,300,000	\$ 1,300,000
John Di Bert ⁽¹⁾		- \$ 650,000 ⁽¹⁾
Craig Landry	\$ 525,000	\$ 600,000
Arielle Meloul-Wechsler	\$ 450,000	\$ 525,000
Marc Barbeau	\$ 425,000	\$ 480,000
Amos Kazzaz ⁽²⁾	\$ 550,000	\$ 650,000 ⁽²⁾

(1) Represents annual salary. Mr. Di Bert was hired May 1, 2023.

(2) Represents annual salary. Mr. Kazzaz retired effective July 1, 2023.

Short-term incentives | Annual incentive plan

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

Each NEO's performance is evaluated against the annual objectives and assigned a performance rating based on Air Canada's corporate financial performance, the branch's, and the individual's performance.

2023 AIP

Named executive officer	AIP Target as a % of Base Salary
Michael Rousseau	125%
John Di Bert	85%
Craig Landry	85%
Arielle Meloul-Wechsler	75%
Marc Barbeau	75%
Amos Kazzaz ⁽¹⁾	85%

(1) Mr. Kazzaz retired effective July 1, 2023.

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

		Annual objective weightings				Performance Rating for Each Objective	Annual Payout Award
		(consisting of both financial and non-financial components for each NEO, weighted as follows)					
Base salary	X AIP Target Award X	Financial component ⁽¹⁾	Non-financial components ⁽²⁾	Branch objectives	Individual objectives	X	=
		President and CEO	50%	50%			
All other NEOS		50%		25%	25%		

(1) Financial component consists of Adjusted Net Income.

(2) Non-Financial components are based on outcomes and goals relating to strategic initiatives (customer service, market opportunities, diversification, cost efficiency and technology and major projects), and climate and other sustainability priorities (climate action plan, employee well-being, safety, official languages, and DEI).

Annual incentive plan objectives and outcomes

The following table shows the President and CEO’s 2023 AIP objectives, as well as the weighting and final rating for each objective, as approved by the HRCPC.

Portion of award	AIP objective	2023 performance target	2023 performance results	Weighting	Actual vs Target
50% financial components	Adjusted Net Income ⁽¹⁾	\$493M	\$1.713B	50%	100%
50% non-financial components	Strategic initiatives (25%)			25%	22%
	Climate and other sustainability initiatives (25%)			25%	38%
Total combined rate				100%	160%

(1) For purposes of the AIP, Adjusted Net Income is calculated before deducting expenses relating to the AIP and Long-Term Incentive Plan and using other adjustments, as discussed at [page 59](#) of this circular.

2023 key accomplishments for annual short-term incentive award (CEO and other NEOs)

Our NEOs work together toward the achievement of performance objectives set at the President and CEO level and subsequently cascaded down. Our NEOs support the President and Chief Executive Officer toward achieving the goals related to each of their respective roles and functions.

The HRCPC determined that our NEOs’ contribution and performance was very significant in 2023, particularly considering that Mr. Rousseau, with the support of our other NEOs, led Air Canada to meaningfully improved financial and operational results in 2023, including significant year-over-year improvements, as well as an improved leverage ratio.

Financial performance

Air Canada completed the year with a strong balance sheet and overall strengthened financial position, reflecting robust financial and operational performance metrics and marked improvements:

- Adjusted Net Income was \$1.713 billion as compared to a target of \$493 million
- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) was \$3.982 billion, more than twice 2022
- Operating income was \$2.279 billion
- Net cash flows from operations were nearly \$4.320 billion
- Traffic and total operated passenger capacity increased 29% and 20%, respectively, from 2022, with 2023 capacity recovering to about 88% of 2019 (the last full year of operations prior to the pandemic)
- Materially improved leverage ratio of 1.1 at December 31, 2023, as compared to 5.1 at December 31, 2022

Non-financial performance

Since his appointment as President and Chief Executive Officer in 2021, Mr. Rousseau has been instrumental in leading Air Canada to a robust recovery through the immense challenges of the pandemic challenging the organization to rise higher through innovation, technological advancements and a customer-centric culture. Mr. Rousseau also continued to actively drive our climate and other sustainability programs and efforts throughout the year, including in the areas of safety, climate action, official languages, employee well-being and diversity.

For 2023 we linked five strategic and five sustainability areas to executive compensation. Overall we made significant progress and our expectations were exceeded in most of these areas. Highlights of Air Canada’s strategic initiatives and sustainability progress can be found within the discussion and analysis that follows.

Area	Highlights
Strategic initiatives	Customer Service (ECX) <ul style="list-style-type: none"> Over 250,000 customer surveys and 1,000-member-strong employee focus groups 41 initiatives delivered relating to on-time performance, metrics, customer communications, disruption handling and recovery, employee engagement and service excellence
	Market <ul style="list-style-type: none"> Produced strong revenues from key segments Focused on opportunities such as by finalizing new arrangements governing New Distribution Capability (NDC) with key partners, introducing free Bell Wi-Fi messaging for Aeroplan Members, and expanding network by adding more destinations, smoothing out seasonality, and using assets more efficiently
	Diversification <ul style="list-style-type: none"> Aeroplan saw record membership surpassing 8 million members, and new and expanded partnerships with Parkland, Uber Canada and Uber Eats Air Canada Cargo showed agility in an evolving market, operating seven all-cargo freighters, and announced year-round wide-body capacity on key European markets We materially increased revenues from Air Canada Vacations
	Cost efficiency <ul style="list-style-type: none"> Despite continuing macroeconomic and structural cost pressures on our industry, our unit costs were contained within our adjusted CASM guidance. Cost efficiency initiatives were completed or identified, and certain avoidable costs were deferred Significant work advanced or completed on major projects Modernized our contact centres
	Technology and major projects <ul style="list-style-type: none"> Significant work advanced or completed on major projects Modernized our contact centres Launched digital identification such as facial recognition technology in certain airports Added new features to products and services to enhance onboard travel experience Agreed with Intelsat to provide connectivity systems for nearly 100 additional aircraft across our fleet
Climate and other sustainability priorities	Climate action plan <ul style="list-style-type: none"> Ordered 18 Boeing 787-10 Dreamliner aircraft, continuing our fleet transition to more modern, efficient aircraft to lower emissions per seat Sold environmental attributes associated with 2.4M U.S. gallons of SAF Introduced electric shuttle for employees in Montréal Launched Aeroplan Carbon Offset Program First North American airline to sign Airbus’ carbon removal initiative
	Employee well-being <ul style="list-style-type: none"> Mental health first aid training sessions introduced Telemedicine service introduced (over 12,000 employees and 7,100 family members registered) 3,100 employees attended UBY Wellness Days 3 UBY Wellness Centres launched for employees (3,700 registered) UBY Ambassador Program grew to 168 members versus a target of 100 members
	Safety <ul style="list-style-type: none"> Recognized for safety-first culture and innovative use of technology to promote workplace safety at OHS Honours Completed our ninth biannual IATA Operational Safety Audit Additional training and coaching programs added
	Official languages <ul style="list-style-type: none"> Multi-year (2024–27) official languages strategic plan created Our Director of Official Languages was appointed to lead a newly established Official Languages department, with centralized training, testing and technical resources Voluntary registration with the <i>Office québécois de la langue française</i> Official Languages Committee matured further, and we established a <i>Comité de francisation</i>
	Diversity, equity and inclusion <ul style="list-style-type: none"> Launched a multi-year accessibility plan Appointed a Director of Accessibility to lead team and implementation of accessibility plan Announced series of measures to reduce barriers and make travel simpler, more comfortable and consistently reliable for customers living with different abilities Increased percentage of self-identified women in top 3 levels to 24% Increased percentage of self-identified visible minorities Fully implemented four structural DEI Pillars: DEI Executive Council, DEI Steering Committee, DEI Champions Program, and formalized Employee Resource Groups Continued strengthening partnerships with community-based organizations focused on underrepresented groups in airline industry Launched formal mentoring program with a DEI lens, mentoring 180 managers (50% female and 40% BIPOC (visible minority))

Under Mr. Rousseau’s leadership and direction, our NEOs significantly advanced and delivered on the execution of our 2023 climate and other sustainability initiatives and of our diversification, productivity, innovation and cost efficiency, and customer service (ECX) strategic initiatives, as highlighted in the table above.

2023 annual incentive plan range of opportunity

The financial component of the AIP linked to Adjusted Net Income and actual performance weightings are determined on a linear basis between the reference points listed below:

If Air Canada achieves Adjusted Net Income⁽¹⁾	Corporate financial performance rating	2023 Adjusted Net Income (target and achieved) for AIP purposes
At least 15% above target	200%	\$1.713B – Achieved
At least 7.5% above target	150%	
Target	100%	\$493M – Target
No more than 7.5% below target	50%	
More than 15% below target	0%	

(1) Adjusted Net Income for purposes of the AIP is the consolidated net income of Air Canada for the year, without the after-tax effects of impairment of assets, foreign exchange gains or losses, net financing expense relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets and certain expenses as approved by the Board of Directors under extenuating circumstances.

The Board of Directors approved a 200% payout for the financial component of the AIP linked to Adjusted Net Income given that the 2023 target was surpassed by more than 15%.

We selected Adjusted Net Income as a key performance measure for the AIP because it measures Air Canada’s ability to grow profitably and manage costs, which are critical to airlines and to advancing Air Canada’s journey. The HRCPC found adjusted profitability measures to be appropriate metrics for purposes of the AIP over the past few years in a variety of contexts and believes that, given the current industry pressures and macroeconomic and other factors faced by airlines, return measures are less useful because a focus on profitability ensures a disciplined approach, and that growth achieved will in turn drive long-term shareholder value.

The HRCPC granted NEOs the following AIP payouts after having evaluated Air Canada’s financial results for the 2023 fiscal year, the degree of accomplishment of individual goals based on how each of them helped advance and implement Air Canada’s 2023 business plan as measured by the strategic initiatives identified above, and by reference to their relevance to each of their respective role and function.

Named executive officer	2023 target as a % of base salary	Target award opportunity	Actual performance multiplier	Total payout award
Michael Rousseau	125%	\$1,625,000	1.6	\$2,600,000
John Di Bert ⁽¹⁾	85%	\$368,333	1.6	\$589,333
Craig Landry	85%	\$510,000	1.6	\$816,000
Arielle Meloul-Wechsler	75%	\$393,750	1.6	\$630,000
Marc Barbeau	75%	\$360,000	1.6	\$576,000
Amos Kazzaz ⁽²⁾	85%	-	-	-

(1) Mr. Di Bert was hired May 1, 2023.

(2) Mr. Kazzaz retired effective July 1, 2023.

Long-Term Incentive Plan

Air Canada's Long-Term Incentive Plan (LTIP) is designed to attract, retain and incentivize key contributors who play a role in determining Air Canada's future and long-term success, including our NEOs, to align their interests with those of our shareholders and to reward performance and value creation over the longer term. The persons who are eligible to receive LTIP awards are officers of Air Canada and may include level "A" and level "B" senior managers and other employees of Air Canada or its subsidiaries as the Board or the HRCPC determine to be in key positions thereof. Level "A" and "B" senior management generally drive or have critical influence over various corporate functions and are accountable for the delivery of long or medium-term plans aligned with our corporate objectives.

LTIP | Grant components

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

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

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

	Time based vesting (47%)		Performance based vesting (53%)	
	25%	22%	25%	28%
	Stock options	RSUs	Stock options	PSUs
Vesting	Rateably each year over four years	Third anniversary of grant	Fourth anniversary of grant	Third anniversary of grant
Performance measure	Time	Time	Annual target operating margin over 4-year period	3-year cumulative annual adjusted EBITDA, and TSR against six international airlines and S&P/TSX Composite Index
Basis of payout if vested	Share price	Share price	Performance achieved (see Table A below)	Performance achieved (see Table B below)

LTIP | Stock option components

Stock options represent 50% of the mix of value granted annually under the LTIP.

The LTIP provides for vesting of the options to purchase Air Canada shares granted under the LTIP as follows:

- **50% are time-based stock options** that vest in four equal instalments of 12.5% on each anniversary of the grant.
- **50% are performance-based stock options** that vest at the end of 4 years and are exercisable if the 4-year average annual operating margin goal set at grant is attained, as indicated in the table below:

Table A | Performance-based stock option payout value opportunity (25%)

4-year average annual operating margin target reference points	Stock options vested
100%	100%
95%	66%
90%	33%
85% or less	0%

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

When vested, stock options allow an NEO to purchase Air Canada shares at an exercise price based on their "volume-weighted average trading price" on the TSX for the 5 trading days immediately preceding their grant date (calculated by dividing the total value by the total volume of shares traded during such period). Stock options have a maximum term of 10 years, except that if an option's expiration date falls at a time when an executive cannot trade Air Canada shares pursuant to its employee trading restrictions policy or within nine business days following the expiration of that restricted period, such expiration date is extended until the 10th business day after the end of the period.

LTIP | Share unit components

Share units represent the other 50% of the mix of value granted annually under the LTIP.

Outstanding share units consist of a mix of restricted share units (RSUs) that vest on the third anniversary of their grant and performance share units (PSUs) that vest on the third anniversary of the grant if 3-year performance targets are met. The relative performance measures we use for the vesting of PSUs are designed to align our NEOs' interests with those of our shareholders, consistent with most of our comparator group of companies.

The table below sets out the vesting opportunities for each element of a PSU grant and the reference points for these. PSUs are allocated in three tranches and vest on the third anniversary of their grant, based on the performance measures set out below, on a linear basis between the indicated performance reference points:

Table B Performance-based PSU payout value opportunity					
75% tranche		12.5% tranche		12.5% tranche	
Cumulative 3-year annual adjusted EBITDA against target at grant	Vesting opportunity	Cumulative 3-year TSR against six international peer airlines ⁽¹⁾	Vesting opportunity	Cumulative 3-year TSR against S&P/TSX Composite Index	Vesting opportunity
100%	100%	Rank 1	200%	75th pctl and above	200%
95%	66%	Rank 2	167%	50th pctl	100%
90%	33%	Rank 3	133%	25th pctl	66%
85% or less	0%	Rank 4	100%	Below 25th pctl	0%
		Rank 5	67%		
		Rank 6	33%		
		Rank 7	0%		

(1) Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France-KLM Group.

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

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

In respect of the three-year term, Air Canada may decide, at the discretion of the Board of Directors, to pay the participant an amount that matches the dividends the participant would have received had they had owned as many Air Canada shares as the number of share units in their account, subject to the satisfaction of the vesting conditions applicable to the related share units.

LTIP | General provisions

The number of Air Canada shares (a) reserved for issuance at any time to any eligible participant may not exceed 5% of our outstanding shares, (b) issued to an insider and their associates under any share compensation arrangement within any one-year period may not exceed 5% of our outstanding shares, and (c) issued to insiders and their associates within any one-year period or at any time under any share compensation arrangement may not exceed 10% of our outstanding shares. These thresholds do not include any shares issued pursuant to any share compensation arrangement over the preceding one-year period. See also "Long-Term Incentive Plan replenishment" for information on the maximum number of Air Canada shares reserved for issuance under the LTIP.

Options or units are not assignable by the optionee or unitholder, except to their estate upon their death.

Subject to any applicable regulatory or TSX approvals, Air Canada may make any changes to the Long-Term Incentive Plan (or any option or share unit granted thereunder), which may include but are not limited to, amendments of a "housekeeping nature", to change vesting provisions, to move up the exercise date of any option or the payment date of any share unit, to introduce cashless exercise features, to add a form of financial assistance, and to add provisions by which optionees or participants receive securities without cash consideration being paid to Air Canada. However, the approval of Air Canada's shareholders is required in any of the following cases:

- Changing the maximum number or percentage of shares issuable.
- Reducing the exercise price of any option, replacing options at a reduced price, or replacing share units by new ones.
- Extending the term of options or share units beyond their expiry, except due to trading black-out periods.
- Permitting any option or share unit to be transferable other than for normal estate settlement purposes.
- Permitting a change to eligible participants, such as to increase participation by non-employee directors.
- Increasing the shares that may be issued in a one-year period to insiders, including under other arrangements.
- Amending its amendment provisions.

LTIP | Replenishment

The Board of Directors has decided that it is suitable at this time to keep the share reserve within a level under 5% of our outstanding shares to offer an effective way to use incentive awards in later years. We are proposing to do so by replenishing the share reserve by 4,000,000 shares (representing less than half the number of options exercised since May 2017), 250,000 of which would be available to replenish the current sub-limit for granting share units. See "Long-Term Incentive Plan replenishment."

Changes in employment status

The table below shows how changes of employment status affect vested and unvested stock options and share units that are outstanding (vested and unvested).

Events	Vesting of stock options	Stock option exercise limitations ⁽¹⁾	Vesting of share units ⁽¹⁾
Retirement or termination due to injury or disability	Vesting continues	Any options must be exercised by the earlier of three years from the date of retirement and the expiry of the options.	Prorated number of vested share units at the end of their term based on (i) the total number of completed months of active service during the share unit term, divided by (ii) the total number of months in the share unit term
Voluntary leave of absence	Vesting continues	Any options must be exercised by the earlier of one year from when the leave of absence began and the expiry of the options.	
Termination without cause ⁽²⁾	Unvested options forfeited	All vested options must be exercised within 30 days of termination.	
Death	Unvested options forfeited	All vested options must be exercised by the succession by the earlier of one year of death and the expiry of the options.	Unvested share units forfeited
Reassignment to non-eligible LTIP position	Unvested options forfeited	Any vested options must be exercised by the earlier of 90 days from the reassignment and the expiry of the options.	
Resignation	Unvested options forfeited	All vested options must be exercised within 30 days of resignation.	
Termination for cause	Unexercised options forfeited	Not applicable	

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

(2) See "Termination of employment and change of control benefits" on page 74 of this circular for a description of certain terms in connection with a termination without cause, involuntary termination or resignation for good reason, as the case may be, following a change of control.

LTIP | 2023 vesting

In 2023, performance-based stock options and PSUs vested pursuant to the terms of the Long-Term Incentive Plan, as described in the table below.

	Performance measure ⁽¹⁾	Weight	Performance cycle	Target	Actual	Vesting % ⁽²⁾
2020 stock option grant	4-year average annual operating margin ⁽¹⁾	N/A	2021, 2022, 2023	(9.8)%	(2.2)%	100%
2021 PSU grant	3-year cumulative annual EBITDA	75%	2021, 2022, 2023	\$1.274B	\$4.190B	100%
	TSR vs. six international airline peers	12.5%	2021, 2022, 2023		Rank: 6th	33%
	TSR vs. S&P/TSX Composite Index	12.5%	2021, 2022, 2023		Below 25th pctl	0%
Total vesting						79.1%

(1) The HRCPC decided in 2021 that the year 2020 would not be counted for the vesting level of the performance-based stock option grants given in 2020, in exchange for which one-fourth of these awards was cancelled.
 (2) If TSR is negative for the period, vesting is capped at 100%.

LTIP | 2023 grants

The size of the LTIP awards for 2023 was aligned with our philosophy to provide market-competitive total compensation opportunities, while maintaining significant weighting on incentive- and performance-driven compensation that is at risk. A substantial part of the NEOs' total compensation value in 2023 depends on the future market value of Air Canada's shares. This ensures that NEOs' financial interests are closely aligned with those of the shareholders.

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

Named executive officer	Target grant opportunity	Fair value at grant			
	(as percentage of base salary)	Stock options	PSUs	RSUs	Total fair value at grant ⁽¹⁾
Michael Rousseau	600%	\$3,900,000	\$2,204,348	\$1,695,652	\$7,800,000
John Di Bert ⁽²⁾	300%	\$975,000	\$551,087	\$523,913	\$2,050,000
Craig Landry	300%	\$900,000	\$508,696	\$391,304	\$1,800,000
Arielle Meloul-Wechsler ⁽³⁾	200%	\$575,000	\$325,000	\$250,000	\$1,150,000
Marc Barbeau	200%	\$480,000	\$271,304	\$208,696	\$960,000
Amos Kazzaz ⁽⁴⁾	300%	\$487,500	\$275,543	\$211,957	\$975,000

(1) The actual value of the awards will vary depending on Air Canada's future share price and performance.
 (2) Mr. Di Bert was granted an LTIP award with a grant date fair value exceeding his target LTIP grant value opportunity by \$100,000 upon hire.
 (3) Ms. Meloul-Wechsler was granted an LTIP award with a grant date fair value exceeding her target LTIP grant value opportunity by \$100,000 to recognize her ongoing leadership and contribution in the extraordinarily challenging business environment, which translated into a significant expansion in the scope and responsibilities of her role.
 (4) Mr. Kazzaz retired effective July 1, 2023.

Securities authorized for issuance under equity compensation plans

Air Canada has no equity compensation plan other than its Long-Term Incentive Plan.

The table below sets out the number of Air Canada shares issuable upon exercise of outstanding options and redemption of share units under our Long-Term Incentive Plan, the weighted-average exercise price of outstanding options and the number of securities remaining available for future issuance under equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options and redemption of share units ⁽¹⁾⁽³⁾	Weighted-average exercise price of outstanding options ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plan approved by securityholders ⁽¹⁾⁽²⁾	6,642,516	\$18.23	3,684,202

(1) As at December 31, 2023.

(2) The main characteristics of our Long-Term Incentive Plan are described above under "Long-Term Incentive Plan."

(3) Excludes shares underlying units granted over various dates between 2021 and 2023, which may at Air Canada's option be redeemed for shares bought on the secondary market or for equivalent cash, rather than for shares issued from treasury.

The table below sets out the number of Air Canada shares issued and issuable under our Long-Term Incentive Plan, the number of Air Canada shares underlying outstanding options and share units and the percentages represented by each calculated over the number of shares outstanding on December 31, 2023.

Shares issuable		Shares issued to date		Shares underlying outstanding options		Shares underlying outstanding share units		Shares underlying options granted in 2023		Shares underlying share units granted in 2023	
Number ⁽¹⁾	Dilution rate ⁽²⁾	Number ⁽³⁾	Dilution rate ⁽²⁾	Number	Dilution rate ⁽²⁾	Number ⁽⁴⁾	Dilution rate ⁽⁴⁾	Number	Dilution rate ⁽²⁾⁽⁵⁾	Number	Dilution rate ⁽⁴⁾
3,684,202	1.03%	9,055,074	2.53%	6,642,516	1.85%	3,995,196	0%	1,644,782	0.46%	1,277,623	0%

(1) This number represents the aggregate number of Air Canada shares remaining available for future grants of options or share units under the Long-Term Incentive Plan.

(2) A total of 358,469,286 Air Canada shares were outstanding on December 31, 2023.

(3) Number of Air Canada shares issued to date under the Long-Term Incentive Plan from the exercise of options and the redemption of share units.

(4) Except for 84,690 Air Canada shares which are currently available, at the discretion of the Board, for issuance in respect of share units, share units currently outstanding under the Long-Term Incentive Plan are not redeemable for underlying Air Canada shares issuable from treasury but rather from the secondary market or for cash, at the discretion of Air Canada's Board.

(5) Dilution of options granted during the 2023 year compared to the total number of outstanding Air Canada shares on December 31, 2023.

There are 10,326,718 Air Canada shares (about 2.9% of our outstanding shares on December 31, 2023) currently authorized for issuance upon the exercise of stock options or the redemption of share units under the Long-Term Incentive Plan, subject to a sub-limit of 84,690 shares in respect of share units. As of December 31, 2023, 3,684,202 Air Canada shares (about 1.0% of our outstanding shares on that date) remained available for issuance under the Long-Term Incentive Plan for future grants of stock options or share units. Of these 3,684,202 Air Canada shares, 84,690 are currently available, at the discretion of the Board, for issuance in respect of share units, and any additional outstanding share units are only redeemable for Air Canada shares purchased on the secondary market, or for cash, as determined at the Board's discretion.

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

At the meeting, shareholders will vote on whether to replenish the share reserve under our Long-Term Incentive Plan by 4,000,000 shares, such that an aggregate of 14,326,718 shares, or about 4.0% of our currently outstanding shares, will be authorized for issuance upon the exercise of stock options or the redemption of share units, subject to a sub-limit of 250,000 shares in respect of share units. See "Business of the meeting – Long-Term Incentive Plan replenishment."

	2023	2022	2021
Dilution ⁽¹⁾	1.85%	1.5%	1.3%
Overhang ⁽²⁾	3.0%	3.0%	3.2%
Burn rate ⁽³⁾	0.46%	0.4%	0.3%

(1) Dilution is the quotient expressed as a percentage resulting from the division of the total number of options and share units to be settled by treasury issuance outstanding by the total number of outstanding Air Canada shares.

(2) Overhang is the quotient expressed as a percentage resulting from the division of the sum of the number of Air Canada shares available for issue plus the number of outstanding options and share units to be settled by treasury issuance, by the total number of outstanding Air Canada shares.

(3) Burn rate is the quotient expressed as a percentage resulting from the division of the total number of options and share units to be settled by treasury issuance granted during the year, by the weighted average number of Air Canada shares outstanding for the applicable year.

Management deferred share unit plan

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

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

Pension plan

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

Some executives are eligible for a non-contributory, final average earnings defined benefit registered pension plan and a Supplementary Executive Retirement Plan (SERP) that provides retirement income beyond the limitations of the registered pension plan. See the Retirement plan benefits section on [page 73](#) for more details.

Share ownership guidelines

We believe in the importance of substantial share ownership by executives to strengthen the alignment of their interests with those of long-term shareholders. Our compensation programs are designed to encourage share ownership. Air Canada maintains share ownership guidelines that require executives to own a minimum level of share ownership, set as a multiple of their annual base salary. Vice Presidents share ownership guidelines were increased, bringing the range to 1.5 times (from 1) to be achieved within 5 years of the date of their appointment.

Air Canada believes its senior leaders also have a significant impact on its financial and operational results and on its long-term growth. Effective January 1, 2024, the share ownership guidelines were extended to our top level of senior management who have 5 years from the effective date to reach their minimum requirement of securities, being the equivalent (1x) of their annual base salary.

As of February 16, 2024, a total of 76 executives and senior leaders were subject to share ownership guidelines.

Compliance with shareholding requirements is reported annually to the HRCPC. Share ownership guidelines can be met through the holding of voting shares, restricted share units and vested deferred share units. Stock options (vested or unvested) and performance share unit grants are not considered toward the minimum level of stock ownership.

All Canadian and U.S. employees of Air Canada can voluntarily participate in the employee share ownership plan under which employees can invest a percentage of their base salary for the purchase of shares on the secondary market. Air Canada matches 33.33% of the contributions made by employees as per the rules of the plan.

The table below sets out the share ownership for each named executive officer by reference to the applicable share ownership requirements.

Named executive officer	Total number of securities owned (2023-12-31)	Total value of securities counting toward SOG ⁽¹⁾	SOG target	Status or latest date to meet SOG
Michael Rousseau ⁽²⁾	166,805 class B voting shares 163,403 RSUs	\$6,171,588	5x annual salary	2027-02-15 First met in 2023
John Di Bert ⁽³⁾	293 class B voting shares 27,927 RSUs	\$527,432	3x annual salary	2028-05-01 (current: 0.8x)
Craig Landry	24,567 class B voting shares 35,802 RSUs 32,107 DSUs	\$1,728,376	3x annual salary	2025-01-01 Met
Arielle Meloul-Wechsler	11,823 class B voting shares 32,145 RSUs 12,165 DSUs	\$1,049,126	3x annual salary	2026-01-01 (current: 2x)
Marc Barbeau	1,362 class B voting shares 56,793 DSUs	\$1,086,917	3x annual salary	2026-07-01 (current: 2.3x)

(1) Sum of the market value of the shares owned and of the shares underlying restricted share units and vested deferred share units, in each case based on the Air Canada shares closing price on the TSX on December 29, 2023 (\$18.69), being the last trading day of the year. The number of Air Canada securities held is as of December 31, 2023.

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

(3) Mr. Di Bert was hired May 1, 2023.

Cost of management ratio

The following table shows the total aggregate compensation (excluding pension) awarded to the named executive officers for the last three years, expressed as a percentage of adjusted EBITDA. The total aggregate named executive officer compensation is the sum of the annual total compensation values reported in the Summary Compensation Table for the years 2021, 2022 and 2023, excluding pension.

	2021 ⁽¹⁾	2022 ⁽²⁾	2023 ⁽³⁾
Total aggregate named executive officer compensation ⁽⁴⁾	\$ 5.8M	\$ 20.9M	\$23.6M
Adjusted EBITDA	\$ (1.46B)	\$ 1.46B	\$3.98B
As a percentage of adjusted EBITDA	N/A ⁽⁵⁾	1.5%	0.5%
Operating income (Loss)	\$ (3.05B)	\$ (187B)	\$2.28B
As a percentage of operating income (Loss)	N/A ⁽⁵⁾	N/A ⁽⁵⁾	1% ⁽⁵⁾

(1) The named executive officers in 2021 were Michael Rousseau, Amos Kazzaz, Lucie Guillemette, Craig Landry, Arielle Meloul-Wechsler and Calin Rovinescu (former President and CEO).

(2) The named executive officers in 2022 were Michael Rousseau, Amos Kazzaz, Lucie Guillemette, Craig Landry and Arielle Meloul-Wechsler.

(3) The named executive officers in 2023 were Michael Rousseau, John Di Bert, Craig Landry, Arielle Meloul-Wechsler, Marc Barbeau and Amos Kazzaz (former Executive Vice President and Chief Financial Officer).

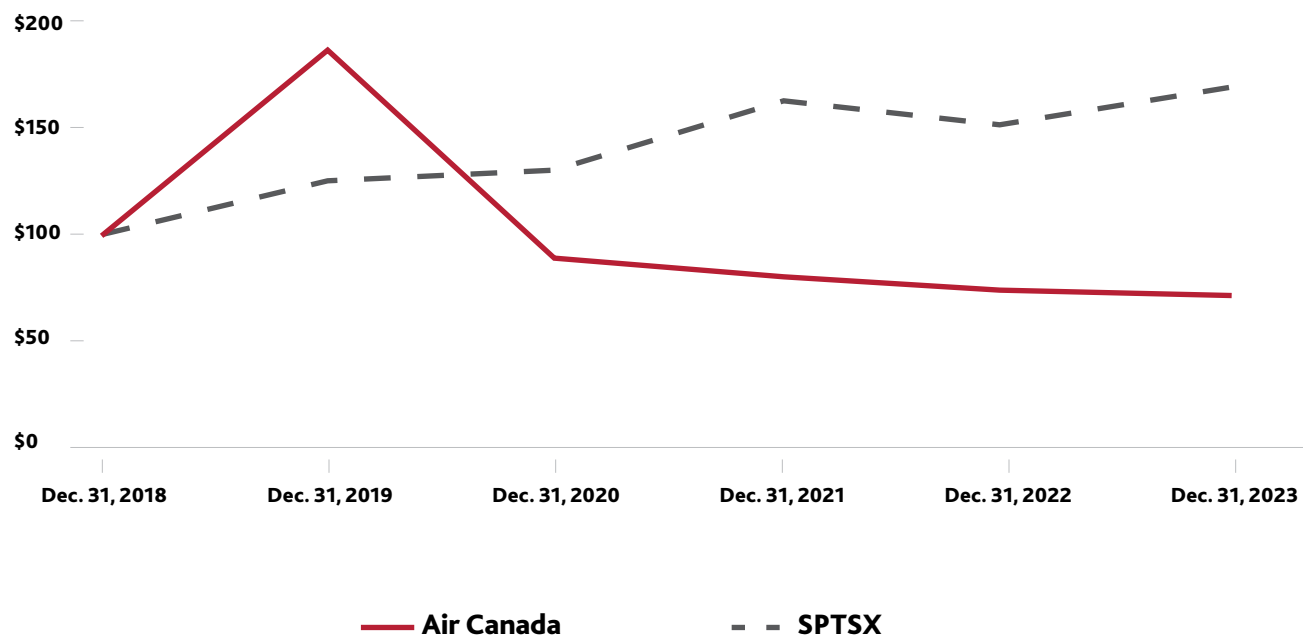
(4) Total aggregate named executive officer compensation excludes pension value.

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

Share performance graphs

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

The following performance graph compares the total cumulative return of a \$100 investment in our Class A variable voting shares and Class B voting shares made on January 1, 2019, with the cumulative return on the S&P/TSX Composite Index for the period beginning on January 1, 2019 and ended December 31, 2023.

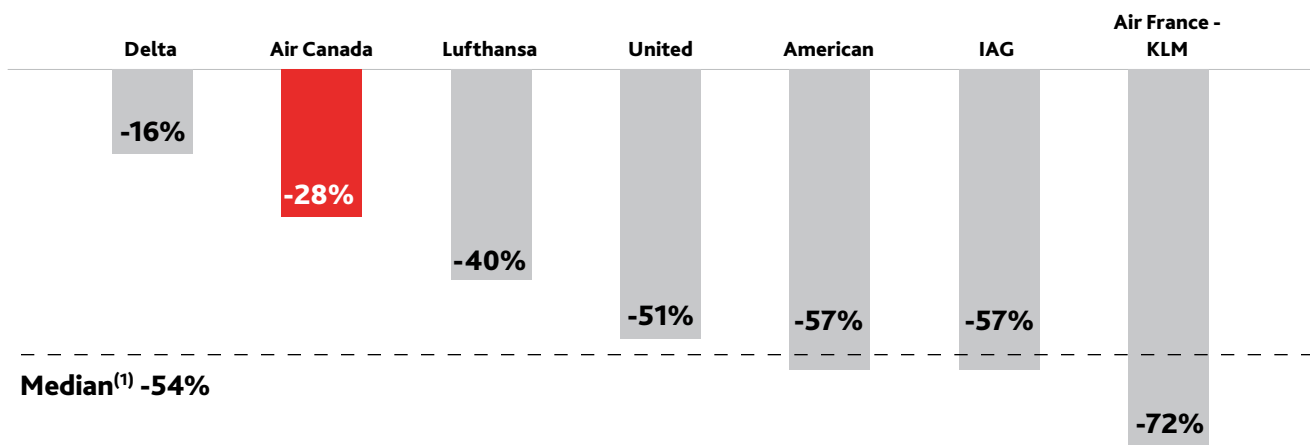


The price of Air Canada's Class A variable voting shares and Class B voting shares changed by about -28% from January 1, 2019 to December 31, 2023. Our share price fluctuated substantially during part of that period, reflecting pandemic-related effects and other factors that we faced during some of these years.

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

Air Canada’s 5-year TSR compared as follows with the international airline peers in its performance peer group (Delta Air Lines, American Airlines, United Airlines, IAG-International Airlines Group, Lufthansa and Air France-KLM Group).

Air Canada vs. Peer group 5-year TSR



(1) Source: Bloomberg

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

- A significant proportion of NEO compensation is granted in the form of long-term equity-based incentives, which are calculated based on grant date fair values, despite the fact that actual values will be realized only to the extent that any applicable performance targets are met and Air Canada’s share price increases. In the longer term, NEO compensation is directly affected by Air Canada’s share price performance, both negatively and positively. Stock option, RSU and PSU awards directly correlate to the share price and are therefore aligned with shareholder returns. Moreover, a portion of PSUs granted since 2020 vest according to relative TSR performance measures. At any time after the grant date, stock options may be well out of the money and units may vest at 0% or have little to no value. More details on vesting conditions linked to the performance of Air Canada can be found on [page 55](#) of this circular under the heading “Elements of the executive compensation program.”
- Although the graph compares Air Canada’s TSR performance to that of market indices, Air Canada believes five-year TSR is not currently a fully meaningful measure for a company disproportionately affected by a major multi-year pandemic crisis. Stock price performance has been affected by various factors and trends, many of which are unrelated to Air Canada’s financial and operational performance, such as economic uncertainty and industry trends related to the COVID-19 pandemic, oil price movements, macroeconomic growth, inflation, rising interest rates, geopolitical developments, and labour shortages.

Air Canada’s executive compensation program is designed to help increase shareholder value over the long term by including base salary and short-term and long-term incentive awards.

For the fiscal years ended December 31, 2019 and 2018, the cash compensation of Air Canada’s named executive officers remained fairly aligned to Air Canada’s Adjusted Pre-tax Income and then reported EBITDAR (earnings before interest, taxes, depreciation, amortization, impairment and aircraft rent).

For the fiscal years ended December 31, 2019 and 2018, the cash compensation of Air Canada’s named executive officers remained largely unchanged taking into account salary progression resulting from internal promotions from our management team to a named executive officer position.

For the financial years ended December 31, 2021 and 2020, the cash compensation of Air Canada’s named executive officers was reduced considerably relative to Air Canada’s Adjusted Pre-tax Income and adjusted EBITDA. The year 2020 was also excluded from the vesting level for the performance-based stock options and PSU awards granted in 2018, 2019 and 2020, in exchange for which one-fourth of the stock option awards and one-third of the PSU awards for these years were cancelled.

Total compensation increased in 2022 and 2023 to realign to market-competitive levels, while maintaining significant weighting on incentive- and performance-driven compensation that is at risk to ensure close alignment of the financial interests of Air Canada’s executives with those of its shareholders.

Compensation Tables

Summary compensation table

The following table provides a summary of the compensation earned for the years ended December 31, 2023, 2022 and 2021 by each named executive officer.

Name and principal position	Year	Non-equity incentive plan compensation						All other compensation ⁽³⁾	Total compensation
		Salary	Share-based awards ⁽¹⁾	Option based awards ⁽²⁾	Annual incentive plans	Pension value			
Michael Rousseau	2023	\$1,300,000	\$3,900,000	\$3,900,000	\$2,600,000	\$384,700	–	\$12,084,700	
President and Chief Executive Officer ⁽⁴⁾	2022	\$1,300,000	\$3,900,000	\$3,900,000	\$2,275,000	\$1,000,100	–	\$12,375,100	
	2021*	\$500,000	\$250,000	\$250,000	Nil	\$2,717,000	–	\$3,717,000	
John Di Bert									
Executive Vice President and Chief Financial Officer ⁽⁵⁾	2023	\$433,333	\$1,075,000	\$975,000	\$589,333	\$65,000	–	\$3,137,666	
Craig Landry									
Executive Vice President and Chief Operations Officer ⁽⁶⁾	2023	\$600,000	\$900,000	\$900,000	\$816,000	\$602,200	–	\$3,818,200	
	2022	\$525,000	\$787,500	\$787,500	\$624,800	\$207,600	–	\$2,932,400	
	2021*	\$510,000	\$245,000	\$245,000	Nil	\$107,200	–	\$1,107,200	
Arielle Meloul-Wechsler									
Executive Vice President, Chief Human Resources and Public Affairs ⁽⁷⁾	2023	\$525,000	\$575,000	\$575,000	\$630,000	\$374,600	–	\$2,679,600	
	2022	\$450,000	\$500,000	\$500,000	\$472,500	\$76,000	–	\$1,998,500	
	2021*	\$450,000	\$275,000	\$275,000	Nil	\$62,400	–	\$1,062,400	
Marc Barbeau									
Executive Vice President, Chief Legal Officer and Corporate Secretary ⁽⁸⁾	2023	\$480,000	\$480,000	\$480,000	\$576,000	\$72,000	–	\$2,088,000	
	2022	\$425,000	\$425,000	\$425,000	\$386,750	\$63,800	–	\$1,725,550	
	2021*	Nil	\$862,500	\$137,500	Nil	\$734,400	–	\$1,734,400	
Amos Kazzaz									
Former Executive Vice President and Chief Financial Officer ⁽⁹⁾	2023	\$325,000	\$487,500	\$487,599	Nil	\$117,300	–	\$1,417,300	
	2022	\$550,000	\$825,000	\$825,000	\$654,500	\$249,600	–	\$3,104,100	
	2021*	\$462,500	\$343,750	\$193,750	Nil	\$303,900	–	\$1,303,900	

* The compensation provided in respect of 2021 complied with a \$1 million compensation limit (excluding pension value and any one-time option-based awards or share-based awards granted to an NEO as a condition to becoming an employee) for each NEO under an executive compensation restriction required by the Government of Canada in 2021. For this reason, 2021 compensation is not directly comparable to 2022 or 2023 compensation.

(1) The grant date fair value of the annual grant of share units awarded in 2023 under Air Canada's Long-Term Incentive Plan (LTIP) reflects a valuation factor of 65% for the PSUs and 100% for the RSUs based on time. The payout factor used is consistent with empirical testing of performance plan payouts, including the performance payout factor analysis provided by Willis Towers Watson which was based on the compilation of actual payouts for similar plans in the market. The payout factor was applied to the value of the award which was calculated using a share price of \$20.03 for the March 1, 2023 grants and \$18.76 for the May 1, 2023 grants, being the volume weighted average trading price per share for the five consecutive trading days ending on the trading day prior to the date of the grant. See "Long-Term Incentive Plan – LTIP | Share unit components" on [page 61](#) of this circular for more details.

The accounting fair value of these share units was \$4,509,311 for Mr. Rousseau, \$1,298,282 for Mr. Di Bert, \$1,040,614 for Mr. Landry, \$664,837 for Ms. Meloul-Wechsler, \$554,984 for Mr. Barbeau and \$563,666 for Mr. Kazzaz. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is \$609,311 for Mr. Rousseau, \$223,282 for Mr. Di Bert, \$140,614 for Mr. Landry, \$89,837 for Ms. Meloul-Wechsler, \$74,984 for Mr. Barbeau and \$76,166 for Mr. Kazzaz. The difference between the accounting fair value and the grant date fair value of the share units as presented in this column is due to a forfeiture rate of 95% applied for accounting purposes as compared to the valuation factor of 65% in the case of the PSUs and 100% in the case of RSUs applied for purposes of determining the grant date fair value.

(2) The grant date fair value for options granted on March 1, 2023 and May 1, 2023 by Air Canada was calculated using the Black-Scholes option model, which is the model used by Air Canada in the review of its compensation practices with respect to target grants of incentive awards under the LTIP, and Long-Term Incentive Plan – LTIP | Stock option components was based on the following factors, key assumptions and plan provisions:

- | | | |
|-----------------------------------|---|---|
| i. Black-Scholes factor: 45.7054% | iii. Dividend yield: 0% | v. Term: 10 years |
| ii. Volatility: 58.6030% | iv. Expected life: 6.25 years (rated vesting);
7.0 years (cliff vesting) | vi. Vesting: 50% time based;
50% performance-based |

The accounting fair value of these options was: \$4,494,985 for Mr. Rousseau, \$1,079,686 for Mr. Di Bert, \$1,008,037 for Mr. Landry, \$677,788 for Ms. Meloul-Wechsler, \$565,807 for Mr. Barbeau and \$574,646 for Mr. Kazzaz. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is: \$594,985 for Mr. Rousseau, \$104,686 for Mr. Di Bert, \$108,037 for Mr. Landry, \$102,788 for Ms. Meloul-Wechsler, \$85,807 for Mr. Barbeau and \$87,146 for Mr. Kazzaz. The difference between the accounting fair value and the grant date fair value of the options as presented in this column is due to the use of different factors and assumptions.

- (3) In 2023, the value of perquisites and other personal benefits was less than \$50,000 and 10% of the amount of total salary for any of the NEOs.
- (4) **Michael Rousseau** For the financial year ended December 31, 2021, as a result of the 2021 executive compensation restriction, Mr. Rousseau was restricted to a base salary of \$500,000 (from his salary of record of \$1,150,000) and a \$500,000 LTIP value (from \$5,750,000). The 2021 pension value for Mr. Rousseau was determined as of December 31, 2021 on an actuarial basis reflecting his appointment to President and Chief Executive Officer on February 15, 2021, his pensionable salary in that new role, and applicable economic and other assumptions (additional information is found in Air Canada's 2022 management information circular).
- (5) **John Di Bert** was hired May 1, 2023 and appointed to Executive Vice President and Chief Financial Officer on July 1, 2023.
- (6) **Craig Landry** As a result of the 2021 executive compensation restriction, Mr. Landry's LTIP value for 2021 was reduced to \$490,000 (from \$1,249,500).
- (7) **Arielle Meloul-Wechsler** As a result of the 2021 executive compensation restriction, Ms. Meloul-Wechsler's LTIP value for 2021 was reduced to \$550,000 (from \$742,500). Ms. Meloul-Wechsler was granted an LTIP award with a grant date fair value exceeding her target LTIP grant value opportunity by \$100,000, to recognize her ongoing leadership and contribution in the extraordinarily challenging business environment, which translated into the significant expansion in the scope and responsibilities of her role.
- (8) **Marc Barbeau** was appointed as Executive Vice President and Chief Legal Officer on July 1, 2021. Upon his hire, Mr. Barbeau elected to receive all compensation for 2021 in the form of shared-based and option-based awards. Mr. Barbeau began attending certain executive and other meetings shortly after agreeing in May 2021 to join Air Canada. He acted as interim corporate secretary from February 2022 until 2023 and was appointed as Corporate Secretary on August 11, 2023.
- (9) **Amos Kazzaz** As a result of the 2021 executive compensation restriction, Mr. Kazzaz's LTIP value for 2021 was reduced to \$387,000 (from \$1,163,750). Upon Mr. Kazzaz's appointment as Executive Vice President and Chief Financial Officer on February 15, 2021, he received a special share unit grant of \$150,000. As Mr. Kazzaz was appointed Executive Vice President and Chief Financial Officer on February 15, 2021, compensation reported before that date relates to his previous position. Mr. Kazzaz retired effective July 1, 2023.

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

Long-Term Incentive Plan awards and incentive plan awards tables

Unexercised options

The following table details all unexercised options held by named executive officers as at December 31, 2023.

Name	Number of securities underlying unexercised options ⁽¹⁾	Option exercise price	Option expiration date	Value of unexercised in-the-money options ⁽²⁾
Michael Rousseau	68,498	\$9.41	2026-06-22	\$635,661
	70,000	\$13.69	2027-04-03	\$350,000
	42,961	\$17.69	2027-06-01	\$42,961
	82,477	\$26.59	2028-04-02	\$0
	15,165	\$22.53	2028-07-27	\$0
	83,219	\$33.11	2029-03-11	\$0
	98,863	\$32.42	2030-03-11	\$0
	23,444	\$25.39	2031-03-01	\$0
	372,613	\$24.61	2032-03-01	\$0
	426,006	\$20.03	2033-03-01	\$0
John Di Bert ⁽³⁾	113,711	\$18.76	2033-05-01	\$0
Craig Landry	16,625	\$13.69	2027-04-03	\$83,125
	19,826	\$26.59	2028-04-02	\$0
	33,967	\$33.11	2029-03-11	\$0
	60,554	\$32.42	2029-03-11	\$0
	22,975	\$25.39	2031-03-01	\$0
	75,239	\$24.61	2032-03-01	\$0
	98,309	\$20.03	2033-03-01	\$0
Arielle Meloul-Wechsler	10,500	\$13.69	2027-04-03	\$52,500
	4,375	\$12.83	2027-05-05	\$25,638
	18,505	\$26.59	2028-04-02	\$0
	19,107	\$33.11	2029-03-11	\$0
	38,557	\$32.42	2030-03-11	\$0
	25,788	\$25.39	2031-03-01	\$0
	47,771	\$24.61	2032-03-01	\$0
	62,809	\$20.03	2033-03-01	\$0
Marc Barbeau	12,658	\$25.81	2031-07-01	\$0
	40,605	\$24.61	2032-03-01	\$0
	52,432	\$20.03	2033-03-01	\$0
Amos Kazzaz ⁽⁴⁾	13,125	\$13.69	2027-04-03	\$65,625
	18,505	\$26.59	2028-04-02	\$0
	19,107	\$33.11	2028-07-01	\$0
	22,244	\$32.42	2028-07-01	\$0
	18,169	\$25.39	2028-07-01	\$0
	78,822	\$24.61	2028-07-01	\$0
	53,251	\$20.03	2028-07-01	\$0

(1) In 2021 the HRCPC determined that 2020 would be excluded from the determination of the performance vesting level for the 2017, 2018, 2019 and 2020 performance-based stock option grants, in exchange for which one-fourth of the awards for these years was cancelled.

(2) Based on the December 29, 2023 Air Canada share closing price on the last trading day of the year on the TSX (\$18.69).

(3) Mr. Di Bert was hired in 2023.

(4) Mr. Kazzaz retired in 2023.

Share-based awards | Performance share units (PSUs)

The tables below detail the number and market value of unvested performance share units and unvested restricted share units held by the named executive officers as at December 31, 2023.

Name	Number of unvested PSUs	Performance cycle	Market or payout value of unvested PSUs ⁽¹⁾	Market or payout value of vested PSUs not paid out or distributed
Michael Rousseau	137,802	2022-01-01 to 2024-12-31	\$2,575,519	Nil
	169,311	2023-01-01 to 2025-12-31	\$3,164,423	
John Di Bert ⁽²⁾	45,193	2023-01-01 to 2025-12-31	\$844,657	Nil
Craig Landry	27,825	2022-01-01 to 2024-12-31	\$520,049	Nil
	29,304	2023-01-01 to 2025-12-31	\$547,692	
Arielle Meloul-Wechsler	17,667	2022-01-01 to 2024-12-31	\$330,196	Nil
	24,963	2023-01-01 to 2025-12-31	\$466,558	
Marc Barbeau	15,017	2022-01-01 to 2024-12-31	\$280,668	Nil
	20,838	2023-01-01 to 2025-12-31	\$389,462	
Amos Kazzaz ⁽³⁾	29,150	2022-01-01 to 2024-12-31	\$544,814	Nil
	21,164	2023-01-01 to 2025-12-31	\$395,555	

(1) Based on the December 29, 2023 Air Canada share closing price on the last trading day of the year on the TSX (\$18.69).

(2) Mr. Di Bert was hired in 2023.

(3) Mr. Kazzaz retired in 2023.

Share-based awards | Restricted share units (RSUs)

Name	Number of unvested RSUs	Performance Cycle	Market or payout value of unvested RSUs ⁽¹⁾	Market or payout value of vested RSUs not paid out or distributed
Michael Rousseau	9,846	2021-03-01 to 2024-03-01	\$184,022	Nil
	68,901	2022-03-01 to 2025-03-01	\$1,287,760	
	84,656	2023-03-01 to 2026-03-01	\$1,582,221	
John Di Bert ⁽²⁾	27,927	2023-05-01 to 2026-05-01	\$521,956	Nil
Craig Landry	9,649 ⁽³⁾	2021-03-01 to 2024-03-01	\$135,260	Nil
	13,913	2022-03-01 to 2025-03-01	\$260,034	
	14,652	2023-03-01 to 2026-03-01	\$273,846	
Arielle Meloul-Wechsler	10,831	2021-03-01 to 2024-03-01	\$202,431	Nil
	8,833	2022-03-01 to 2025-03-01	\$165,089	
	12,481	2023-03-01 to 2026-03-01	\$233,270	
Marc Barbeau	30,405	2021-07-01 to 2024-07-01	\$568,269	Nil
	7,508	2022-03-01 to 2025-03-01	\$140,325	
	10,419	2023-03-01 to 2026-03-01	\$194,731	
Amos Kazzaz ⁽⁴⁾	6,929	2021-02-15 to 2024-02-15	\$129,503	Nil
	7,631	2021-03-01 to 2024-03-01	\$142,623	
	14,575	2022-03-01 to 2025-03-01	\$272,407	
	10,582	2023-03-01 to 2026-03-01	\$197,778	

(1) Based on the December 29, 2023 Air Canada share closing price on the last trading day of the year on the TSX (\$18.69).

(2) Mr. Di Bert was hired in 2023.

(3) 2,412 of these 9,649 RSUs were allocated in DSUs.

(4) Mr. Kazzaz retired in 2023.

Incentive plan awards | Value vested or earned during the year

The table below provides information on the value that would have been realized if the named executive officer exercised option-based awards that vested during the year ended December 31, 2023 on the vesting date of such awards. The table below also summarizes the aggregate amount of non-equity incentive plan compensation received by each named executive officer during the year ended December 31, 2023.

Name	Option-based awards					Non-equity incentive plan compensation ⁽³⁾
	Vested options ⁽¹⁾	Exercise price	Vesting date	Market (closing) price of shares on vesting date	Value vested during 2023 ⁽²⁾	Value earned during 2023
Michael Rousseau	5,861	\$25.39	2023-03-01	\$20.04	\$0.00	\$2,600,000
	11,889	\$33.11	2023-03-11	\$19.14	\$0.00	
	14,124	\$32.42	2023-03-11	\$19.14	\$0.00	
	46,577	\$24.61	2023-03-01	\$20.04	\$0.00	
	42,370	\$32.42	2023-12-31	\$18.69	\$0.00	
John Di Bert ⁽⁴⁾	–	–	–	–	–	\$589,333
Craig Landry	5,744	\$25.39	2023-03-01	\$20.04	\$0.00	\$816,000
	4,852	\$33.11	2023-03-11	\$19.14	\$0.00	
	8,651	\$32.42	2023-03-11	\$19.14	\$0.00	
	9,405	24.61	2023-03-01	\$20.04	\$0.00	
	25,952	\$32.42	2023-12-31	\$18.69	\$0.00	
Arielle Meloul-Wechsler	6,447	\$25.39	2023-03-01	\$20.04	\$0.00	\$630,000
	2,729	\$33.11	2023-03-11	\$19.14	\$0.00	
	5,508	\$32.42	2023-03-11	\$19.14	\$0.00	
	5,972	\$24.61	2023-03-01	\$20.04	\$0.00	
	16,524	\$32.42	2023-12-31	\$18.69	\$0.00	
Marc Barbeau	1,582	\$25.81	2023-07-01	\$24.96	\$0.00	\$576,000
	5,076	\$24.61	2023-03-01	\$20.04	\$0.00	
Amos Kazzaz ⁽⁵⁾	4,543	\$25.39	2023-03-01	\$20.04	\$0.00	–
	2,730	\$33.11	2023-03-11	\$19.14	\$0.00	
	3,178	\$32.42	2023-03-11	\$19.14	\$0.00	
	9,853	\$24.61	2023-03-01	\$20.04	\$0.00	
	9,533	\$32.42	2023-12-31	\$18.69	\$0.00	

(1) In 2021 the HRCPC decided to exclude 2020 from the determination of the performance vesting level for the 2019 and 2020 performance-based stock option grants, in exchange for which one-fourth of the awards for these years was cancelled.

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

(3) Represents amounts paid as an annual incentive plan bonus in respect of the year 2023 and corresponds to the amounts disclosed in the Summary Compensation Table on page 68 of this circular under the heading "Non-equity incentive plan compensation | Annual incentive plans."

(4) Mr. Di Bert was hired in 2023.

(5) Mr. Kazzaz retired in 2023.

Share-based awards | Vested PSUs

The performance share units of the named executive officers that vested in 2023 are detailed in the table below and further described in the "LTIP | 2023 vesting" on page 63 of this circular.

	Vested PSUs	Vesting date	Fair market value of shares on vesting date	Value vested during 2023 ⁽¹⁾
Michael Rousseau	-	-	-	-
John Di Bert ⁽²⁾	-	-	-	-
Craig Landry	-	-	-	-
Arielle Meloul-Wechsler	-	-	-	-
Marc Barbeau ⁽³⁾	3,665	2023-12-31	\$18.39	\$67,399
Amos Kazzaz ⁽⁴⁾	-	-	-	-

(1) The vesting of the PSUs was in the form of cash and/or vested as DSUs.

(2) Mr. Di Bert was hired in 2023.

(3) Mr. Barbeau's PSUs were reduced from 4,633 to 3,665 due to the vesting performance and will vest in the form of DSUs.

(4) Mr. Kazzaz retired in 2023.

Share-based awards | Vested RSUs

The restricted share units of the named executive officers that vested in 2023 are disclosed in the table below.

	Vested RSUs	Vesting date	Fair market value of shares on vesting date	Value vested during 2023 ⁽¹⁾
Michael Rousseau	13,411	2023-03-11	\$20.16	\$279,366
John Di Bert ⁽²⁾	-	-	-	-
Craig Landry	8,214	2023-03-11	\$20.16	\$165,594
Arielle Meloul-Wechsler	5,230	2023-03-11	\$20.16	\$105,437
Marc Barbeau ⁽³⁾	-	-	-	-
Amos Kazzaz ⁽⁴⁾	3,017	2023-03-11	\$20.16	\$60,823

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

(2) Mr. Di Bert was hired in 2023.

(3) Mr. Barbeau was hired in 2021.

(4) Mr. Kazzaz retired in 2023.

Retirement plan benefits

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

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

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

The following table provides information on the Defined Benefit pension entitlements of each named executive officer calculated as of December 31, 2023.

Name	Number of years of credited service	Annual benefits payable			Compensatory change	Non-Compensatory change	Accrued obligation at year end
		At year end	Latest of age 65 and year end	Accrued obligation at start of year			
Michael Rousseau	26.2500	\$642,200	\$642,200	\$7,405,400	\$384,700	\$1,233,400	\$9,023,500
Craig Landry	22.5000	\$241,600	\$375,900	\$3,147,000	\$602,200	\$580,200	\$4,329,400
Arielle Meloul-Wechsler	18.0833	\$168,900	\$247,500	\$2,167,300	\$374,600	\$270,300	\$2,812,200
Amos Kazzaz	13.1667	\$131,800	\$131,800	\$1,556,400	\$117,300	\$186,500	\$1,860,200

(1) This column reflects the number of years of credited service for each named executive officer as of the year ended December 31, 2023, including, as the case may be, any additional pensionable service credited pursuant to the named executive officer's individual employment agreement. Two of the above named executive officers have been or will be credited with additional years of pensionable service under the SERP beyond the credited service they would have otherwise normally accumulated, namely:

(a) Mr. Rousseau has been credited with an additional 5 years of pensionable service in 2012 upon his completion of 5 years of service with Air Canada. Mr. Rousseau has also been credited with an additional 5 years of pensionable service in 2018 when he reached age 60. He also became entitled to an unreduced pension (with guaranteed consent) upon attainment of age 60.

(b) Mr. Landry will be credited with an additional 3 years of pensionable service on March 1, 2026. For the following four years, he will also be granted with an additional year of service on February 28th of each year, without exceeding 35 years of pensionable service. The pension benefits payable from Air Canada will be offset by a portion of the pension benefits he has earned at Aeroplan (for the employer-provided portion only).

(2) Annual unreduced pension benefits are based on the average annual salary during the named executive officer's highest paid 36 successive months of company service and the credited service as of December 31, 2023. The payment of such unreduced pension benefit cannot commence earlier than the named executive officer's unreduced early retirement date.

(3) Projected annual pension benefits that would be payable to the named executive officer at the latest of age 65 and year end, based on their average annual salary during their highest paid 36 successive months of company service as of December 31, 2023 and their credited service being projected to the latest of age 65 and year end (subject to a maximum of 35 years).

(4) The accrued obligation at the beginning of the year represents the value of pension benefits for company service rendered prior to that date, using the same assumptions that were used for 2022 year-end financial statement reporting purposes. These assumptions include future earnings projections at the rate of 2.75% per annum (plus merit scales), as well as assumptions regarding retirement, termination and death. Benefits are valued using a discount rate of 5.28%, which reflects corporate AA bond yields at the beginning of the year as was adopted for 2022 year-end disclosure. The service prorate method was applied, meaning that the benefit obligation, including the liability pursuant to additional credited service under individual employment agreements entered into prior to 2022, is spread equally over the named executive officer's projected career with Air Canada, regardless of when the credited service is granted, except such projected career is limited to 35 years of pensionable service.

(5) The compensatory change represents the value of pension benefits accrued in the most recently completed financial year due to the accumulation of company service and changes in salary or the terms of the plan. It includes service costs, differences between actual and estimated earnings and any plan changes that have a retroactive impact. The service cost was calculated using the same assumptions that were used for 2022 year-end financial statement reporting purposes, including a discount rate of 5.28%. The amounts disclosed with respect to changes in salary reflect 2023 year-end assumptions.

(6) The non-compensatory change in the accrued obligation for Air Canada's most recently completed financial year includes all items that are not compensatory, such as changes in assumptions and interest on the accrued obligation at the start of the year.

(7) The accrued obligation at the end of Air Canada's most recently completed financial year represents the value of pension benefits for company service rendered prior to December 31, 2023, and is based on 2023 year-end assumptions, assuming a going-concern basis. The 2023 assumptions used for determining the accrued obligation are the same as those used for 2023 year-end financial statement reporting purposes. In particular, a discount rate of 4.64% was used, which reflects corporate AA bond yields at the end of the year.

(8) Mr. Kazzaz retired in 2023.

Defined contribution pension plans

Name	Number of years of service	Accumulated value at start of year	Compensatory change ⁽²⁾	Non-compensatory change ⁽²⁾	Accumulated value at year end
John Di Bert	0.6667	Nil	65,000	(16,300)	48,700
Arielle Meloul-Wechsler ⁽¹⁾	8.0833	\$238,000	Nil	27,200	265,200
Marc Barbeau	2.5000	\$368,800	72,000	28,400	469,200

(1) From August 2005 to August 2013, Ms. Meloul-Wechsler participated in the defined contribution component of the Air Canada pension plan – Management and ATS employees. Between 2005 and 2008, she contributed 3% of her base salary, with a 100% matching contribution by Air Canada. Between 2009 and 2013, she contributed 6% of her base salary, with a 100% matching contribution by Air Canada, up to the defined contribution maximum under the Income Tax Act (Canada).

(2) Compensatory change shows the gross amount contributed to the NEO in 2023 by Air Canada, whereas non-compensatory change shows the amount of income tax paid and any investment earnings.

Termination of employment and change of control benefits

We design our severance plans and policies to govern the transition to alternative employment, comply with relevant legal requirements and reflect market practices.

Termination without cause

Air Canada has entered into employment agreements with each named executive officer. The agreements provide that in the event of termination without cause, they are entitled to receive a severance payment equal to 24 months of their then current annual base salary and annual bonus award at target and the continuation of certain benefits and perquisites until the earlier of the end of the severance period or their re-employment with another employer. The payments and other benefits are subject to compliance during the severance period with non-competition and other provisions. We also maintain a clawback policy, which is applicable in certain events. See [page 51](#) for more information.

Termination following change of control

We maintain change of control agreements with our NEOs in order to ensure they would remain in their role for the benefit of shareholders if Air Canada were subject to a change of control, which is defined to mean the acquisition of 35% or more of our voting shares, a change in a majority of our Board's composition without its consent or within two years of the acquisition of 25% or more of our voting shares or any event resulting in the value of our assets decreasing by 40% or more by reference to our most recently published balance sheet. This does not include transactions as a result of which the share ownership, board of directors and executive are unchanged.

These arrangements provide that in the event of a termination without cause, or involuntary termination or resignation for good reason, as the case may be, of an NEO's employment within 24 months of such a change of control, they are entitled to receive a severance payment equal to 24 months of their then current annual base salary and annual bonus award at target, and the continuation of certain benefits and perquisites until the earlier of the end of the severance period or their re-employment with another employer. Unvested options and share units immediately vest and become exercisable or payable, as applicable, upon such termination of employment.

Potential payments to named executive officers

The table below shows the estimated incremental value that would become payable to each named executive officer under their employment arrangements, following termination without cause or termination without cause following a change of control, as if such termination of their employment had occurred on December 31, 2023:

	Michael Rousseau	John Di Bert	Craig Landry	Arielle Meloul- Wechsler	Marc Barbeau
Termination without cause					
Cash portion	\$5,850,000	\$2,405,000	\$2,220,000	\$1,837,500	\$1,680,000
Value of exercisable / vested options and share units ⁽¹⁾⁽²⁾	\$4,172,089	\$397,543	\$1,873,243 ⁽²⁾	\$732,520	\$930,332
Other benefits ⁽³⁾	\$120,700	\$86,649	\$91,122	\$91,558	\$93,436
Total value	\$10,142,789	\$2,889,192	\$4,184,365	\$2,661,578	\$2,703,769
Termination without cause following change of control					
Cash portion	\$5,850,000	\$2,405,000	\$2,220,000	\$1,837,500	\$1,680,000
Value of exercisable / vested options and share units ⁽²⁾	\$8,793,944	\$1,366,613	\$1,873,243	\$1,397,545	\$1,573,455
Other benefits (includes the value of 2-year incremental pension amounts) ⁽⁴⁾	\$120,700	\$281,649	\$421,122	\$411,558	\$237,436
Total value	\$14,764,644	\$4,053,262	\$4,514,365	\$3,646,603	\$3,490,891

(1) Based on the December 29, 2023 Air Canada voting share closing price of the last trading day of the year on the TSX (\$18.69).

(2) Vesting of share units are prorated with the exception of Mr. Landry whose entitlement upon termination without cause specifies that his options and share units will vest in accordance with the terms and conditions of the LTIP applicable upon retirement.

(3) Estimated cost of the continuation of group health benefits and perquisites during the severance period.

(4) Estimated cost of the continuation of group health benefits and perquisites during the severance period, and in the event of termination following a change of control, the value of an additional 2 years of pensionable service in respect of Mr. Di Bert (\$195,000), Mr. Landry (\$330,000), Ms. Meloul-Wechsler (\$320,000) and Mr. Barbeau (\$144,000).

Other important information

Management proxy circular

This management proxy circular (the circular) is intended to help you make informed decisions about the matters to be dealt with at our annual shareholder meeting to be held virtually on March 28, 2024 (the meeting).

Information in the circular

The circular is current as at February 16, 2024, unless otherwise indicated. The financial information we provide about Air Canada and our subsidiaries is consistent with our consolidated financial statements and the related management discussion and analysis of results of operations and financial condition (MD&A) for the year ended December 31, 2023. This circular does not incorporate the information found on our website or any information not expressly stated to be incorporated, even if we occasionally refer to it; we, therefore, disclaim any such incorporation by reference. For our caution regarding forward-looking statements, see [page 2](#) of this circular. When we use you and your, this is in reference to our shareholders in that capacity. We, us, our, Air Canada and the Corporation refer to Air Canada. Unless otherwise stated, all dollar figures are in Canadian dollars.

Notice-and-access

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

Shareholders may contact Kingsdale Advisors by telephone at [1-855-682-4783](tel:1-855-682-4783) (toll-free in North America) or [647-251-9743](tel:647-251-9743) (text and call enabled outside North America), or by email at contactus@kingsdaleadvisors.com.

Availability of circular

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

Attending the virtual only meeting

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

Participating as a shareholder, proxyholder or guest

Registered shareholders, and duly appointed proxyholders will be able to attend, participate and vote at the meeting online at <https://aircanada.com/AGM>. They may enter the meeting by clicking "I have a control number" and entering a valid control number and the password "AC2024" (case sensitive) before the start of the meeting. Guests, including non-registered (beneficial) shareholders who have not properly appointed themselves as a proxyholder, can join the meeting as a guest by clicking "I am a guest" and completing the online form. Guests will be able to listen to the meeting but will not be able to ask questions or vote at the meeting.

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

Checking in early

The meeting will begin promptly at 10:30 a.m. (Eastern time) on March 28, 2024, unless otherwise adjourned or postponed. Online check-in will begin one hour prior to the meeting at 9:30 a.m. (Eastern time). You should allow ample time for online check-in procedures. For any technical difficulties experienced during the check-in process or during the meeting, please contact TSX Trust Company at [1-800-387-0825](tel:1-800-387-0825) (toll free in Canada and in the United States) or collect call [+1-416-682-3860](tel:+1-416-682-3860) (other countries).

Voting your shares

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

Voting

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

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

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

General

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

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

Option 1 | Voting your shares in advance of the meeting

Registered shareholder

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

Vote by form of proxy

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

Your vote must be received by 4 p.m. (Eastern time) on March 26, 2024, regardless of the means by which you choose to vote before the meeting.

On the internet

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

By facsimile or by mail

Complete your form of proxy and return it

- by facsimile at +1-416-595-9593, or
- by mail in the business reply envelope we have provided, or
- by delivering it to one of TSX Trust Company's principal offices in Montréal, Toronto, Calgary, or Vancouver, a list of which is set forth on [page 84](#) of this circular.

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

By telephone

Using any touch-tone phone, call [1-888-489-7352](tel:1-888-489-7352) (toll-free in Canada and in the United States) and an agent will help you vote online.

If you choose to vote by telephone, do not return your form of proxy.

By e-mail

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

Non-registered shareholder

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

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

Vote by voting instruction form

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

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

On the internet

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

By mail

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

By telephone

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

If you choose to vote by telephone, do not return your voting instruction form.

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

Fill in the name of the person you are appointing in the space provided on the form of proxy, the voting instruction form or on the website. Complete your voting instructions, date and sign the form and register that proxyholder with TSX Trust Company by calling 1-866-751-6315 (toll free in Canada and in the United States) or +1-416-682-3860 (other countries), or by completing the online form at <https://www.tsxtrust.com/control-number-request> not later than 4:00 p.m. (Eastern time) on March 26, 2024. Registering your proxyholder is an additional step to be completed after you have submitted your form of proxy or voting instruction form so that TSX Trust Company may provide the proxyholder with a control number via email.

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

Option 2 | Voting your shares online at the meeting

Registered shareholder

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

Non-registered shareholder

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

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

Voting your shares | Non-registered United States shareholders

If you are a non-registered shareholder located in the United States and wish to vote online at the meeting or, if permitted, appoint a third-party as your proxyholder, you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you or contact your intermediary to request a voting instruction form if you have not received one. After obtaining a valid voting instruction form from your intermediary, you must then submit it to TSX Trust Company to: TSX Trust Company, 301-100 Adelaide St. West, Toronto, Ontario, M5H 4H1, labelled "Legal Proxy" and received not later than the voting deadline of 4 p.m. (Eastern time) on March 26, 2024.

Employee plans | Voting your shares

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

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

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

Employee plans

Vote in advance by voting instruction form

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

Proxyholder appointment

If you wish to appoint a proxyholder other than Computershare on the voting instruction form to represent you at the meeting, you must submit your voting instruction form appointing that proxyholder by the voting deadline and register that proxyholder with TSX Trust Company by calling [1-866-751-6315](tel:1-866-751-6315) (toll free in Canada and in the United States) or [+1-416-682-3860](tel:+1-416-682-3860) (other countries) or complete the online form at tsxtrust.com/control-number-request not later than 4 p.m. (Eastern time) on March 26, 2024.

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

Voting your shares

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

On the internet

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

The cut-off time for voting over the internet is 11:59 p.m. (Eastern time) on March 25, 2024.

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

By mail

Alternatively, you may vote your shares by completing the voting instruction form as directed on the form and returning it in the business reply envelope provided for receipt before 4 p.m. (Eastern time) on March 25, 2024.

Voting online at the meeting

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

Completing the form of proxy

You can choose to vote "For" or "Withhold" with respect to the appointment of the auditors and "For" or "Against" with respect to the election of the directors, the approval of the increase in the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan and the approval of an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation. If you are a non-registered shareholder voting your shares, or an employee voting your Employee Shares, please follow the instructions provided in the voting instruction form.

When you complete the form of proxy without appointing an alternate proxyholder, you authorize Vagn Sørensen, Michael Rousseau or Marc Barbeau, who are directors or officers of Air Canada, to vote your shares for you at the meeting in accordance with your instructions. If you return your proxy without specifying how you want to vote your shares, your vote will be counted **FOR** electing the director nominees named in this circular, **FOR** appointing PricewaterhouseCoopers LLP as auditors of Air Canada, **FOR** approving an increase of the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan, **FOR** approving an advisory, non-binding resolution in respect of Air Canada's approach to executive compensation, and as indicated in Schedule "C" of the circular with respect to the shareholder proposals.

If you have any questions regarding the voting procedures or need assistance completing your form of proxy or voting instruction form, please contact Kingsdale Advisors, toll-free in North America at 1-855-682-4783 or [647-251-9743](tel:647-251-9743) (text and call enabled outside North America), or by email at contactus@kingsdaleadvisors.com.

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

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

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

Proxy solicitation

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

Air Canada has retained Kingsdale Advisors as its shareholder advisor and to solicit proxies from shareholders as its agent. They will be paid a fee of \$63,000 for proxy solicitation services plus additional fees for other services.

Revoking your proxy, changing your vote

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

Voting requirements

The election of directors, the appointment of auditors, the approval of an increase in the number of shares reserved and authorized for issuance under Air Canada's Long-Term Incentive Plan and the approval of an advisory non-binding resolution on executive compensation will each be determined by a majority of votes cast at the meeting by proxy or online. If there is a tie, the Chair of the meeting is not entitled to a second or casting vote.

Our transfer agent, TSX Trust Company, counts and tabulates the votes.

Voting shares

As of December 29, 2023, there were 275,581,911 Class B voting shares and 82,887,375 Class A variable voting shares outstanding. Shareholders of record on February 16, 2024 are entitled to receive notice of and to vote online at or before the meeting. As at February 16, 2024, being the date of this circular, there were 358,471,268 Class B voting shares and Class A variable voting shares outstanding. The list of shareholders entitled to vote at the meeting is available for inspection during usual business hours at the Montréal office of our transfer agent, TSX Trust Company, 1190 Avenue des Canadiens-de-Montréal, Suite 1700, Montréal, Québec.

Questions

We welcome questions and comments from our shareholders. Shareholders (registered, non-registered and holders of employee shares) as of the close of business on the February 16, 2024 record date, and duly appointed proxyholders, may submit questions during the meeting online when a question period is opened. It is recommended that shareholders and duly appointed proxyholders attending the meeting online submit their questions as soon as possible during the meeting so that they can be addressed at the appropriate time. Instructions will be provided at the meeting and are also available on Air Canada's Investor relations website at <https://investors.aircanada.com>. Shareholders and duly appointed proxyholders may also submit questions at any point in advance of the meeting by entering and submitting their questions using the form available on Air Canada's Investor Relations website at <https://investors.aircanada.com>. Questions submitted in advance must be received by 9:30 a.m. (Eastern time) on March 27, 2024 to be included in the meeting.

Questions related to the matters of business will be addressed at the time such matter is being discussed. Other questions will be addressed during the question period after the business of the meeting has been completed. Questions on the same topic or otherwise related will be grouped, summarized and addressed at the same time. We expect to have sufficient time for all questions or comments. In the unlikely event that this was not the case, we will communicate with you after the meeting if you have provided your contact information or may choose to post responses on our Investor Relations website at <https://investors.aircanada.com>.

Guests will not be able to submit questions at the meeting.

Restrictions on voting securities

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

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

Air Canada has two classes of shares: Class B voting shares and Class A variable voting shares (we sometimes refer to these collectively as our voting shares). Our Class B voting shares are traded on the TSX under the single ticker "AC" and are also traded on OTCQX International Premier platform in the United States under the single ticker symbol "ACDVF." The holders of our Class B voting shares will vote together as a single class at the meeting, and no separate meeting is being held for any of these classes of shares.

The Class B voting shares may only be held, beneficially owned and controlled, directly or indirectly, by Canadians. If a Class B voting share becomes held, beneficially owned or controlled, directly or indirectly, otherwise than by way of security only, by a person who is not a Canadian, it shall be converted into one Class A variable voting share automatically. Each Class B voting share confers the right to one vote.

Declaration of Canadian status

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

The Class A variable voting shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. If a Class A variable voting share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, it shall be converted into one Class B voting share automatically. Each Class A variable voting share confers the right to one vote unless:

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

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

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

Principal shareholders

As of February 16, 2024, to the knowledge of our directors and officers, no entity beneficially owns or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the votes attached to any class of shares entitled to vote in connection with any matters being proposed for consideration at the meeting.

In 2012, we obtained exemptive relief from the Canadian securities regulatory authorities in order that (i) formal takeover bid requirements under Canadian securities laws would only apply to an offer to acquire 20% or more of our outstanding Class B voting shares on a combined basis, and (ii) early warning reporting requirements under Canadian securities laws would only apply to an acquirer that acquires or holds beneficial ownership of, or control or direction over, 10% or more of our outstanding voting shares on a combined basis (or 5% in the case of acquisitions during a takeover bid). This exemptive relief remains in effect.

Directors' and officers' liability insurance

Air Canada maintains directors' and officers' liability insurance for the benefit of the directors and officers of Air Canada and its subsidiaries. The current policy is effective from October 1, 2023 to October 1, 2024 and protects the directors and officers from allegations of alleged "wrongful acts" in the conduct of their activities as directors and officers. The directors are indemnified by Air Canada from and against any losses or damages they may suffer in their capacity as directors, to the fullest extent permitted by, but subject to the limitations of, applicable law.

Indebtedness of directors and officers

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

Voting results from 2023 annual meeting of shareholders

Election of directors

The 13 nominees for directors who were proposed by Air Canada were elected, as follows:

	For	%	Against	%
Ameé Chande	117,059,337	99.07%	1,095,570	0.93%
Christie J.B. Clark	112,883,616	95.54%	5,271,291	4.46%
Gary A. Doer	116,386,774	98.50%	1,767,893	1.50%
Rob Fyfe	117,235,435	99.22%	919,472	0.78%
Michael M. Green	113,253,164	95.85%	4,901,743	4.15%
Jean Marc Huot	112,750,857	95.43%	5,404,050	4.57%
Claudette McGowan	117,254,463	99.24%	899,444	0.76%
Madeleine Paquin	115,483,462	97.74%	2,671,445	2.26%
Michael Rousseau	115,718,987	97.94%	2,435,920	2.06%
Vagn Sørensen	106,765,793	90.36%	11,389,204	9.64%
Kathleen Taylor	115,277,793	97.56%	2,877,114	2.44%
Annette Verschuren	114,111,052	96.58%	4,043,945	3.42%
Michael M. Wilson	114,546,998	96.95%	3,607,999	3.05%

Appointment of auditors

PricewaterhouseCoopers LLP were appointed as Air Canada's auditors.

- Votes in favour: 88.10% (or 104,100,279 shares)
- Votes withheld: 11.90% (or 14,054,709 shares)

Advisory resolution on approach to executive compensation

The advisory resolution on the approach to executive compensation was approved.

- Votes in favour: 73.26% (or 86,563,056 shares)
- Votes against: 27.74% (or 31,591,741 shares)

Shareholder support for Air Canada's approach to executive compensation would have been 89.62% but for the negative vote of a single shareholder who had similarly voted against support in 2022. The Board understands that the reasons for the dissenting shareholder's vote is related to their view of executive compensation in the context of the pandemic and having sought government support. See "Having a say on our executive compensation."

Renewal of the Shareholder Rights Plan

The Renewal of the Shareholder Rights Plan was approved.

- Votes in favour: 95.96% (or 113,385,743 shares)
- Votes against: 4.04% (or 4,769,164 shares)

Mail service interruption

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

Alberta

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

Ontario

100 Adelaide St. West,
Suite 301
Toronto, Ontario

British Columbia

733 Seymour Street
Suite 2310
Vancouver, British Columbia

Québec

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

Shareholder proposals for our 2025 annual meeting

We will include proposals from shareholders that comply with applicable laws in the management proxy circular for our 2025 annual shareholder meeting. You must send your proposal to the Office of the Corporate Secretary of Air Canada at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Montréal, Québec, H4Y 1H4 between October 29, 2024 and December 30, 2024, inclusively.

Documents you can request

Financial information with respect to Air Canada is provided in its consolidated financial statements and Management's Discussion and Analysis of Results of Operations and Financial Condition (MD&A) for the year ended December 31, 2023. Shareholders may request the following documents without charge:

- consolidated financial statements for the year ended December 31, 2023, together with the auditors' report and related MD&A,
- any interim consolidated financial statements and related MD&A, and
- annual information form for the year ended December 31, 2023.

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

These documents are also available on our website at www.aircanada.com and on SEDAR+ at www.sedarplus.ca.

Receiving documents electronically

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

How to sign up

Registered shareholders

To sign up, go to the website www.tsxtrust.com/edelivery and follow the instructions.

Non-registered shareholders

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

Employee shareholders

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

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

If you are uncertain whether you are a registered or non-registered shareholder, please contact TSX Trust Company at 1-800-387-0825 (toll free in Canada and the United States) or +1-416-682-3860 (other countries).

If you are uncertain whether you are holding shares under our employee share ownership plan or employee recognition share award plan, please contact Computershare at 1-877-982-8766 (toll free in Canada and the United States) or +1-514-982-8705 (other countries).

Disponibilité en français

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

Schedule “A” | Ordinary resolution approving the Long-Term Incentive Plan replenishment

“BE IT RESOLVED THAT:

The maximum number of Air Canada Class A variable voting shares or Class B voting shares issuable pursuant to the exercise of options or the redemption of share units under Air Canada’s Long-Term Incentive Plan (the “Plan”) be replenished by the addition of 4,000,000 shares (from 10,326,718 to 14,326,718), such that Section 9.1 of the Plan is hereby amended so as to state as follows:

9.1 The maximum number of Common Shares that may be issued under the Plan as of and from March 28, 2024 is 14,326,718 Common Shares subject to adjustment pursuant to the provisions of Section 10 hereof. In accordance with the foregoing, a total of 14,326,718 Common Shares shall be and they are hereby set aside and reserved for allotment for the purpose of the Plan. Notwithstanding the foregoing, the number of Common Shares reserved for issuance under the Plan as of and from March 28, 2024 for share units granted under the Plan shall not exceed 250,000 Common Shares. The Board or the Committee, as the case may be, may cause Common Shares used to satisfy share unit awards granted under the Plan to be purchased instead on the open market.

Any director or officer of Air Canada be authorized and directed for and in the name of and on behalf of Air Canada to execute or cause to be executed and to deliver or cause to be delivered, all such documents and instruments, and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary or desirable to carry out the intent of this resolution.”

Schedule “B” | Non-binding advisory resolution on executive compensation

“BE IT RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in Air Canada’s management proxy circular provided in advance of the 2024 annual meeting of its shareholders.”

Schedule “C” | Shareholder proposals

The following five shareholder proposals were submitted on February 11, 2024 for consideration at the annual meeting of shareholders by *Mouvement d'éducation et de défense des actionnaires* (MÉDAC), an Air Canada shareholder. The proposals were submitted in French by MÉDAC and translated into English for the purposes of this English version of the circular. The proposals and their supporting statements represent the views of MÉDAC. They are set out below (in italics), next to which appear the Board's responses.

We acknowledge the matters raised by the proposals, and believe they are being appropriately considered and handled, even if not as prescribed in the proposals. We contacted MÉDAC after they submitted proposals and will continue our exchanges with them.

Unless a form of proxy or voting instruction form specifies how shares are to be voted, the management proxy nominees named as proxyholders will cast the votes represented by proxy or voting instruction form at the meeting AGAINST all shareholder proposals in this Schedule “C”, except proposal no. 2 in respect of which no votes will be cast.

Proposal no. 1 – Incentive compensation for all employees in light of ESG objectives

It is proposed that the Board of Directors consider the opportunity to introduce a new direction in terms of incentive compensation with the aim of linking part of the compensation of all employees to the performance of the organization's main ESG objectives.

Supporting statements

In April 2022, Mastercard CEO, Michael Miebach, announced that the company was expanding its incentive compensation program aimed at achieving ESG goals to all employees.⁽¹⁾ Referring to the implementation of such a program among executive management members in the previous year, he mentioned that this compensation strategy had allowed them to achieve and exceed the set goals.

He added:

“Each and every one of us shares the responsibility to uphold our ESG commitments. That's why we're extending that model to our annual corporate score and all employees globally, taking our shared accountability and progress to the next level.”⁽²⁾

Like him, we believe that achieving many ESG goals is not only the responsibility of executive management, but that of all employees who, in their daily work, can contribute significantly to achieving the organization's priorities, to exceeding them and to suggesting innovative ways to achieve them more quickly. For the CEO of Mastercard, this new compensation strategy including all employees led him to advance the achievement of carbon neutrality from 2050 to 2040.⁽³⁾

Board response to proposal no. 1

The Board recommends voting “AGAINST” the proposal for the following reasons.

Climate and other sustainability practices and strategies are integrated in Air Canada's business strategy and help inform decision making. We are proud of Air Canada's accomplishments and progress on many climate and other sustainability initiatives which could not be achieved without highly engaged employees.

Air Canada's Board has oversight over its climate and other sustainability activities and strategies, and all Board committees are mandated to perform their activities having regard to them. The Charter of the Board specifically provides that it is the Board's responsibility, through the HRCPC, to review the compensation of the CEO, including the integration of climate and other sustainability matters in Air Canada's approach to compensation. The HRCPC assists the Board in its human resources and compensation responsibilities, including monitoring trends in respect of climate and other sustainability priorities and their integration in compensation matters. We consider our climate and other sustainability priorities in setting CEO compensation, and our NEOs in turn contribute to the performance goals that are established at the CEO level. Therefore, the performance of Air Canada with regard to our main sustainability objectives is taken into account for a portion of the compensation of our CEO and of our other named executive officers.

For 2024, we have decided to extend this approach to others in management who are accountable for the performance of their respective units, including with regard to sustainability. This means that some of the incentive pay for around 370 senior leaders will depend on how well they meet sustainability objectives. We believe that accountability for our climate and other sustainability objectives lies at these senior levels. Indeed, while they obviously contribute to all our corporate results, most of our employees do not have the same influence on the achievement of our objectives. Accordingly, linking incentive compensation with climate and other sustainability goals for all of Air Canada's nearly 39,000 employees is not presently practically feasible or appropriate.

The HRCPC will remain seized of its mandate to review how sustainability may in future continue to be integrated into compensation decisions.

Consequently, the Board of Directors considers that it is neither advisable nor necessary to adopt this proposal, and recommends voting AGAINST the proposal.

(1) *Sharing accountability and success: Why we're linking employee compensation to ESG goals*, Michael Miebach (PDG), Mastercard, 2022-04-19 <https://www.mastercard.com/news/perspectives/2022/esg-goals-and-employee-compensation/>

(2) *Mastercard ties ESG to all employee pay*, Rick Spence, Corporate Knights, 2022-06-01 <https://www.corporateknights.com/leadership/mastercard-ties-esg-to-all-employee-pay/>

(3) *Mastercard to link all employee bonuses to ESG goals*, Reuters, 2022-04-19 <https://www.reuters.com/business/finance/mastercard-link-all-employee-bonuses-esg-goals-2022-04-19/>

Proposal no. 2 – In person annual meetings of shareholders

It is proposed that the annual meetings of the Company be held in person, with virtual meetings being added as a complement, without replacing in-person meetings.

Supporting statements

Since 2020, the year when annual meetings began to be held virtually due to COVID-19 health restrictions, we have made numerous criticisms of the conduct of these meetings.⁽⁴⁾ In the OECD Governance Principles, it is written:

“[...] due care is required to ensure that remote meetings do not decrease the possibility for shareholders to engage with and ask questions to boards and management in comparison to physical meetings. Some jurisdictions have issued guidance to facilitate the conduct of remote meetings, including for handling shareholder questions, responses and their disclosure, with the objective of ensuring transparent consideration of questions by boards and management, including how questions are collected, combined, answered and disclosed. Such guidance may also address how to deal with technological disruptions that may impede virtual access to meetings.”⁽⁵⁾

Virtual meetings allow for gains that we readily acknowledge, but they should not allow for not holding in-person meetings. Like Teachers,⁽⁶⁾ we believe that annual shareholder meetings should be held in person, with virtual meetings being added as a complement (in a hybrid format, as all banks did in 2023), without replacing in-person meetings. It is understood that all shareholders must enjoy the same rights, regardless of their mode of participation, in person or remotely. This position is supported by several organizations, including the Canadian Coalition for Good Governance (CCGG)⁽⁷⁾ and many significant institutional investors.

Board response to proposal no. 2

The Board invites shareholders to vote as they see fit on this proposal, and accordingly refrains from making any recommendations.

This marks the fifth consecutive year that Air Canada will hold its annual meeting virtually. Virtual meetings have become popular due to the significant advantages they offer, including the ability for shareholders around the world to participate on an equal footing with all other shareholders.

We note that our ongoing shareholder engagement efforts supplement the annual meeting and provide other opportunities for shareholders to share their perspectives with us. Shareholder participation at our online annual meetings has increased significantly as compared to the number of shareholders who previously registered for our in-person meetings. Our virtual meetings have allowed shareholders who may not usually attend our shareholder meeting in person to do so from across our country and elsewhere around the world. The duration, nature and purpose of shareholder meetings, as well as the number of potential participants, make them uniquely suited to be conducted virtually, as compared to other types of meetings that materially benefit from being conducted in person.

We understand the appeal of hybrid meetings but expect that in-person attendance would be further reduced, calling into question the value of the associated costs of the in-person component.

We have been monitoring market practices in Canada and elsewhere and have observed the significant number of companies that have opted to continue holding virtual meetings.

At the core of the shareholder meeting process is the fundamental right to permit the discussion of issues related to our business. We believe that taking measures to ensure shareholder participation allows virtual meetings to serve their purposes properly and as effectively as in-person meetings. This includes ensuring shareholders can share questions or comments in advance of as well as during the meeting and can comment on motions and raise points of order, and making available clear and simple protocols for the conduct of the virtual meeting to our shareholders in advance of the meeting.

We understand that the annual meeting of shareholders may have greater importance for some shareholders, including MÉDAC. We acknowledge the comments and perspectives referred to in the proposal. For this reason, we believe the best course of action in respect of the proposal is to **invite shareholders to vote as they see fit and for us to refrain from making any recommendation about how to vote.**

In short, we are welcoming the proposal as an opportunity to consult all our shareholders, rather than to advocate or oppose one course of action rather than another.

(4) *Assemblées annuelles : dérive virtuelle*, le MÉDAC, 2023-05-09 <https://medac.qc.ca/salle-de-presse/2098-aaa-virtuelles/>

(5) *Recommendation of the Council on Principles of Corporate Governance*, OECD Legal Instruments, OECD/LEGAL/0413, adopted on 2015-07-07, amended on 2023-06-07 <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0413>

(6) *Good Governance is good business — 2023 Proxy Voting Guidelines*, Ontario Teachers' Pension Plan <https://www.otpp.com/content/dam/otpp/documents/OTPP%20Proxy%20Voting%20Guidelines%202023%20EN.pdf>

(7) *“Virtual-only shareholder meetings are an unsatisfactory substitute for in-person shareholder meetings because they risk undermining the ability of shareholders to hold management accountable.”*, *Say no to virtual-only shareholder meetings – they let companies duck accountability*, Catherine McCall, The Globe and Mail, May 21, 2023, at <https://www.theglobeandmail.com/business/commentary/article-say-no-to-virtual-only-shareholder-meetings-they-let-companies-duck/>

Proposal no. 3 – Disclosure of languages mastered by executives

It is proposed that the languages mastered by the executives be disclosed in the proxy solicitation circular.

Supporting statements

In 2023, we submitted a shareholder proposal requesting the disclosure of languages mastered by the directors to about twenty public companies. Following discussions, almost all of these companies – including the 7 major banks – agreed to disclose this information. This new proposal aims at disclosing the same information about executives, at least the “named executive officers.”⁽⁸⁾

In recent years, several public controversies over language have tarnished the reputation of major public companies in terms of their social responsibility and the interpretation they make of their duties and obligations in terms of diversity, inherent in our societies. Language, inscribed at the heart of our democratic institutions, is indeed a fundamental attribute of the community. Such situations, harmful from all points of view, must be avoided. It is therefore appropriate - and for several other reasons - for all interested parties (stakeholders) to know, through formal and official disclosure, the languages mastered by its executives. Obviously, by “mastery”, it is understood a level of language sufficient to allow its generalized use, in all spheres of activity of people, both moral and physical; a level of language sufficient to allow each executive to fully and entirely assume their duties and functions with their teams, shareholders and all parties.

Board response to proposal no. 3

The Board of Directors considers that it is neither advisable nor necessary to adopt this proposal as framed, and recommends voting AGAINST the proposal.

Air Canada is proud to be one of the few Canadian private sector companies to offer services in both official languages across Canada. We are the only airline that is required to do so in Canada. In 2023, we announced our voluntary registration with the Office québécois de la langue française under the Charter of the French language. We describe our institutional linguistic commitments and obligations under “Official languages.”

We do not believe that it is necessary to disclose the language proficiency of each executive officer. We note that there are no disclosure requirements with respect to language proficiency of officers under applicable law.

As languages spoken by our named executive officers may be of interest to our shareholders, in 2023, we disclosed the number of our executive committee members who are bilingual. We are doing so again this year. We believe this approach is consistent with our disclosure relating to self-disclosed personal information on diversity. We note that a number of other issuers have adopted a similar approach about the linguistic proficiency of their directors and that MÉDAC appears to have agreed with this approach in those cases.

Consequently, the Board of Directors considers that it is neither advisable nor necessary to adopt this proposal as framed, and recommends voting AGAINST the proposal.

⁽⁸⁾ As defined in, notably and without strictly limiting its scope, *National Instrument 51-102 Continuous Disclosure Obligations*.

Proposal no. 4 – Disclosure of language mastered by directors

It is proposed that the languages mastered by the directors be disclosed in the skills matrix, in the circular.

Supporting statements

In recent years, several public controversies over language have tarnished the reputation of major public companies in terms of their social responsibility and the interpretation they make of their diversity-related⁽⁹⁾, duties and obligations, inherent in our societies. Language, inscribed at the heart of our democratic institutions, is indeed a fundamental attribute of the collectivity.

Such situations, harmful from all points of view, must be avoided. It is therefore appropriate – and for many other reasons – for all interested parties (stakeholders) to know, through formal and official disclosure, the languages mastered by the company's directors. Obviously, by "mastery", it is understood a level of language sufficient to allow its generalized use, in all spheres of activity of persons, whether legal or physical; a level of language sufficient to allow each director to fully and entirely assume their duties and functions.

Board response to proposal no. 4

The Board of Directors considers that it is neither advisable nor necessary to adopt this proposal as framed, and recommends voting AGAINST the proposal.

Air Canada's Board members must have a broad spectrum of skills, knowledge, educational backgrounds and experience in business, as well as an understanding of the industry and the geographical areas in which we operate.

Air Canada is proud to be one of the few Canadian private sector companies to offer services in both official languages across Canada. We are the only airline that is required to do so in Canada. In 2023, we announced our voluntary registration with the *Office québécois de la langue française* under the Charter of the French language. We describe our institutional linguistic commitments and obligations under "Official languages."

We do not believe that it is necessary to disclose the language proficiency of each director nominee. We note that there are no disclosure requirements with respect to language proficiency of directors under applicable law.

As languages spoken by our Board members may be of interest to our shareholders, we have since 2023 provided disclosure about linguistic proficiencies on an aggregate basis. We believe this is consistent with disclosure relating to self-disclosed personal information on diversity. We note that a number of other issuers have adopted a similar approach and that MÉDAC has agreed with this approach in those cases.

Consequently, the Board of Directors considers that it is neither advisable nor necessary to adopt this proposal as framed and recommends voting AGAINST the proposal.

⁽⁹⁾ <https://medac.qc.ca/defense/dossiers/21-memoires/2045-memoire-diversite-documents-et-assemblees-virtuelles/>

Proposal no. 5 – Appointment of the external auditor

It is proposed that the Board of Directors, depending on the duration of current contracts, calls upon other auditors given the number of shareholders who abstained from voting on this issue at the last annual meeting.

Supporting statements

Nearly half of the organizations we closely follow by attending their annual meetings have experienced high abstention votes regarding the nomination of their external auditors. These votes are not only expressed in relation to one accounting firm, but several, suggesting that shareholders wish to gain a new perspective on the reliability of the financial information provided to them and the independence of the accountants.

The aim of rotating auditors is to reduce threats to their independence, largely caused by the familiarity that gradually develops over time. It is feared that in the long term, the auditor may become too close to the client. For example, the independence of the auditor can decrease when friendships arise: the auditor associates too closely with the interests of the client company's executives, the audit plan becomes repetitive, or the auditor hesitates to make decisions that would suggest that his previous decisions were erroneous.

In short, risks of familiarity with the client are likely to harm the rigour, objectivity, and professional scepticism of the auditor. Does the percentage of abstentions regarding the nomination of the current auditor reflect this opinion? We believe that such a service should be subject to a vision renewal at a higher frequency to assure shareholders that their auditors offer them the best service at a competitive price while ensuring a new approach to auditing by a different firm.

Board response to proposal no. 5

The Board recommends voting "AGAINST" the proposal for the following reasons.

The Board of Directors believes it is essential that the external auditor be qualified, capable and independent, and maintain a high level of independence and bring a consistent level of professional scepticism to its audit work. During 2023, as recommended by the Canadian Public Accountability Board and CPA Canada, the AFRC completed its five year comprehensive review of the external auditor, which included audit quality considerations, including auditor independence, objectivity, and professional scepticism, quality of the engagement team, and reports issued by Canadian Public Accountability Board and CPA Canada. Based on that review, the Board of Directors has recommended that it is in the best interests of Air Canada and its shareholders that PricewaterhouseCoopers LLP be reappointed as the Corporation's auditor for the 2024 fiscal year. It should also be noted that for 2023, we had a change in the lead engagement partner in accordance with the mandatory partner rotation rules as set out in the Canadian CPA Code of Professional Conduct. The tenure of our auditors is a factor that is considered, but it cannot alone determine whether they should be reappointed. We refer to our discussion at "Appointing our auditors."

Air Canada's shareholders can effectively express their views on the reappointment of our external auditors through the annual resolution calling for their appointment, as required by our governing law. This proposal's request for an additional shareholder vote is duplicative of that opportunity and has the potential for conflicting outcomes. As a result, this proposal is unnecessary and not advisable.

Consequently, the Board of Directors considers that it is neither advisable nor necessary to adopt this proposal and recommends voting AGAINST the proposal.

Schedule "D" | Charter of the Board of Directors

I. Purpose

This charter describes the role of the board of directors (the Board) of Air Canada (the Corporation), the powers and responsibilities of which are governed by the Corporation's articles and by-laws and applicable law and are not limited, expanded, or otherwise changed by the provisions hereof.

II. Role

The Board is responsible for the stewardship of Air Canada through the management of its business and affairs, and retains plenary decision-making authority, subject to delegation.

The Board works with management through oversight, review and counsel to establish the Corporation's fundamental policies and overall strategic direction, and to advance its business objectives and priorities.

Directors act in the best interests of Air Canada, with a view to creating sustainable long-term value for the Corporation and its investors, thereby benefiting stakeholders generally. In doing so, they draw on their business judgment and consider relevant factors, such as business risks and opportunities, and environmental, social and governance matters.

III. Responsibilities

The Board's general responsibilities include the following:

Strategic and business plans

- a) annually review and approve management's strategic and business plans, including developing an in-depth knowledge of the relevant business functions, understanding and questioning the plans' assumptions, and forming an independent judgment as to the reasonableness of the plans;
- b) monitor corporate performance against the strategic and business plans and budgets, including overseeing operating results to evaluate whether the business is being properly managed;
- c) as part of the strategic planning process, evaluate and review public issues of significance that may affect the Corporation's business, operations, and stakeholders, including specific risks and opportunities relating to the Corporation's activities as well as broader social and environmental trends;

Chief Executive Officer and executive management

- d) appoint the Corporation's Chief Executive Officer, satisfying itself that a succession plan is in place and developing their position description with the recommendation of the Governance and Nominating Committee;
- e) review, through the Human Resources, Compensation and Pension Committee, the compensation of the Chief Executive Officer, including the integration of environmental, social and governance (ESG) matters in the Corporation's approach to compensation;
- f) review, through the Human Resources, Compensation and Pension Committee, succession and contingency plans for executive management;
- g) satisfy itself that members of management possess the ability required for their roles, are adequately trained, and overseen and motivated, and that planning for their succession is ongoing;
- h) satisfy itself that the Chief Executive Officer and the other members of management have the attributes required for their roles and are able and motivated to promote a culture of integrity and accountability within the Corporation;

Corporate and Board governance

- i) select a Chair of the Board;
- j) satisfy itself that appropriate structures and procedures are in place so that the Board and its Committees can function independently of management;
- k) satisfy itself with respect to the proper and efficient functioning of its Committees;
- l) review with the Governance and Nominating Committee that the Board as a whole, the Committees of the Board, and the directors, are capable of carrying out and do carry out their roles effectively;
- m) provide a source of advice and counsel to management;
- n) select, upon the recommendation of the Governance and Nominating Committee, nominees for election as directors;
- o) discuss and develop the Corporation's approach to corporate governance, with the involvement of the Governance and Nominating Committee;
- p) through the Governance and Nominating Committee, regularly assess the effectiveness and contributions of the Board, its Committees, and directors, including the Chair in that capacity, and review this Charter to consider any changes to it that it may consider advisable;

Risks oversight, corporate policies, and controls

- q) review and discuss the key enterprise risk exposures of the Corporation identified by management and the steps management has taken to monitor and mitigate those exposures, including:
 - i) to satisfy itself through the Audit, Finance and Risk Committee that appropriate systems to identify and mitigate enterprise risks have been developed and implemented;
 - ii) to oversee through the Audit, Finance and Risk Committee, the Human Resources, Compensation and Pension Committee, and the Safety, Health, Environment and Security Committee, the effectiveness of the management of those specific enterprise risks for which oversight responsibility has been delegated to them respectively;
- r) review and approve major corporate policies developed by management;
- s) with the assistance of the Audit, Finance and Risk Committee, oversee the Corporation's disclosure controls, policy and procedures as adopted or recommended by management, and oversee as required compliance therewith by directors, officers and other management personnel and employees;
- t) with the assistance of the Audit, Finance and Risk Committee, monitor compliance with the Corporate Policy and Guidelines on Business Conduct (the Code of conduct);
- u) oversee, through the Audit, Finance and Risk Committee, the Corporation's (i) internal controls, (ii) risks relating to information technology, systems, and security, including in relation to cybersecurity, and (iii) the development of environmental, social and governance disclosures, processes, and controls;

Sustainability Policies and Practices

- v) oversee, through the Governance and Nominating Committee, the Corporation's overall activities, policies, and programs with respect to environmental, social and governance matters, including sustainability and diversity, equity and inclusion policies, and the evaluation of strategies, targets, and performance relating thereto;

Safety, Health, Environment and Security

- w) oversee, through the Safety, Health, Environment and Security Committee, the Corporation's safety, health, environment and security policies and practices; and

Human resources, retirement plan policies and practices

- x) oversee, through the Human Resources, Compensation and Pension Committee, the integration of ESG matters in the Corporation's human resources strategies and organizational culture;
- y) in respect of the pension and retirement plans established by the Corporation, through the Human Resources, Compensation and Pension Committee, oversee their funding, governance and policies.

IV. Matters requiring prior Board approval

In addition to those matters which require Board approval under applicable law or the Corporation's by-laws or resolutions, the Board is responsible for approving the following:

- a) interim and annual financial statements, provided that the Board may delegate to the Audit, Finance and Risk Committee the responsibility to review such financial statements and make its recommendations to the Board;
- b) strategic plans, business plans and capital expenditure budgets;
- c) raising of debt or equity capital and other major financial activities;
- d) hiring, compensation and succession for the Chief Executive Officer and other executives;
- e) major organizational restructurings, including spin-offs;
- f) material acquisitions and divestitures;
- g) major corporate policies; and
- h) in respect of the retirement plans:
 - i) Plan Design: approve a policy on materiality of benefit changes which shall define materiality in the context of plan and benefit changes and assist in determining who is authorized to approve plan text amendments and other changes to the Corporation's retirement plans; provided that unless otherwise referred to the Board by the Human Resources, Compensation and Pension Committee, such Committee shall approve all decisions to initiate, merge, split, terminate, or otherwise fundamentally restructure any retirement plans, where the expected impact of such decisions on the Corporation is material, as defined in such materiality policy;
 - ii) Governance: approve a governance structure for the retirement plans which sets out the major decision-making bodies and their key decision-making and reporting responsibilities;
 - iii) Valuation and Funding: review the contributions to the pension funds of the defined benefit pension plans as approved or recommended by the Human Resources, Compensation and Pension Committee; and
 - iv) Supplemental Executive Retirement Plans: (1) Initiation, Change and Termination – approve any decision to initiate, terminate, or otherwise fundamentally restructure any supplemental executive retirement plan, and (2) Funding and Contributions – (A) approve whether or not to fund or otherwise secure the liabilities of a supplemental executive retirement plan, how those liabilities should be funded or secured, and, if plan liabilities are to be funded, a funding policy which sets out guidelines with respect to the valuation and funding thereof, and (B) review the contributions to the plan's trust fund as approved or recommended by the Human Resources, Compensation and Pension Committee.

V. Board Committees

There are four standing Committees of the Board, namely the Audit, Finance and Risk Committee, the Governance and Nominating Committee, the Human Resources, Compensation and Pension Committee, and the Safety, Health, Environment and Security Committee, the roles and responsibilities of which are described in their respective charters. The Board may appoint other standing or ad hoc committees to assist it in its oversight functions or to exercise decision-making authority, or parts thereof, or amend the charters of existing committees, subject to applicable laws. A reference to a committee whose designation has changed is read as a reference to the redesignated committee.

The membership of each committee shall include sufficient independent directors as required under applicable laws, regulations, and listing rules, or any committee charter.

VI. General

This Charter and the manner in which the Board governs itself are supplemented by the Governance Code and Organizational Guidelines adopted by the Board.

Effective as of March 21, 2023.

At Air Canada, we believe that being accountable for the impact of our operations on the environment is one part of building sustainable, healthier communities. Since 2019 we have used notice-and-access to deliver our management proxy circulars to our shareholders, leading to significant cost savings and less impact on the environment.

This circular is made available electronically. Some copies thereof will be printed, such as to meet any requests for printed versions, in which case we will use [FSC®] certified paper. The fibre used in the manufacture of the paper stock comes from well-managed forests and controlled sources.

