2021
Annual Information Form

February 25, 2022

AIR CANADA

A STAR ALLIANCE MEMBER

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EXPLANATORY NOTES

Except as otherwise noted or where the context may otherwise require, (i) the information in (i) this Annual Information Form ("AIF") is current as at December 31, 2021 and (ii) the information in any document incorporated by reference in this AIF is current as at the date specified in that document with respect to such information.

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

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

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

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

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

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

Forward-looking statements, by their nature, are based on assumptions including those described herein and the documents incorporated by reference herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Air Canada, along with the rest of the global airline industry, continued to face significantly lower traffic in 2021, as compared to the year 2019, and a corresponding decline in revenue and cash flows as a result of the COVID-19 pandemic and the travel restrictions imposed in many countries around the world, including in Canada. While there are signs of improvement, there is limited visibility on future demand trends given changing government restrictions. Air Canada cannot predict the full impact or the timing for when conditions may improve. The COVID-19 pandemic is also having and may continue to have significant economic impacts, including on business and consumer spending and behaviour, which may in turn significantly impact demand for travel. The return of business travel to pre-pandemic levels may be challenged by the evolving nature of business models and remote-work practices in light of the impacts of the COVID-19 pandemic, including the growth and continued use of videoconferencing and other remote-work technologies as well as tendencies towards less environmentally impactful business and consumer behaviour. Air Canada is actively monitoring the situation and will respond as the impact of the COVID-19 pandemic evolves, which will depend on a number of factors including the course of the virus including its variants, availability of rapid, effective testing, vaccinations and treatments for the virus, government actions including health measures and other restrictions, and passenger reaction, the complexities of restarting an industry whose many stakeholders must act in coordination with each other as well as timing and extent of recovery in international and business travel which are important segments of Air Canada's market, none of which can be predicted with certainty.

Other factors that may cause results to differ materially from results indicated in forward-looking statements include economic and geopolitical conditions, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, competition, Air Canada's dependence on technology, cybersecurity risks, energy prices, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), other epidemic diseases, terrorist acts, war, Air Canada's dependence on key suppliers, Air Canada's ability to successfully operate its loyalty program, interruptions of service, Air Canada's ability to attract and retain required personnel, the availability of Air Canada's workforce, casualty losses, changes in laws, regulatory developments or proceedings, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from man-made sources), Air Canada's dependence on regional and other carriers, Air Canada's ability to preserve and grow its brand, employee and labour relations and costs, Air Canada's dependence on Star Alliance® and joint ventures, pending and future litigation and actions by third parties, currency exchange, limitations due to restrictive covenants, insurance issues and costs, pension plans, as well as the factors identified in Air Canada's public disclosure file available at sedar.com and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2021 MD&A which section is incorporated into the AIF by this reference. The forward-looking statements contained or incorporated by reference in this AIF represent Air Canada's expectations as of the date of this AIF (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

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

CORPORATE STRUCTURE

Name, Address and Incorporation

Air Canada was continued under the *Canada Business Corporations Act* ("CBCA") on August 25, 1988. Air Canada acquired Canadian Airlines International Ltd. ("Canadian Airlines") on July 6, 2000 and completed a corporate amalgamation with Canadian Airlines effective January 1, 2001, with the amalgamated entity being known as Air Canada. In 2006, Air Canada completed an initial public offering and secondary offering of Class A variable voting shares of Air Canada (the "Variable Voting Shares") and Class B voting shares of Air Canada (the "Voting Shares," together with the Variable Voting Shares, the "Shares").

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

The head office of Air Canada is located at 7373 Côte-Vertu Boulevard West, Saint-Laurent, Québec, H4S 1Z3. Air Canada's website address is **aircanada.com.** No information contained on or accessed via Air Canada's websites (or any other website referred to in this AIF), and no document referred to in this AIF, is incorporated into or forms part of this AIF, except to the extent it expressly stated in this AIF to be incorporated into this AIF.

Additional information is provided in Air Canada's consolidated financial statements for the year ended December 31, 2021 and Air Canada's 2021 MD&A, both of which, along with this AIF, are available on SEDAR's website at **sedar.com** or on Air Canada's website at aircanada.com.

INTERCORPORATE RELATIONSHIP

At December 31, 2021, Air Canada did not have any subsidiary which represented 10% or more of the consolidated assets, or 10% or more of the consolidated sales and operating revenues of Air Canada, or, any subsidiaries which in the aggregate represented 20% or more of the total consolidated assets, or the total consolidated sales and operating revenues of Air Canada.

Air Canada directly and/or indirectly holds all of the issued and outstanding shares and/or units of certain subsidiaries, including the following:

- **Air Canada Vacations**: Air Canada holds, directly and indirectly, all the issued and outstanding limited partner units of Touram Limited Partnership doing business as Air Canada Vacations® ("Air Canada Vacations"), a limited partnership formed under the laws of the province of Québec. Touram General Partner Inc., a corporation incorporated under the laws of Canada, is the general partner of, and holds a 0.000004% interest in Touram Limited Partnership and Air Canada holds a 100% interest in Touram General Partner Inc.

- **Air Canada Rouge**: Air Canada holds, directly and indirectly, all the issued and outstanding limited partner units of Air Canada rouge LP, doing business as Air Canada Rouge® ("Air Canada Rouge"), a limited partnership formed under the laws of the province of Québec. Air Canada Rouge General Partner Inc., a corporation incorporated under the laws of Canada, is the general partner of, and holds a 0.0001% interest in Air Canada Rouge, and Air Canada holds a 100% interest in Air Canada Rouge General Partner Inc.

- **Aeroplan**: Since January 10, 2019, Air Canada holds directly all the issued and outstanding shares of Aeroplan Inc. ("Aeroplan"), a corporation incorporated under the laws of Canada.

BUSINESS OVERVIEW

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

Air Canada enhances its domestic and transborder network with regional flights operated on behalf of Air Canada under the Air Canada Express banner. On March 1, 2021, Air Canada announced an agreement to revise its capacity purchase agreement ("Jazz CPA") with Jazz Aviation LP ("Jazz") and consolidate all of its regional flying with Jazz. For additional information, refer to the section entitled "Contracted Carriers" of this AIF.

Due to the continued impact of the COVID-19 pandemic on demand for air travel, in 2021, Air Canada together with its regional partners operated, on average, 448 daily scheduled flights to 154 direct destinations, down from 544 average daily flights to 192 direct destinations in 2020 (although operations to several destinations were suspended or did not operate continually.) In contrast, in 2019, Air Canada together with its regional partners, operated, on average, 1,531 daily scheduled flights to 217 direct destinations.

The airline continues to dynamically adjust capacity and take other measures as required to adjust for demand, including as a result of the impact of the COVID-19 pandemic. System ASM capacity in 2021 represented about an 11% decline compared to 2020 (or a 70% decline from 2019).

In 2021, Air Canada continued to renew its operating fleet by retiring aircraft and adding 12 Airbus A220-300 and seven Boeing 737 MAX 8 aircraft. At December 31, 2021, Air Canada mainline had 175 aircraft in its operating fleet, which consisted of 97 Boeing and Airbus narrow-body aircraft and 78 Boeing and Airbus wide-body aircraft, including its first Boeing 767 freighter introduced towards the end of 2021. Air Canada Rouge had an operating fleet of 39 Airbus narrow-body aircraft. At December 31, 2021, the Air Canada Express fleet comprised 50 Mitsubishi regional jets, 48 De Havilland Dash-8 turboprop aircraft and 25 Embraer 175 aircraft for a total of 123 aircraft. In comparison, at December 31, 2020, Air Canada mainline had an operating fleet of 169 aircraft consisting of 91 Boeing and Airbus narrow-body aircraft, 78 Boeing and Airbus wide-body aircraft, while Air Canada Rouge had an operating fleet of 39 Airbus narrow-body aircraft. At December 31, 2020, the Air Canada Express fleet was composed of 49 Mitsubishi regional jets, 62 De Havilland Dash-8 turboprop aircraft and 25 Embraer 175 aircraft for a total of 136 aircraft. For additional information on Air Canada's fleet, refer to section 8 "Fleet" of Air Canada's 2021 MD&A, which section is incorporated into the AIF by this reference.

Air Canada is a founding member of the Star Alliance® network. Through the 26-member airline network, Air Canada can offer its customers access to a vast global network, as well as reciprocal participation in frequent flyer programs and the use of airport lounges and other common airport facilities.

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

Air Canada Cargo, a division of Air Canada, is a global cargo service provider, offering cargo services on passenger flights and on all-cargo flights, including on dedicated freighter aircraft. Air Canada Cargo uses cargo space available in Air Canada's mainline wide-body aircraft, certain temporarily converted Boeing 777 and Airbus A330 aircraft with increased cargo space resulting from the removal of seats from the passenger cabin, and one dedicated Boeing 767 freighter. Air Canada Cargo operated one Boeing 767 freighter as at December 31, 2021. Air Canada plans to have all temporarily converted Boeing 777 and Airbus A330 aircraft back in a passenger configuration, and to have three more Boeing 767 freighters in service, all by the end of 2022.

Air Canada Vacations is a leading Canadian tour operator, developing, marketing and distributing vacation travel packages, operating in the outbound leisure travel market (Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia, and Asia) and the inbound leisure travel market to destinations within Canada, and offering cruise packages in North America, Europe, and the Caribbean. Air Canada Rouge is Air Canada's leisure carrier.

STRATEGY

Over the past decade, Air Canada has aimed to be a sustainable global champion by (i) pursuing profitable international growth opportunities and leveraging its competitive attributes, (ii) identifying and implementing cost reduction and revenue enhancing initiatives, (iii) engaging customers by continually enhancing their travel experience and by consistently achieving customer service excellence, and (iv) fostering positive culture change.

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

Now, Air Canada is evolving its business to better prepare for the future. As part of these efforts, it is introducing "Rise Higher", its newly articulated business imperatives, intended to elevate everything about its business. As it embarks on this next chapter, Air Canada will:

- Fund its future by staying vigilant on costs, seizing on opportunities, and making the right strategic investments
- Reach new frontiers, by embracing its competitive strengths to grow the business by expanding its international reach, and continually exploring new opportunities
- Elevate its customers, and support the creation of meaningful customer experiences and human connections by leveraging innovations in technology, loyalty and products

- Foster a collaborative workplace that respects diverse cultures and languages, while making impactful contributions to society

In pursuit of this goal, in 2022, Air Canada will build upon and leverage its numerous competitive advantages, including:

- Its talented people, and award-winning culture
- A widely recognized and powerful brand
- A streamlined, modern, fuel efficient and versatile fleet, with market-leading aircraft configurations
- A global network, well positioned to meet demand from various customer segments, and enhanced by the airline's membership in Star Alliance® and by numerous commercial arrangements
- A customer experience enhanced by competitive products and services, including the fully transformed Aeroplan program
- Air Canada Rouge, a lower-cost leisure carrier
- A growing cargo offering
- New core technologies and other technological improvements
- Its commitment to sustainability

For additional information on 2021 developments and Air Canada's strategy, refer to section 4 "2021 Highlights" and section 5 "Strategy" of Air Canada's 2021 MD&A, which sections are incorporated into the AIF by this reference.

ROUTES AND SCHEDULE

Air Canada's vision for recovery is focused on leveraging the solid foundation it has built over the past several years to restore and rebuild towards its global champion ambition. This involves rebuilding a strong global network with a focus on hub-to-hub flying providing seamless connectivity with Air Canada's partners, delivering consistent and superior customer service, and diversifying its revenue base, including through Aeroplan and Air Canada Cargo.

While the demand environment showed meaningful signs of improvement especially during the third quarter of 2021, primarily led through improvements in the domestic market as well as travel for leisure and Visiting Friends & Relatives ("VFR"), the emergence of the COVID-19 Omicron variant slowed the pace of recovery towards the end of 2021. Despite this, Air Canada believes the recovery will strengthen and continues to dynamically adjust capacity as required. Air Canada's hubs in Toronto, Vancouver and Montréal each offer complementary geography and demographics. These hubs are well positioned to capture global traffic flows and have the benefit of a strong local multicultural population base that offers Air Canada a variety of international network opportunities.

Air Canada has a modern and efficient fleet, including the Boeing 787 aircraft with its lower operating costs, mid-size capacity and flexible operating range. Air Canada exercised options for the purchase of three Boeing 787-9 aircraft. Air Canada's wide-body aircraft also offer best-in-class seating density, lowering CASM and thereby reducing the overall dependence on premium business travel during the recovery.

In response to the surge in demand for air cargo space, Air Canada has been operating all-cargo flights using its passenger aircraft as well as Boeing 777 and Airbus A330 aircraft that have been temporarily converted by removing the seats from the passenger cabin to increase available cargo space. Air Canada plans to phase out these converted aircraft by the end of 2022, returning them back to a passenger configuration. Air Canada also introduced its first dedicated Boeing 767 freighter to its fleet in the fourth quarter of 2021 and plans an additional three by the end of 2022.

The airline also continues to renew and improve its narrow-body fleet:

- **Airbus 220 Aircraft:** At December 31, 2021, Air Canada had taken delivery of 27 Airbus A220-300 aircraft and plans to take delivery of an additional six aircraft for a total of 33 Airbus A220-300 aircraft by the end of 2022. The Airbus A220 aircraft replaces the Embraer 190 aircraft which were retired, is more fuel and cost efficient, has a longer range and offers more flexible deployment opportunities, enabling Air Canada to serve markets that may not be as well suited to its larger Boeing 737 MAX 8 or Airbus A321 aircraft. Air Canada has elected to proceed with the purchase of an additional twelve Airbus A220-300 aircraft for delivery in 2024 and thereafter. These twelve aircraft are part of the twelve Airbus A220 aircraft that Air Canada had previously determined it would no longer be purchasing under an amendment to the purchase agreement concluded with Airbus in November 2020.

- **Boeing 737 MAX 8 Aircraft:** At December 31, 2021, Air Canada had 31 Boeing 737 MAX 8 aircraft in its fleet. Air Canada agreed with Boeing to accelerate the delivery of seven Boeing 737 MAX 8 aircraft in 2021. The remaining nine Boeing 737 MAX 8 aircraft are expected to be delivered by the end of the second quarter of 2022, reaching a total of 40 Boeing 737 MAX 8 aircraft in the narrow-body fleet. The Boeing 737 MAX 8 aircraft has a longer range and offers greater maintenance and fuel efficiencies than the aging mainline narrow-body Airbus aircraft it replaces.

As a result of the impact of the COVID-19 pandemic, including related travel restrictions and other measures, Air Canada reduced ASM capacity by 70% in 2021 compared to 2019 and reduced 2021 capacity by about 11% from 2020. The airline continues to dynamically adjust capacity and take other measures as required to adjust for demand, including as a result of health warnings, travel restrictions, quarantines, border closures, market and other conditions. For additional information, refer to section 5 "*Strategy*" of Air Canada's 2021 MD&A, which section is incorporated into the AIF by this reference.

Domestic Services

Prior to the COVID-19 pandemic, the most important Canadian routes, in terms of operating revenues, were the transcontinental routes linking Toronto, Montréal, and Ottawa with major western Canadian cities, including Vancouver, Calgary, Edmonton, and Winnipeg.

In 2019, Air Canada, together with its Contracted Carriers, operated a large number of short-haul routes, including Rapidair® routes, linking Toronto, Montréal and Ottawa. Air Canada, together with its Contracted Carriers, also offered frequent service linking major metropolitan centres within Western Canada, and operated numerous flights between Calgary, Edmonton, and Vancouver. In addition to transcontinental and commuter routes, Air Canada, together with its Contracted Carriers, operated a large number of routes between and within Central Canada, the Prairies and the Atlantic provinces.

Since the drastic reduction of its domestic operations at the onset of the COVID-19 pandemic, Air Canada has started restoring its extensive network, offering scheduled services on 98 routes and 51 stations by end of 2021, more than any other Canadian carrier. The domestic market has shown more resilience than other markets given it has been less impacted by travel restrictions and other impediments.

Air Canada plans to continue rebuilding its domestic network in 2022, by focussing on connecting passengers through its global hubs of Toronto, Vancouver and Montreal, and by leveraging its fast-growing domestic connecting hub in Calgary.

Transborder Services

Prior to the COVID-19 pandemic, Air Canada had the most non-stop destinations and flights from Canada to the United States, and together with its Contracted Carriers, carried more passengers between Canada and the United States than any other airline. Air Canada's network reach was also enhanced through its extensive connections and code share flights with United Air Lines Inc. ("United Airlines"), its Star Alliance® partner.

As the Canada-U.S. border reopened in the third quarter of 2021, Air Canada was quick to increase transborder capacity and resume operations from primary and secondary stations. The rebuild of the transborder network has been aided by significant pent-up demand and by the airline's strategy for global connectivity ("Sixth Freedom") traffic from the United States. Air Canada rapidly resumed services, expanding from 14 to 38 U.S. stations served from Q2 to Q4 2021. In 2022, Air Canada plans to continue rebuilding its transborder network and leveraging its Sixth Freedom strategy by further strengthening its relationship with United Airlines and restoring historical network breadth through the resumption of service to secondary stations still suspended. New route opportunities are also being considered.

International Services

Prior to the COVID-19 pandemic, in 2019, Air Canada provided direct scheduled service to 99 international destinations and was the largest provider of scheduled passenger services in the international market to and from Canada.

Following the drastic and abrupt reduction of its international operations as a result of the COVID-19 pandemic, and travel restrictions, Air Canada has progressively restored parts of its international network. Following the ease of travel restrictions in July, August and September of 2021, demand for international travel rebounded strongly, allowing for the resumption of 25 additional international routes in the third quarter of 2021. In 2021, Air Canada took a significant step towards rebuilding its global network, by providing direct scheduled services to 63 international destinations.

The successful rebuild of Air Canada's international network will leverage the strong demand for leisure and VFR markets, and also benefit from higher cargo yields expected on scheduled passenger flights.

As the impact of the COVID-19 pandemic subsides, Air Canada will also continue to rebuild its international network by leveraging its relationships with partners to strengthen its services and allow for optimal connectivity through its hubs. Air Canada continues to participate in its transatlantic joint venture, referred to as A++, with United Airlines and Deutsche Lufthansa AG ("Lufthansa") to coordinate pricing, scheduling and sales (under the joint venture), in order to better serve customers by offering more travel options, and streamlined service on routings between North and Central America, as well as Africa, India, Europe and the Middle East. The airline will also continue to further strengthen its joint venture partnership with Air China and leverage its other relationships in the Asia-Pacific market.

AIR CANADA VACATIONS AND AIR CANADA ROUGE

Prior to the COVID-19 pandemic, Air Canada had been pursuing a comprehensive strategy to improve its competitiveness and profitability in leisure markets. This strategy leveraged the strengths of Air Canada, Air Canada Rouge, Air Canada's leisure airline, and Air Canada Vacations.

As the impact of the COVID-19 pandemic subsides, Air Canada expects that the leisure and VFR markets will lead the recovery.

Air Canada Vacations is a Canadian tour operator based in Montréal and Toronto that offers its products through its website at vacations.aircanada.com and through a network of independent travel agencies across Canada. The Air Canada Vacations business has also been impacted by the COVID-19 pandemic, including government-imposed travel restrictions and measures, and the suspension of all flights to Mexico and the Caribbean between February 1 and June 26, 2021. Air Canada Vacations operates in the outbound leisure travel market (i.e., Caribbean, Mexico, U.S., Europe, Central and South America, South Pacific, Australia, and Asia) and the inbound leisure travel market to destinations within Canada by developing, marketing and distributing vacation travel packages. Air Canada Vacations also offered cruise packages in North America, Europe, and the Caribbean.

Over the last several years, Air Canada Rouge has been deployed to leisure destinations in the Caribbean, United States and in Canada, as well as to international leisure markets. Air Canada Rouge leverages the strengths of Air Canada, including its extensive network with enhanced connection options, operational expertise, and frequent flyer program. Air Canada Rouge seeks to maintain a cost structure consistent with that of its leisure market competitors, effectively lowering CASM on leisure routes with increased seat density, improved labor efficiency, more efficient work standards, and reduced overhead costs. Air Canada Rouge also provides Air Canada with the ability to compete against low-cost carriers and ultra-low-cost carriers. In 2022, the Air Canada Rouge fleet will consist solely of narrow-body aircraft and primarily operate short and medium haul flights to leisure destinations in the Caribbean, the U.S., and Canada. As the COVID-19 pandemic recedes, Air Canada will continue to rebuild its transatlantic network, focused on hub-to-hub markets and leisure-focused European destinations, using mainline aircraft and also supported by its commercial partnership with Lufthansa.

AEROPLAN

On January 10, 2019, Air Canada completed its purchase of Aeroplan from Aimia Inc., the former owner and operator of the Aeroplan loyalty business. The aggregate purchase price for the acquisition was $517 million and included the assumption of the Aeroplan points liability.

Concurrently with the conclusion of the Aeroplan purchase, Air Canada, Aeroplan, The Toronto-Dominion Bank ("TD Bank"), Canadian Imperial Bank of Commerce ("CIBC") and Visa Canada Corporation ("Visa") finalized various commercial agreements relating to and in support of the acquisition, including credit card loyalty program and network agreements for future participation in the Aeroplan program. Similarly, in the first quarter of 2019, Air Canada, Aeroplan and Amex Bank of Canada ("AMEX") concluded agreements enabling AMEX's continued participation in the Aeroplan program. In connection with these commercial agreements, Air Canada received payments from TD Bank, CIBC, Visa and AMEX in the aggregate amount of $1,212 million. In addition, TD Bank and CIBC made payments to Air Canada in the aggregate amount of $400 million as prepayments to be applied towards future monthly payments in respect of Aeroplan points.

Ahead of the program's relaunch, in response to the COVID-19 pandemic, Air Canada announced special benefits and accommodations for Aeroplan Members. These included pausing the expiration of Aeroplan points, extending 2020 Aeroplan Elite Status for an additional year through the end of 2022, waiving certain change and cancellation fees for Aeroplan flight rewards, and launching special offers to help members earn Elite Status and additional points, without leaving home.

Shortly following launch of the new program in late 2020, JPMorgan Chase & Co. (“Chase’”) and Air Canada announced a strategic partnership that would make Chase the exclusive issuer of Air Canada's Aeroplan U.S. credit card. This multi-year agreement is designed to provide U.S. customers with improved access to the unique rewards and flexibility offered by the Aeroplan program. The new Aeroplan credit card from Chase launched in December of 2021.

Air Canada launched a transformed Aeroplan program in November 2020, consistent with its commitment of continued investments in its loyalty program. Aeroplan now offers a wide range of new features, including some which are first-in-market.

- **Improved Value on Flight Rewards**: Aeroplan offers flight rewards to hundreds of destinations worldwide on Air Canada and nearly 40 partner airlines. Members can redeem Aeroplan points to purchase any Air Canada seat that is available for sale, with no cash surcharges. With points + Cash, members also have the flexibility to save their Aeroplan points and pay for a portion of their flight reward in cash.

- **More Options for More Members**: Aeroplan offers additional features like Family Sharing, enabling members to combine Aeroplan points with others in their household, so they can redeem for travel sooner. In addition, members may earn Aeroplan points with every Air Canada flight booked in cash on Air Canada’s website or app, now including Economy Basic fares. Members also have access to an expanded range of travel and merchandise rewards.

- **Upgraded Aeroplan Elite Status**: Air Canada Altitude is now Aeroplan Elite Status. Improvements include Priority Rewards, entitling members to 50% off the price in points on eligible flight rewards with Air Canada and its airline partners. In addition, using Status Pass, eligible Aeroplan Elite Status Members can share their benefits, such as priority boarding and lounge access, with friends and family members, even if they are not travelling together.

- **All-New Aeroplan Credit Cards:** The redesigned Aeroplan co-branded credit cards offer extensive Air Canada travel perks, such as a free first checked bag, and with certain cards, access to our Maple Leaf Lounges and priority boarding. Members who hold eligible credit cards issued by card partners TD, CIBC and American Express may earn rewards more quickly and have access to unique new benefits.

- **New Everyday Partnerships:** Aeroplan has entered into agreements with a number of category-leading brands to allow members to earn and redeem Aeroplan points, and enjoy benefits, in their every day lives. These strategic partnerships broaden the program’s appeal for infrequent travelers (the vast majority of the membership base) and encourage new member acquisition. Partnerships launched in 2021 included Starbucks, Uber, Uber Eats, the LCBO, and Switch Health Holdings. Additional partnerships are planned for the future.

Further building upon its successful relaunch, in 2022, Aeroplan intends to introduce additional program features, while expanding its partnership network in various categories, to further grow and engage its membership base.

CONTRACTED CARRIERS

As discussed in the section entitled "*The Business*" of this AIF, Air Canada enhances its domestic and transborder network with regional flights operated on its behalf under the "Air Canada Express" banner.

The decline in demand for air travel services resulting from the COVID-19 pandemic continues to impact demand for regional services. As a result, Air Canada's utilization of its regional network is reduced and adapting to better support the airline.

In the first quarter of 2019, Air Canada amended and extended the Jazz CPA to extend the term thereof to 2035, to generate cost savings and optimize the network and fleet flexibility compared to the prior agreement. At that time, Air Canada also announced a $97.26 million equity investment in Chorus Aviation Inc. ("Chorus"), Jazz's parent corporation, subscribing for voting shares in the capital of Chorus, representing, at time of issuance, approximately 9.99% of the issued and outstanding voting shares of Chorus on a combined basis. Air Canada and Chorus entered into an investor rights agreement which includes an obligation for Air Canada to hold its investment for a period of at least 60 months, subject to limited exceptions, and provides Air Canada with the right to one nominee on Chorus' board of directors.

In 2021, Air Canada further agreed to amend the Jazz CPA, and consolidated its regional flying with Jazz. Effective January 1, 2021, Air Canada transferred operation of its Embraer E175 fleet from Sky Regional to Jazz, and Jazz became the sole operator of flights under the Air Canada Express banner. As a result of the revisions to the Jazz CPA and the consolidation of regional flying, Air Canada expects to realize $400 million in cost reductions over the term of the agreement expiring in 2035 ($43 million per year until 2026 and $18 million per year thereafter). The Jazz CPA amendments provide cost certainty and are expected to generate savings from combining the regional fleet under a single operator, creating related operational costs savings, and reducing Air Canada's overall regional flying compensation. In addition, the revised Jazz CPA lowers future contractual capital expenditures and leasing costs through a restructured Jazz CPA fleet, avoiding an estimated $193 million in future capital expenditures.

SIGNIFICANT ACQUISITIONS

There were no significant acquisitions in 2021. On April 2, 2021, Air Canada announced that the arrangement agreement for the proposed acquisition by Air Canada of Transat A.T. Inc. ("Transat") was terminated, with Air Canada paying Transat a termination fee of $12.5 million, and with Transat no longer under any obligation to pay Air Canada any fee should Transat be involved in another acquisition or similar transaction in the future.

STAR ALLIANCE®

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

This airline alliance brings together flight networks, lounge access, check-in services, ticketing and other services to improve the travel experience for customers. Member airlines include many of the world's top aviation companies as well as smaller, more regional carriers, implementing initiatives, including those focused on capturing synergies such as common use facilities. Air

Canada has codeshare arrangements with all Star Alliance® members with the exception of Copa Airlines and Shenzhen Airlines.

Air Canada has continued to leverage its Star Alliance® partners' expansive networks and service offerings throughout the COVID-19 pandemic, which has played an important role in helping Air Canada mitigate some of its impact. Air Canada and its Star Alliance® partners have also continued to offer customers with health hygiene standards at multiple touchpoints along the customer journey, as well as reciprocal participation in frequent flyer programs.

JOINT ARRANGEMENTS AND CODESHARE PARTNERSHIPS

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

The airline's numerous codeshare and interline agreements further enable it to achieve greater critical mass and network scope. In addition to its 23 Star Alliance® codeshare partners, Air Canada also maintains a codeshare relationship with 11 non-member airlines, namely Aer Lingus, Cathay Pacific, Central Mountain Air, Etihad Airways, Eurowings, GOL Linhas Aéreas Inteligentes, Middle East Airlines, Qatar Airways, Sri Lankan Airlines, Virgin Australia and Air Dolomiti. Subject to government approvals, Air Canada is also in the process of adding Vistara to its codeshare partner portfolio.

As an important element of Air Canada's recovery plan, Air Canada continues to assess new opportunities to strategically develop commercial alliances with major international carriers.

CARGO

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

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

Air Canada Cargo is present in over 50 countries with hubs in Montreal, Toronto, Vancouver, Chicago, London, and Frankfurt. As the dedicated air freight division of Air Canada, Air Canada Cargo offers reliable air freight lift and connectivity to hundreds of destinations across five continents using Air Canada's domestic and international passenger flights, and all-cargo flights (including freighter operations), and other modes of transportation, including trucking services.

In response to the surge in demand for air cargo space, Air Canada has been operating all-cargo flights using passenger aircraft as well as some temporarily converted Boeing 777-300ER and Airbus A330 aircraft. Converted aircraft have increased available cargo space by removing the seats from the passenger cabin. Air Canada plans to phase out its converted aircraft by the end of 2022, reconverting their cabins back to a passenger configuration. Air Canada introduced one dedicated Boeing 767 freighter to its fleet in December 2021 and plans to add three additional Boeing 767 freighters to the fleet by the end of 2022. In 2021 Air Canada Cargo operated over 10,000 all-cargo flights.

Air Canada Cargo plans to expand its business through a variety of strategies, including by leveraging demand for transportation relating to growth in e-commerce, providing specialized e-commerce delivery services using its passenger and freighter fleet. One of its key objectives is to drive end-to-end value through enhanced technology, dynamic pricing, and transparency across the delivery supply chain. The expansion of Air Canada Cargo will help diversify Air Canada's revenue base and play an important role in Air Canada's recovery.

COMMITMENT TO SUSTAINABILITY

Overview

Being a global champion involves being a responsible corporate citizen and doing what is right for the longer-term interest of its shareholders, employees, customers, communities, and other stakeholders; it includes supporting research and development into innovative ways to reduce its environmental footprint and governing its business responsibly, safely, and ethically. Environment, Social and Governance ("ESG") practices are integrated in Air Canada's business and inform decision-making.

Air Canada's Board of Directors committees have responsibilities for different areas related to ESG:

- The Governance and Nominating Committee monitors and evaluates progress on Air Canada's overall efforts with respect to sustainability including ESG matters and receive quarterly updates on key ESG performance targets, risks and opportunities, as well as key sustainability developments. The committee facilitates information sharing with other committees regarding sustainability matters, and reviews and recommends the annual corporate sustainability report to the Board of Directors.
- Risks that may be material to Air Canada are identified and monitored on an ongoing basis through Air Canada's Enterprise Risk Management (ERM) Program. The Audit, Finance and Risk Committee provides insights to the Board and has specific oversight responsibilities on Air Canada's enterprise risks, including certain ESG related risks. Other committees also play a role in the oversight of specific risks within their mandates. The Audit, Finance and Risk Committee also oversees the development of ESG disclosures, processes and controls.
- The Safety, Health, Environment and Security Committee assists the Board of Directors in the discharge of its oversight responsibilities concerning safety, health, environment and security matters, such as strategies, policies, systems and processes of the Corporation and its subsidiaries. This committee is responsible for overseeing climate-related issues at Air Canada. The committee meets at least quarterly and includes management oversight of key climate topics such as climate strategy, climate mitigation and climate resilience. It also reviews and assesses the effectiveness of the Corporation's risk management framework in relation to safety, health, environment (including climate

change) and security matters, as well as compliance with statutory and regulatory obligations. In addition, this committee reviews and recommends to the Board of Directors the five-year plans underpinning Air Canada's Climate Action Plan.

- The Human Resources and Compensation Committee assists the Board of Directors in the discharge of its responsibilities in the field of human resources, compensation and pensions. These include oversight of compensation philosophy and policies, major compensation programs, succession plans, key talent management strategies and practices, and certain employee and pension matters.

Corporate sustainability initiatives are identified and coordinated through a corporate sustainability working group and a corporate sustainability steering committee. The corporate sustainability working group, comprising senior management subject matter experts from diverse functions, is tasked with the coordination and monitoring of Air Canada's corporate sustainability initiatives. The corporate sustainability working group reports on the progress of these initiatives to the corporate sustainability steering committee, which includes several executives.

Air Canada's ESG goals and achievements are reported through its Corporate Sustainability Report "Citizens of the World" in accordance with the Global Reporting Initiative ("GRI") standards. Internationally recognized as a leader in sustainability reporting standards, GRI standards help maintain transparency in corporate reporting related to performance on governance, environmental and social matters. Continuously maintaining transparency and accountability, ten performance indicators including Scope 1 and 2 greenhouse gas ("GHG") emissions are verified by an independent external party, following internationally recognized standards.

Air Canada is also committed to pursuing the Sustainable Development Goals ("SDGs") of, and is a signatory to, the UN Global Compact, an organization that encourages all businesses to adopt sustainable and socially responsible practices. There are 17 SDGs at the heart of the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015. These SDGs provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. Air Canada supports all 17 sustainable development goals.

Air Canada's Corporate Sustainability Report, GRI Content Index (and related charts) and the United Nations Sustainable Development Goals index are available at **aircanada.com/citizensoftheworld**. In 2022, Air Canada will be publishing its first Task Force on Climate-related Financial Disclosures (TCFD) Report.

Below is a brief discussion of certain ESG matters at Air Canada. Air Canada will provide a summary of ESG developments in its upcoming 2021 Annual Report and provide a more detailed discussion in its 2021 Corporate Sustainability Report, to be published later in 2022.

Safety, Health and Wellness

At the heart of Air Canada's culture is its number one central value: Safety First, Always. As the foremost consideration at Air Canada, the safety of customers, employees and of those in communities Air Canada flies to is always the top priority.

Air Canada aims to create a healthy, inclusive and rewarding work environment where everyone feels they belong and can excel and realize their full potential. Air Canada seeks to inspire, encourage and challenge its employees to be their best in all they do. The airline is committed to contributing to the socio-economic growth and wellness of communities in which it operates and, together with its value chain and customers, seeks to make a positive difference in the lives of people in need across Canada through financial and in-kind support. To accomplish this, Air Canada understands that it needs to foster a healthy environment that prioritizes and encourages good health and well-being, effectively providing resources, supporting worthy causes and partnering with organizations to further its impact with employees and communities.

In partnership with its employees, Air Canada is committed to conducting its business in a manner that ensures the health and safety of its employees, customers, contractors and the general public, while meeting obligations under applicable regulations. To ensure this commitment to safety, Air Canada (i) supports and promotes effective training; (ii) supports the continued development and integration of safety data analytics and artificial intelligence into its Safety Management System (SMS); (iii) continually assesses and manages safety risks associated with the introduction of new equipment, new routes and new initiatives or projects; and (iv) reinforces and promotes safety reporting, protecting safety critical information in order to inform its decisions. Refer to the section entitled "Regulatory Environment" of this AIF for additional information.

At all levels of the operation, and in accordance with the Canadian Aviation Regulations (CARs) and IATA Operational and Safety Audit (IOSA) Standards, Air Canada has implemented a Safety Policy, appropriate for the size and complexity of the organization. The Safety Policy is the basis of the Air Canada Safety Management System. Procedures are also in place for visitors and contractors working on Air Canada premises. Refer to the section entitled "Regulatory Environment" of this AIF for additional information.

Air Canada has an extensive Health and Safety Program to prevent work accidents and injuries. Key to these measures is the Hazard Prevention Program, which enables Health and Safety committees to identify and assess workplace hazards and to determine appropriate controls for mitigating risks. These committees cover all employee groups at Air Canada.

Air Canada's policy on drugs and alcohol is a component of Air Canada's safety program, and a Workplace Violence and Harassment Prevention Policy is also in place.

Biannual, voluntary and confidential safety culture surveys are conducted to collect employees' insight on safety. The results from the survey conducted in 2020 show that the majority of employees feel safe to report errors, concerns and hazards, understand why safety operating procedures are created and feel supported in their ability to learn and be taught new safety procedures.

Employees have access to and may benefit from the Employee and Family Assistance Program (or other similar programs), which provides confidential help for any work, health and other life concern. Air Canada's unique corporate wellness program, Unlock the Best in You ("UBY"), provides tools, resources and training in relation to health and wellness, mental health, financial health, and work health.

Air Canada has been continually updating its health and safety policies and procedures for travellers and employees in airports, onboard aircraft and in other workplace environments to account for new information about COVID-19 as it becomes available. Early on in the pandemic, as part of its COVID-19 Mitigation and Recovery Plan, the airline developed and launched Air Canada CleanCare+, an industry-leading comprehensive program, along with several other initiatives, including TouchFree Bag Check for flights departing from Canadian airports and medical and testing collaborations. Employees have worked diligently to ensure Safety First, Always, for each other and for customers through their entire travel journey. In order to continue to uphold the commitment to safety as the number one priority, numerous measures have been taken to protect employees and reduce the risk and mitigate the spread of COVID-19. This included a COVID-19 Wellness Assessment Tool to help employees determine whether they should report for work. A COVID-19 Safe Behaviour Policy was also formulated to minimize the risk of COVID-19 community spread while at work. Air Canada also launched a workplace rapid antigen screening program for employees and was the first company in Canada to launch rapid antigen home screening for its employees. Air Canada quickly adjusted practices to enable employees to physically distance safely; pivoted recruitment, talent development and retention practices; shifted training to be completed predominantly online; enabled remote work where possible; developed flexible return-to-work models. In 2020, a Telework Policy was developed to assist employees and managers transition to the new reality brought about by the COVID-19 pandemic. The policy is reviewed annually or when circumstances warrant. As of October 31, 2021, all employees must be fully vaccinated against COVID-19 and full vaccination is a condition of employment for any individual hired by the Corporation (in each case subject to medical or religious exemptions under applicable law).

Wellness of Communities

In 2021, Air Canada partnered with provincial governments, public health organizations and other aviation industry partners to host vaccination hubs in Montreal, Toronto and Vancouver with the capacity to vaccinate close to 300,000 members of the community, relieving pressure on the public health sector.

Air Canada and the Air Canada Foundation also supported a number of humanitarian efforts in 2021, including by raising funds and sending specialized volunteers to British Columbia to help with clean-up and recovery operations after the flooding and extreme weather events in the province, or wildfires in Ontario. Air Canada also operated 13 relief charters to deliver drinking water to the affected communities in Nunavut when the city of Iqaluit had declared a state of emergency due to fuel-contaminated drinking water, and also assisted in welcoming Afghan refugees to Canada.

In 2021, Air Canada and the Air Canada Foundation continued their food rescue efforts across Canada, offering more than 180,000 kg of extra food from the flight kitchens, representing over 400,000 meals. These efforts supported over 88 not-for-profit agencies in 16 cities in Canada and averted the emission of more than 1.2 million kg of GHG through the avoidance of new food production, processing or retailoring, as estimated by Second Harvest (Second Harvest is Canada's largest food rescue charity). In total, since beginning its food rescue efforts in March of 2020, Air Canada has donated more than 950,000 kg of food, which represents over 2.1 million meals.

Privacy and Cybersecurity

Air Canada has developed a cybersecurity framework and continues to implement its privacy action plan to improve its privacy maturity and cybersecurity resilience. As part of its efforts to address the growing threat of cyber-attacks, Air Canada invests in security initiatives that include technology, processes, resourcing, training, disaster recovery plans and regular testing and benchmarking against best practices. As part of our third-party risk management process, we seek to ensure that our vendors have effective cybersecurity controls that are aligned with Air Canada's best practice cybersecurity policies and standards.

Privacy efforts are focused notably in the areas of policies governance, vendor privacy risk management, record of processing activities, privacy impact assessments and data subject rights management. As part of its security efforts, Air Canada implemented a Multi-Factor Authentication Program for employee and customer-facing applications. Internal controls and Payment Card Industry Data Security Standard (PCI DSS) controls are regularly assessed.

Employee and Labour Relations

Air Canada's strong relationships with its major union groups are a fundamental pillar of Air Canada's sustainable future. This was exemplified through their close and constructive work on mitigation measures effected as a result of the unprecedented impact of the COVID-19 pandemic.

Retention and development of employees is a cornerstone of a healthy work culture and protects the longevity of a business while setting it up for future success. Air Canada is committed to providing development opportunities and career progression to its employees. In accordance with its Recruitment Policy, recruitment initiatives emphasize Air Canada's dedication to encouraging internal transfers and promotions. Some collective agreements also provide for opportunities to trial other positions within the organization, while protecting seniority and job positions for some time. Air Canada continually strives to create opportunities for talent to evolve and grow. Air Canada developed a rotational talent agility model, both in training and experience, which allowed a unique opportunity for some employees to acquire new skills and continue to sustain operational needs across the organization.

Approach to Diversity, Equity and Inclusion

For many years, Air Canada has had a Diversity Policy for employees. Over time, the policy has been updated and enhanced, with the goal of achieving and maintaining a workforce at all levels of the Corporation that represents the external qualified workforce available to Air Canada. Air Canada places emphasis on women, persons with disabilities, Indigenous Peoples and members of visible minorities.

From promoting diversity and inclusion to building a workforce made up of people from a wide array of cultures, traditions and languages, Air Canada aims to reflect the country's cultural fabric — that of unity in diversity. Air Canada pursues a diversity management strategy with the goal of ensuring an inclusive and diverse workplace based on respect, where all employees feel they belong. This creates an environment in which they can best use their talents.

Key components of our diversity approach include:

- Cross-functional employee groups focused on identifying and advancing diversity and inclusion initiatives throughout the Corporation
- Increased awareness of the importance of a diverse and inclusive workforce in management training programs
- Embedded diversity considerations in the hiring process, employee development, promotion process and succession planning
- Campaigns 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

Of critical importance to Air Canada is that the internal talent pool and development and promotion processes are equitable, balanced and diverse. This is true at all levels of the Corporation, including in leadership. Because many future executives may come from senior leadership ranks, the Corporation's talent and engagement team pays a significant amount of attention to ensuring that diversity is reflected among multiple layers of senior leaders and that emerging leader programs comprise a diverse group of talent.

Currently, three out of 20 members (15 per cent) of Air Canada's executives are women, and minorities represent one out of 20 members (five per cent). There are no members of Air Canada's executives that have identified as being Indigenous or as having a disability. As at December 31, 2021, out of 255 senior leaders, 91 (36 per cent) are women, four (about 2 per cent) are disabled, two (under one per cent) are Indigenous and 39 (about 16 per cent) are visible minorities. Data on the representation is obtained through voluntary self-identification.

Official Languages

Air Canada is Canada's largest private sector company offering bilingual services across Canada and the world. Air Canada is proud to offer services in both of Canada's official languages, demonstrating true leadership among major Canadian companies in promoting bilingualism. Over the years, Air Canada has implemented a series of sustained initiatives in its Linguistic Action Plan (available on Air Canada's website at aircanada.com), to maintain delivery of the services it offers customers in both official languages and to promote a bilingual workplace.

Among key achievements over recent years, Air Canada has supported organizations to promote the Francophonie in a sustainable manner and to develop the Francophone culture and tourism industry.

Based on equal qualifications, priority is always given to bilingual candidates in the recruitment efforts. Air Canada invests in language training, and offers awareness sessions to familiarize employees with the active offering of bilingual services.

Environmental Sustainability

Air Canada's environmental focus is two-fold: Leave Less, meaning less energy use in operations, less carbon in the atmosphere, less waste on land and in water, and less noise in communities; and Do More to address environmental issues: more collaboration and participation with industry partners, and more involvement in communities we operate in and with our employees and customers.

Air Canada is committed to managing the environmental impact of its operations and minimizing its environmental footprint, while integrating environmental considerations into business decisions. Air Canada has developed an Environmental Policy, consistent with the requirements of IEnvA and ISO 14001:2015, which details the commitments made by its executive management. The Environmental Policy is the foundation of Air Canada's Environmental Management System (EMS) through which Air Canada maintains environmental management programs, enabling us to meet our obligations and address our environmental impact.

In support of its efforts to reduce waste, pollution and GHG emissions and to improve environmental performance, Air Canada advanced to a third-party certified system through the IATA Environmental Assessment (IEnvA) Program. IEnvA is a two-stage environmental management system certification process, specifically developed for the airline sector, which demonstrates equivalency to the ISO 14001:2015 environmental management systems standard. Air Canada is proud to be the first airline in North America to be IEnvA Stage 2 certified, the highest level of IEnvA compliance.

Climate Action

Since 2007, information on Air Canada's carbon footprint, targets and climate strategy has been reported through the CDP, a global disclosure system that has been in place for 20 years and is used to assist investors, companies, cities, states and regions in managing their environmental impact. The CDP questionnaire incorporates elements of the TCFD framework. Air Canada holds a B- for its Climate Change 2021 CDP score report. To access Air Canada's CDP response, visit **www.cdp.net**.

In March 2021, Air Canada released its new Climate Action Plan that includes ambitious milestones to achieve its long-term goal of net-zero emissions by 2050. In defining its path to this goal, Air Canada has set 2030 absolute mid-term GHG net-reduction targets:

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

Air Canada has also committed to investing, by 2030, $50 million in sustainable aviation fuels ("SAF"), as well as in carbon reductions and removals.

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

Since 2019, Air Canada has been reporting to Transport Canada for the ICAO Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), applicable to certain international flights and designed to achieve the aviation industry carbon neutral growth target.

Through the National Airlines Council of Canada ("NACC"), Air Canada is a signatory to the *Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation*. This multi-party action plan between aviation industry stakeholders and the federal government outlines how the parties intend to reduce greenhouse gas emissions from aviation activities. This Action Plan forms the basis of the Government of Canada's national action plan submitted to ICAO and sets out measures to address international aviation emissions. For more information, please refer to the section entitled "Carbon Emissions" of this AIF.

Air Canada is actively engaged with industry stakeholders in several initiatives to better understand, strategize and effect environmental protection, locally and globally. Air Canada is a member of the IATA Sustainability and Environment Advisory Council ("SEAC"). In addition, it is chair of the NACC Environmental Subcommittee and is involved with other environment committees and working groups with the Airlines for America ("A4A"), the Star Alliance® Sustainability Committee and is a member of Canadian Business for Social Responsibility ("CBSR").

Through the NACC, Air Canada has also participated in the formulation of domestic aviation carbon pricing, as part of the Canadian government's Pan-Canadian Framework on Clean Growth and Climate Change.

Air Canada is a founding member of, and the first Canadian carrier to join, the Aviation Climate Taskforce ("ACT"), formed to tackle the challenge of rising CO2 emissions from commercial aviation. This non-profit organization, made up of 10 global airlines and the Boston Consulting Group, was established in 2021 to accelerate research and advance innovation related to emerging decarbonization technologies, including through the development of sustainable aviation fuels.

Less Waste

Despite the operational and financial impact of the COVID-19 pandemic, Air Canada has maintained its commitment to waste reduction. In 2020, Air Canada achieved its Corporate Waste Objectives, which were focused on decreasing the amount of waste generated and sent to landfill by (1) reducing waste by 20 per cent in offices, facilities and Maple Leaf Lounges; and (2) recycling 50 per cent of approved items on board domestic flights. In 2021, Air Canada maintained its waste reduction efforts adapting where needed to the impact of the COVID-19 pandemic. Recycling of personal protective equipment including facial masks was implemented through our Canadian operations as well as disposal processes for our rapid testing program as per applicable provincial requirements.

Air Canada is evaluating new goals taking into consideration the impact of the COVID-19 pandemic. This may include developing solutions for changes in waste streams as a result of the pandemic, reducing single-use plastics onboard, and working across departments at Air Canada to re-evaluate the way waste is generated, disposed of and tracked across all lines of business.

Contributing to Biodiversity

Air Canada is dedicated to combatting the illegal wildlife trade and to raising awareness on the issue and its consequences. In addition to threatening ecosystems, illegal wildlife trade can play a key role in spreading zoonotic diseases, therefore, fighting illegal wildlife trade is also important in preventing pandemics of zoonotic origin. Through IATA's MOU with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Air Canada assists in the implementation of CITES within its operations. As such, we do not permit carriage of species covered by CITES unless the shipper certifies that the species is carried under a government issued CITES permit. Air Canada also has an embargo on the carriage of shipments of lion, leopard, elephant, rhinoceros, and water buffalo trophies, of shark fins and of non-human primates intended for laboratory research and/or experimental purposes.

In June 2020, Air Canada signed the Buckingham Palace Declaration, a landmark agreement of 11 commitments designed to remove the vulnerabilities in transportation and stop the illegal wildlife trade. On September 30, 2020, Air Canada also became Illegal Wildlife Trade (IWT) certified — the first airline in all the Americas to achieve this industry standard. Introduced in 2019 by IATA, the IWT certification demonstrates that an airline has incorporated into its operations the 11 commitments of the United for Wildlife Buckingham Palace Declaration.

In March 2021, Air Canada hosted a virtual forum on Illegal Wildlife Trade (IWT) in Canada's transportation industry with over 250 participants. As the country's largest airline, Air Canada's goal was to raise awareness about the illegal wildlife trade in Canada and around the world.

Air Canada continues to look for new opportunities to collaborate with industry partners and organizations to support the fight against the illegal wildlife trade. More recent collaborations included an awareness campaign with the Edmonton International Airport, also a signatory to the Buckingham Palace Declaration, and a member-to-member webinar with the Canadian International Freight Forwarder Association (CIFFA).

FINANCIAL OVERVIEW

As discussed in the section entitled "Strategy" of this AIF, Air Canada has been significantly impacted by the COVID-19 pandemic which resulted in a decline in its financial results compared to the period prior to the pandemic. The table below sets forth certain of Air Canada's financial results for the years 2019 through to 2021:

(Canadian dollars in millions)	**2021**	**2020**	**2019**
Passenger revenue	$ 4,498	4,382	17,232
Cargo revenue	1,495	920	717
Other revenue	407	531	1,182
Total operating revenues	**6,400**	**5,833**	**19,131**
Total operating expenses	**9,449**	**9,609**	**17,481**
Operating income (loss)	**(3,049)**	**(3,776)**	**1,650**
Non-operating income (expense)	(932)	(1,077)	125
Income (loss) before income taxes	**(3,981)**	**(4,853)**	**1,775**
Income tax recovery (expense)	379	206	(299)
Net income (loss)	**$ (3,602)**	**(4,647)**	**1,476**

(1) Air Canada began consolidating Aeroplan's financial results on January 10, 2019, the date of its acquisition of Aeroplan.

The table below sets forth the proportions of passenger revenues derived from domestic, transborder and international services of Air Canada for the years 2019 through to 2021:

(in percent)	**2021**	**2020**	**2019**
Domestic	46%	37%	30%
Transborder	17%	19%	22%
International	37%	44%	48%
Total	**100%**	**100%**	**100%**

Prior to the onset of the COVID-19 pandemic, Air Canada had been focused on growing Sixth Freedom traffic through its world-class hub in Toronto and its strong international gateways in Montréal and Vancouver. The further development of the airline's Sixth Freedom strategy is an important element of Air Canada's recovery plan.

Air Canada's objective is to increase global international-to-international connecting Sixth Freedom traffic through its major Canadian hubs. Prior to the pandemic, the domestic and transborder markets had experienced continued growth in connecting traffic via Canada to international destinations.

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

For additional information on Air Canada's financial results for 2021, refer to Air Canada's consolidated financial statements for the year ended December 31, 2021, and Air Canada's 2021 MD&A, both of which are available on SEDAR at **sedar.com** or on Air Canada's website at **aircanada.com**.

SIGNIFICANT FINANCING TRANSACTIONS

Air Canada entered into the following significant financing transactions from 2019 through to the date of this AIF:

In 2021:

- In January 2021, the underwriters of the public offering completed in December 2020, exercised their over-allotment option to purchase an additional 2,587,000 Shares at a price of $24 per Share, for gross proceeds of $62 million.

- In February 2021, Air Canada extended its US$600 million revolving credit facility which was part of its 2016 Credit Facility (described in this paragraph) by one year to April 2024. The 2016 Credit Facility was comprised of a US$600 million term loan B facility, maturing in 2023, and a US$600 million syndicated secured revolving credit facility expiring in 2024. In August 2021, the 2016 Credit Facility was repaid in connection with a series of financing transactions described below.

- In February 2021, Air Canada extended its $200 million revolving credit facility by one year to December 2023. In August 2021, it was further extended until December 2024 and was repaid in August 2021. It remained undrawn as of December 31, 2021.

- On April 12, 2021, Air Canada entered into a series of debt and equity financing agreements with the Government of Canada (acting through Canada Enterprise Emergency Funding Corporation) which allowed Air Canada to access up to $5.879 billion in liquidity through the Large Employer Emergency Financing Facility (LEEFF) program. In November 2021, Air Canada withdrew from further Government of Canada financial support, having only accessed the facility solely dedicated to paying refunds for customers' non-refundable tickets. None of the $3.975 billion available under the secured and unsecured credit facilities was ever drawn and, under the terms of its agreement with the government, Air Canada was entitled to terminate them at any time without penalty and has done so. As consideration for the Government making these credit facilities available, Air Canada issued 14,576,564 warrants initially exercisable for the purchase of an equal number of Air Canada shares, at an exercise price of $27.2698 per share during a 10-year term. Half of the warrants vested upon the implementation of the credit facilities while the remaining half would have vested on a proportional basis to the amounts that Air Canada would have drawn under the above unsecured credit facilities. With the termination of the operating credit facilities, the unvested warrants were cancelled. The warrants were subject to a one-time call right in favour of Air Canada, to repurchase for cancellation all outstanding warrants at a price per warrant equal to their fair market value. Air Canada exercised its call right on the vested warrants, repurchasing and cancelling these warrants in January 2022 at a price of about

$82 million, which is equivalent to the carrying value of the vested warrants as at December 31, 2021. Additional details on these agreements are provided in the "2021Highlights" section of Air Canada's 2021 MD&A.

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

- On August 11, 2021, Air Canada closed a private offering of $2.0 billion of 4.625% senior secured notes due 2029 (the "Canadian Dollar Notes") and US$1.2 billion of 3.875% senior secured notes due 2026 (the "US Dollar Notes", and together with the Canadian Dollar Notes, the "Notes"). Air Canada also closed a US$2.9 billion new senior secured credit facility, consisting of a US$2.3 billion new term loan B maturing in 2028 (the "Term Loan"), together with a new undrawn US$600 million revolving credit facility now maturing in August 2025 (the "Revolving Facility" and, together with the Term Loan, the "Senior Secured Credit Facilities"). Air Canada received aggregate gross proceeds of approximately $7.1 billion from the sale of the Notes and from the Senior Secured Credit Facilities. Air Canada applied the proceeds from the sale of the Canadian Dollar Notes, together with the proceeds from the Term Loan, to (i) satisfy and discharge all of Air Canada's outstanding $200 million aggregate principal amount of its 4.75% senior secured notes due 2023 and redeem all of Air Canada's outstanding $840 million aggregate principal amount of its 9.00% second lien notes due 2024, (ii) repay all of Air Canada's US$1,178 million of indebtedness outstanding under the 2016 Credit Facility and (iii) satisfy applicable transaction costs, fees and expenses. The balance of the proceeds is being retained for working capital and other general corporate purposes. The Revolving Facility was undrawn as of December 31, 2021, and any future borrowings thereunder are also intended to fund working capital and other general corporate purposes.

- In 2021, Air Canada received a financing commitment for 15 Airbus A220-300 aircraft deliveries, which is expected to be fully utilized in 2022 and refinanced the 2013-1 Enhanced Equipment Trust Certificates ("EETC") Class B equipment notes.

In 2020:

- In March 2020, Air Canada drew down its US$600 million revolving credit facility which was part of its 2016 Credit Facility and its $200 million revolving credit facility for aggregate net proceeds of $1,027 million. The $200 million revolving credit facility was secured by certain designated aircraft and spare engines. Both facilities were repaid in August 2021 in connection with the series of financing transactions described above.

- In June 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of $16.25 per share, for aggregate gross proceeds of $576 million, and a concurrent private placement of convertible senior unsecured notes due 2025 for aggregate gross proceeds of US$748 million ($1,011 million).

- In June 2020, Air Canada completed a private offering of $840 million aggregate principal amount of 9.00% Second Lien Secured Notes due 2024, which were sold at 98% of par. These notes were discharged and satisfied in August 2021.

- In June 2020, Air Canada completed a private offering of one tranche of Class C EETCs with a combined aggregate face amount of approximately US$316 million ($426 million), which were sold at 95.002% of par.

- In September 2020, Air Canada concluded a private offering of two tranches of EETCs, the proceeds of which were used to purchase equipment notes issued by Air Canada and secured by three Boeing 787-9 aircraft, three Boeing 777-300ER aircraft, one Boeing 777-200LR and nine Airbus A321-200 aircraft. The two tranches of certificates have a combined aggregate face amount of US$553 million ($740 million) and a weighted average interest rate of 5.73%. Air Canada used the proceeds from this financing together with cash on hand to repay in full a US$600 million ($803 million) 364-day term loan originally put in place in April 2020.

- In September 2020, Air Canada concluded a committed secured facility totaling $788 million to finance the purchase of its first 18 Airbus A220 aircraft. As aircraft were financed under this facility, a bridge financing of $788 million put in place in April 2020 was repaid concurrently. At December 31, 2021, the 18 Airbus A220 aircraft were financed under this facility with the corresponding bridge financing repaid.

- In October 2020, Air Canada completed sale and leaseback transactions for nine Boeing 737 MAX 8 aircraft for total proceeds of US$365 million ($485 million). The nine aircraft were delivered to Air Canada in the past three years.

- In December 2020, Air Canada concluded an underwritten public offering of 35,420,000 Class A variable voting shares and/or Class B voting shares of Air Canada at a price of $24 per share, for aggregate gross proceeds of $850 million.

In 2019:

- In November 2019, Air Canada completed a third repricing of its 2016 Credit Facility, reducing the interest rate by 25 basis points, to an interest rate of 175 basis points over LIBOR (no LIBOR floor). The 2016 Credit Facility was repaid in August 2021.

- In November 2019, Air Canada completed the extension of its $200 million revolving credit facility by one year to December 18, 2022.

RATINGS

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

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

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

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

Air Canada Corporate Credit Ratings

Rating Agency	Rating	Rank
Moody’s	Ba3 negative	13/21
Standard & Poor’s	B+ negative	14/22
Fitch	B+ stable	14/21

Ratings for Air Canada Long-Term Debt

Senior Secured Debt (First Lien)

Rating Agency	Rating	Rank
Moody’s	Ba2	12/21
Standard & Poor’s	BB-	13/22
Fitch	BB	12/21

Ratings for Air Canada Enhanced Equipment Trust Certificates (EETC)

EETC 2013-1		
Rating Agency	**Rating** (Rank) **A tranche**	**Rating** (Rank) **B tranche**
Moody’s	Baa3 (10/21)	Ba3 (13/21)
Standard & Poor’s	BB+ (11/22)	BB- (13/22)
Fitch	BBB (9/21)	BBB- (10/21)

EETC 2015-1		
Rating Agency	**Rating** (Rank) **A tranche**	**Rating** (Rank) **B tranche**
Standard & Poor’s	A (6/22)	BBB- (10/22)
Fitch	A (6/21)	BBB (9/21)

EETC 2015-2			
Rating Agency	**Rating** (Rank) **AA tranche**	**Rating** (Rank) **A tranche**	**Rating** (Rank) **B tranche**
Moody’s	A3 (7/21)	Baa2 (9/21)	Ba1 (11/21)
Standard & Poor’s	A+ (5/22)	BBB+ (8/22)	BB (12/22)

EETC 2017-1			
Rating Agency	Rating/Rank AA tranche	Rating/Rank A tranche	Rating/Rank B tranche
Moody's	A3 (7/21)	Baa2 (9/21)	Ba1 (11/21)
Fitch	AA- (4/21)	A (6/21)	BBB (9/21)

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

EETC 2020-1	
Rating Agency	Rating/Rank C tranche
Moody's	Ba3 (10/22)
Standard & Poor's	B+ (14/22)

EETC 2020-2		
Rating Agency	Rating/Rank A tranche	Rating/Rank B tranche
Standard & Poor's	A (6/22)	BBB- (10/22)
Fitch	A- (7/22)	BBB- (10/22)

General Note Regarding Long-Term Debt Securities

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

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

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

Moody's Rating Explanation

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

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

Standard & Poor's Rating Explanation

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

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

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

Fitch Rating Explanation

Rating	Explanation
AAA	Highest Credit Quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA	Very High Credit Quality. 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High Credit Quality. 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good Credit Quality. 'BBB' ratings indicate that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative. 'BB' ratings indicate an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B	Highly Speculative. 'B' ratings indicate that material credit risk is present.
CCC	Substantial Credit Risk. 'CCC' ratings indicate that substantial credit risk is present.
CC	Very High Levels of Credit Risk. 'CC' ratings indicate very high levels of credit risk.
C	Exceptionally High Levels of Credit Risk. 'C' indicates exceptionally high levels of credit risk.

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

PENSION PLAN ARRANGEMENTS

Air Canada maintains several defined benefit pension plans, including domestic registered pension plans, supplemental pension plans and pension plans for foreign employees. Air Canada also sponsors several defined contribution pension plans and contributes to some multi-employer pension plans. In addition, Air Canada has plans providing other retirement and post-employment benefits to its employees.

On a preliminary basis, at January 1, 2022, the aggregate solvency surplus in Air Canada's domestic registered pension plans was estimated to $4.7 billion. The final valuations will be completed in the first half of 2022. As permitted by legislation and subject to applicable plan rules, amounts in excess of 105% on a solvency basis may be used to reduce current service contributions under the defined benefit component or to fund the employer contribution to a defined contribution component within the same pension plan.

Total employer defined benefit pension funding contributions (including international and supplemental plans) amounted to $91 million in 2021 and are forecasted to be $90 million in 2022.

After taking into account the surplus in the defined benefit components which was used to fund the employer contribution to a defined contribution component within the same pension plan, total employer contributions for the defined contribution plans and multi-employer plans amounted to $23 million in 2021. Similarly, considering the available surplus in the defined benefit components which may be used to fund the employer contribution to a defined contribution component within the same pension plan, total employer contributions for the defined contribution plans and multi-employer plans are forecasted to be $36 million in 2022.

At December 31, 2021 approximately 75% of Air Canada's pension assets were invested in fixed income instruments to mitigate a significant portion of the interest rate (discount rate) risk. Air Canada seeks to maintain a high percentage of long-term fixed income products to hedge pension liabilities.

In July 2009, the Government of Canada approved pension funding relief pursuant to the Air Canada Pension Plan Funding Regulations, 2009 (the 2009 Regulations) which were since repealed. The 2009 Regulations were adopted in coordination with pension funding agreements (the Pension MOU) reached with Air Canada's Canadian-based unions and a consultation process with its retirees and non-unionized workforce. Pursuant to the Pension MOUs, on October 26, 2009, Air Canada issued, to a trust (the Trust), 17,647,059 Class B voting shares. The Trust provides that the net proceeds of any sales of such shares by the Trust are to be contributed to the pension plans. For so long as the Trust continues to hold at least 2% of Air Canada's issued and outstanding shares, the trustee will have the right to designate one nominee to the Board of Directors (who shall not be a member or officer of any of Air Canada's Canadian-based unions), subject to completion by Air Canada of its usual governance process for selection and confirmation of director nominees. In late 2021, a letter of intent was agreed to by Air Canada's Canadian based unions to permit certain other uses of proceeds of shares in Trust. If all conditions are met to consummate the transactions contemplated by the letter of intent, shares in the trust would be gradually sold over a period of up to 15 years with the net proceeds from the sales used to make lump sum payments to Canadian pensioners and to fund voluntary separation packages for senior unionized employees and non-executive employees, and the right to designate one nominee for election to the Board of Directors of Air Canada shall continue until the earlier of (i) January 1, 2030, or (ii) the date that Air Canada shares in Trust represent 2% or less of the issued and outstanding shares of Air Canada.

AIRCRAFT FLEET

For information relating to Air Canada's fleet and fleet plans as at December 31, 2021, refer to section 8 "*Fleet*" of Air Canada's 2021 MD&A, which section is incorporated into the AIF by this reference.

On March 13, 2019, Transport Canada issued a safety notice closing Canadian airspace to Boeing 737 MAX aircraft. Following Transport Canada's Airworthiness Directive leading to the lifting of the safety notice, on January 20, 2021, the aircraft ungrounding in other jurisdictions, and Air Canada's own independent assessments of the aircraft and operating procedures by its specialized safety and flight operations experts, Air Canada resumed Boeing 737 MAX 8 commercial operations on February 1, 2021.

As a result of the COVID-19 pandemic, Air Canada permanently retired older aircraft from its passenger fleet, consisting of certain Boeing 767, and Airbus A320 family aircraft and all its Embraer 190 regional jets. Their retirement reduced Air Canada's cost structure, simplified the airline's overall fleet, and lowered its carbon footprint.

In January 2022, Air Canada elected to proceed with the purchase of an additional ten Airbus A220 aircraft, in addition to the two A220 aircraft that were added in 2021. These twelve aircraft are those that Air Canada had previously determined it would no longer be purchasing under an amendment to the purchase agreement concluded with Airbus in November 2020. Planned deliveries for the twelve aircraft are: six in 2024, and six in 2025. In October 2021, Air Canada reached an agreement with Boeing to accelerate the delivery of four Boeing 737 MAX 8 aircraft into the fourth quarter of 2021, for a total of seven deliveries in 2021. The remaining nine Boeing 737 MAX 8 aircraft are expected to be delivered by the end of the second quarter of 2022, reaching a total of 40 Boeing 737 MAX 8 aircraft in the narrow-body fleet.

In 2021, Air Canada announced it had exercised options for the purchase of three Boeing 787-9 aircraft which are scheduled to be delivered in 2022 and in 2023. Air Canada has no additional purchase options for Boeing 787 aircraft.

EMPLOYEES AND ARRANGEMENTS WITH UNIONS

In 2020, as a result of the COVID-19 pandemic, Air Canada completed a workforce reduction which significantly decreased the number of full-time equivalent employees, as illustrated below. The workforce reduction was achieved through layoffs, terminations of employment, voluntary separations, early retirements, and special leaves. In January 2021, Air Canada announced another workforce reduction of approximately 1,700 employees.

By December 31, 2021, Air Canada had recalled more than 10,000 employees that were previously placed on layoff status in 2020 due to the impact of the COVID-19 pandemic.

The following table provides a breakdown of Air Canada's average full-time equivalent ("FTE") employees for the years 2019 through 2021 together with the unions that represent them.

Employee Group	Union (1)	2021	2020	2019
Management and Administrative Support	n/a (2)	4,224	4,518	5,553
Pilots	ACPA	3,076	3,490	3,733
Flight Attendants	CUPE	3,594	3,948	8,497
Customer Sales, Service Agents and Flight Dispatchers	Unifor/IBT/CALDA	3,115	3,345	5,461
Technical Services, Ramp and Cargo	IAMAW	5,416	5,425	9,166
United Kingdom Unionized Employees	UNITE	115	122	180
Other Unionized	Various	229	265	313
Total		**19,769**	**21,113**	**32,903**

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

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

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

- ACPA (Pilots) – In 2014, Air Canada and ACPA, representing pilots, ratified a new contract providing collective agreement terms for 10 years, ending September 29, 2024, subject to certain renegotiation provisions and benchmarks over this period. In 2017 and 2021, Air Canada and ACPA ratified amendments to their existing long-term labour agreement. The amendments provide additional commercial opportunities as well as increased operational flexibility.

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

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

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

- Unifor (Customer Service and Sales Agents) – In 2020, Air Canada and Unifor, representing the airline’s customer service and sales agents, concluded a new contract providing collective agreement terms for six years, ending February 26, 2026. In 2019, Air Canada concluded an agreement with Unifor representing agents working in the Aeroplan customer service function.

- International Brotherhood of Teamsters (IBT) – In 2019, Air Canada and IBT, representing airport, cargo and call centre employees in the U.S., concluded a new contract providing collective agreements terms for 10 years, ending June 30, 2029.

- UNITE – In 2016, Air Canada and UNITE, representing U.K.-based employees, concluded a new contract providing collective agreements terms for 10 years, ending December 31, 2026.

FACILITIES

Air Canada owns or leases facilities in major airports and certain cities consisting of offices, hangar space, aircraft maintenance and ground handling facilities. The following describes the principal properties owned or leased by Air Canada as at December 31, 2021:

Principal Properties	Description	Square Footage	Nature of Right
Montréal – Air Canada Centre Headquarters	Head office and training facilities	257,820	Owned facilities on leased land
Montréal Trudeau Airport – Maintenance Base	Offices, computer centre, aircraft maintenance, hangars, workshops and training facilities	1,102,284	Owned facilities on leased land

Montréal Downtown	Offices (including leased space for ACV and TCC)	183,625	Leased
Toronto Pearson Airport - Terminal Building	Counters, offices, lounges, passenger and baggage handling facilities	191,216	Leased
Toronto Pearson Airport - Maintenance Base	Offices, hangars, workshops and flight simulator building	843,563	Owned facilities on leased land
Toronto Pearson Airport	Offices, workshops, training and equipment storage	279,565	Leased
Toronto - Cargo Facility and Equipment Maintenance	Offices, cargo and equipment maintenance facilities	472,247	Leased
Brampton, Ontario SOC Building	Systems Operations Control	79,646	Owned facility on owned land
Downtown Toronto	Offices	77,921	Leased
Vancouver - Technical Operations Centre	Offices, hangars, workshops and technical services	1,087,985	Owned facilities on leased land
Vancouver - South Hangar	Offices, hangars, workshops, stores	131,626	Owned facilities on leased land
Calgary International Airport	Hangar, commissary, ground support equipment and warehouse	216,089	Owned facilities on leased land
Winnipeg - Air Canada Building	Offices and computer centre	394,650	Owned facility on owned land
Winnipeg Airport - Maintenance Base	Offices, aircraft maintenance hangars and workshops	271,466	Owned facilities on leased land

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

TRADEMARKS

Air Canada believes that its branding, including its trademarks, add value and are important to its competitive position. Air Canada is Air Canada's trade name and trademark. Other Air Canada trademarks include Air Canada Express®, the Air Canada Jetz logo®, Air Canada Jazz®,

Jazz®, Air Canada Vacations®, Vacances Air Canada ®, Skyriders®, Aéronautes®, the Air Canada Maple Leaf logo®, le logo de la feuille d'érable®, Maple Leaf Lounge™, salon Feuille d'érable ™, Air Canada Rouge®, Rivo™ and related design marks. Trademarks of Aeroplan include Aeroplan®, Aeronote®, Aero Platinum®, Aérogold®, Points Predictor Tool ™ and Aeroplan Elite™. Air Canada has granted Jazz a license to use Air Canada Express®, Rapidair®, Air Canada Jazz®, Jazz®, Air Canada®, the Air Canada logo®, and other trademarks in Canada and the United States in association with the provision of scheduled airline services in regions of Canada and across the Canada-United States border on behalf of Air Canada. Air Canada seeks to protect its proprietary and sensitive commercial information and intellectual property rights through a variety of means, including, as applicable, through registrations, confidentiality and other contract provisions, policies, restrictions and monitoring of access and other means.

REGULATORY ENVIRONMENT

The airline industry is subject to extensive legal, regulatory and administrative controls and oversight, including in relation to taxes, airport fees and operations, route rights, airport slots, security, passenger and consumer rights, public health and safety (including in light of the COVID-19 pandemic), accessibility of transportation, flight crew and other labour rules, privacy, data security, marketing and advertising, licensing, competition, pensions, environment (including noise levels and carbon emissions), customs, immigration, foreign exchange controls and, in some measure, pricing. Below is a discussion of certain domestic and international laws and regulations affecting Air Canada as well as certain proposed laws and regulations that may in the future affect Air Canada. Air Canada cannot predict whether or when such laws or regulations (whether as proposed or as they may be amended) will come into force.

Canada

Introduction

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

Transportation Modernization Act

On May 23, 2018, *An Act to amend the Canada Transportation Act and other Acts respecting transportation and to make related and consequential amendments to other Acts* ("Transportation Modernization Act") received royal assent. Among other things, the Transportation Modernization Act amended the *Canada Transportation Act* to require the Canadian Transportation Agency to establish a passenger rights regime and created a new process for approving international joint ventures in the airline industry taking into account competitive effects as well as broader public interest considerations. The new joint venture review process came into effect in 2019. *The Transportation Modernization Act* also increased foreign ownership limits in Canadian airlines from

25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian carrier. At its 2019 annual and special meeting of shareholders, Air Canada received shareholder approval for a plan of arrangement under section 192 of the *Canada Business Corporations Act* to effect amendments to Air Canada's restated articles of incorporation to align the restrictions on the level of non-Canadian ownership and voting control with those prescribed by the definition of "Canadian" in the *Canadian Transportation Act*. The Québec Superior Court subsequently issued a final order approving this plan of arrangement and Air Canada's amended articles were filed and became effective on May 8, 2019. Additional information on Air Canada's Shares and ownership limits is available in the section entitled "*Description of Capital Structure"* of this AIF.

Air Passenger Protection Regulations

Air Passenger Protection Regulations were brought into effect in two phases, the first on June 15, 2019 and the second on December 15, 2019, and are stated to govern flights to, from and within Canada, including connecting flights, and specify a carrier's obligations in the case of flight delay, cancellation or denial of boarding, as well as minimum standards of treatment, compensation and assistance in completing the planned itinerary. The regulations prescribe minimum compensation for lost or damaged baggage, obligations with respect to delays over three hours where an aircraft is on the tarmac, and a carrier's obligation to seat young children near a parent, guardian or tutor. There is currently no obligation in these regulations for carriers to refund passengers for disruptions outside of their control. In December 2020, the Minister of Transport made an order, directing the Canadian Transportation Agency to develop a new regulation that will apply to flights that are cancelled for reasons outside an air carrier's control, such as a pandemic, where it is not possible for the carrier to complete the passenger's itinerary within a reasonable timeframe. Draft regulations were published in Canada Gazette, Part 1 on July 3, 2021, and the consultation period closed on October 1, 2021. Final regulations have not been published at this time. In the context of its financing arrangement with the Government of Canada to support refunds of non-refundable fares, Air Canada agreed to refund customers' non-refundable fares for cancellations that occurred since the start of the pandemic until April 13, 2021, under certain conditions, and on a going forward basis, for tickets purchased after April 13, 2021 for disruptions outside its control.

Accessible Transportation for Persons with Disabilities Regulations

The Canadian Transportation Agency's *Accessible Transportation for Persons with Disabilities Regulations* (the "Accessible Transportation Regulations") generally require, among other obligations, that airlines such as Air Canada (i) provide aircraft that are accessible by complying with specific requirements, (ii) meet communication needs of travellers with disabilities and (iii) provide accessible services. The stated purpose of these regulations is to create a single comprehensive set of accessible transportation regulations in Canada. Most of the over 200 provisions of the Accessible Transportation Regulations are now in force. Certain more complex provisions (such as requirements for the accessibility of airport self-serve kiosks) are scheduled to be in force in 2022.

U.S. Transborder Services

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

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

International Services

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

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

Transport Canada’s international air transportation policy, called Blue Sky, includes a more liberalized approach to Canada's bilateral air transportation negotiations. Under this policy, when it is in Canada’s overall interest, Transport Canada will proactively pursue opportunities to negotiate more liberalized agreements for international scheduled air transportation, in order to provide maximum opportunities for the addition of passenger and all-cargo services according to market conditions. In 2008, Canada concluded negotiations with the European Union on a comprehensive air transport agreement. That agreement includes, among other things, unrestricted direct air services between Canada and European Union member states, flexible pricing arrangements, increased flexibility on code sharing and improved flexibility on cargo services. These rights and others contained in this air transport agreement were made available, on a provisional basis, since December 18, 2009. On May 16, 2019, the *Agreement on Air Transport Between Canada and the European Community and its Member States* entered into force. On December 31, 2020, aligned with the United Kingdom’s exit from the European Union, Canada and the United Kingdom implemented a bilateral air transport agreement ensuring the continued operation of air services.

Charter Services

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

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

Carbon Emissions

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

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

<u>Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation</u>

In 2012, the Government of Canada and the Canadian aviation industry, through its representative aviation sector associations, collectively developed and adopted *Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation*, which is a voluntary action plan that sets an aspirational goal to improve fuel efficiency from a 2005 baseline by an average annual rate of 2% per year until 2020 (the "Voluntary Action Plan"). The Voluntary Action Plan forms the basis for the Government of Canada's response to the International Civil Aviation Organization's ("ICAO") Assembly Resolution A37-19, which encouraged member states to submit national action plans setting out measures each state is taking or will take to address aviation emissions. It also supports the aspirational goal for international aviation of carbon neutral growth from 2020 onwards and absolute greenhouse gas emission reductions of 50%, relative to 2005 levels by 2050.

In 2015, the Voluntary Action Plan underwent its three-year review by all parties to the plan. The parties to the Voluntary Action Plan agreed to adopt a global industry-recognized fuel efficiency target of a 1.5% annual average improvement between 2008 and 2020 as a more realistic goal for the Canadian industry. The principal measures for the industry to achieve this target are technology improvements through fleet renewals and upgrades and sustainable aviation fuels, more efficient air operations, and improved infrastructure such as air traffic management efficiency improvements. Between 2008 and 2018, the Canadian aviation sector reached an average annual improvement rate of 2%, which exceeded the Voluntary Action Plan's target of 1.5%. Due to the impact of the COVID-19 pandemic, the 2019 and 2020 Voluntary Action Plan reports to be published by Transport Canada were delayed. As the original Voluntary Action Plan timeline was scheduled to conclude by the end of 2020, Transport Canada and industry members signatory to the Voluntary Action Plan agreed to extend it to 2021. A new Canadian Action Plan is expected to be developed and agreed upon by the parties in 2022.

By joining the International Aviation Climate Ambition Coalition launched in November 2021 at the 26th UN Climate Change Conference of the Parties ("COP26"), Canada committed to prepare up-to-date state action plans detailing ambitious and concrete national actions to reduce aviation emissions and submit these plans to ICAO in advance of the 41st ICAO Assembly scheduled from late September to early October 2022. Signatory countries are also expected to support calls for an agreement on an ambitious long-term aspirational goal at the 41st ICAO Assembly in 2022, continued support and strengthening of CORSIA (discussed below), and for increasing the deployment of sustainable aviation fuels.

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

The International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), adopted in 2016, includes emissions from international flights. Under CORSIA, any growth in emissions beyond the applicable baseline year will be offset by the emitters (airlines) through the acquisition and remittance of carbon offsets or the use of sustainable aviation biofuels. Transport Canada is addressing the implementation of CORSIA through amendments to the *Canadian Aviation Regulations* ("CARs"), and carbon offsetting obligations under the amended CARs became effective January 1, 2021.

The baseline year was initially set to be based on 2019 and 2020 emissions, however, due to the impact of the COVID-19 pandemic, the baseline year has been changed to 2019 for the first compliance period (2021–2023). Consequently, airlines will likely start incurring CORSIA obligations once the aviation industry, as a whole, returns and exceeds its 2019 emission levels.

On the basis of CORSIA, the European Parliament and Council has continued exempting flights between Europe and third countries from the European Union Emissions Trading System ("ETS"). However, in 2021, the European Commission published the 'Fit for 55 Package' bringing together regulatory amendments and new regulatory proposals to deliver the European Green Deal. Specific to amendments to the EU ETS, non-EU airlines flying intra-EU routes may be subject to EU ETS and CORSIA, while EU airlines would only be subject to EU ETS. Furthermore, the European Commission is also proposing to re-introduce EU ETS from 2027 for international flights between Europe and other countries that would not have volunteered for CORSIA or to all third countries if ICAO decides to exclude 2020 emissions from CORSIA's baseline for CORSIA's third phase (2027-2035).

Greenhouse Gas Pollution Pricing Act

In 2016, the Government of Canada proposed a pan-Canadian benchmark for carbon pricing to be implemented in all Canadian jurisdictions. The *Greenhouse Gas Pollution Pricing Act* received Royal Assent on June 21, 2018, as a part of Bill C-74 and covers emissions from intra-provincial flights. Under the act, effective on April 1, 2019, the Government of Canada set a minimum CO_2 price of $20 per tonne for 2019, rising annually by $10 to $50 per tonne by 2022 ("Benchmark Pricing"), applicable to all fossil fuels (including jet fuel and other fuels used in ground operations and stationary combustion equipment).

In December 2020, as part of its release of *A Healthy Environment and A Healthy Economy Plan*, the Government of Canada announced a gradual increase in the federal carbon tax on fuels by $15 a tonne each year from 2022 to 2030, reaching $170 a tonne in 2030.

The Government of Canada, recognizing the need for a national approach to cover inter-jurisdictional flights, indicated it will engage in discussions with provincial and territorial governments and stakeholders to determine how to address inter-jurisdictional aviation emissions. In the meantime, the Benchmark Pricing will only apply to jet fuel used in intra-jurisdictional flights in jurisdictions that do not have a carbon system in place. The Canadian government has indicated that it will not seek to apply the Benchmark Pricing in jurisdictions that have a carbon system in place.

Clean Fuel & Low Carbon Fuel Regulations

The Government of Canada published the proposed *Clean Fuel Regulations,* formally known as the *Clean Fuels Standard*, for the liquids class on December 18, 2020. Final regulations are expected to be published in spring 2022 and scheduled to come into force December 1, 2022. The proposed *Clean Fuel Regulations* would require liquid fossil fuel primary suppliers (i.e., producers and importers) to reduce the carbon intensity of the liquid fossil fuels they produce in and import into Canada by 2.4 gCO_2e/MJ in 2022 from 2016 CI reference levels, increasing to 12 gCO_2e/MJ in 2030. The proposed regulations would also establish a credit market whereby the annual CI reduction requirement could be met via specific credit-creating actions.

Conventional jet fuel has not been listed as required to achieve a carbon intensity target. Under Category 2, sustainable aviation fuel is indicated as eligible to generate compliance credits. Jet fuel was planned to be considered during the Phase II timeframe (solids and gaseous phases); however, the Government of Canada has indicated that they will no longer pursue the inclusion of solid and gaseous phase fuels in the *Clean Fuel Regulations.*

In 2021, the Government of British Columbia released a schedule for amendments to the Low Carbon Fuel Standard (LCFS) as part of its *CleanBC: Roadmap to 2030 plan*, which includes increasing the carbon-intensity reduction target from 20% to 30% by 2030, doubling BC biofuel production target to 1.3 by litres, per year and including aviation fuels by 2023. The initial documentation indicates that the LCFS would apply to jet fuel regardless of where it is used.

Official Languages Act (Canada)

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

On June 15, 2021, then Minister of Economic Development and Official Languages, supported by the President of the Treasury Board and the Minister of Justice and Attorney General of Canada, introduced Bill C-32, an *Act for the Substantive Equality of French and English*. Among other changes, Bill C-32 proposed to grant enhanced powers to the Commissioner of Official Languages and proposed to introduce new obligations for federally regulated companies. In August 2021, Federal elections were called, and Parliament was dissolved. Following the elections and the appointment of Cabinet, the Government has indicated that this Bill is a priority, and it is expected that it will be re-introduced.

Anti-Terrorism Legislation

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

Security

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

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

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

On June 21, 2019, *An Act respecting national security matters* (the "National Security Matters Act") received Royal Assent. The *National Security Measures Act* provides for certain amendments to be made to the *Secure Air Travel Act* and its regulations, which will be adopted and implemented by the Government of Canada in a phased approach. Effective September 2019, Phase 1 of the amendments modified the *Secure Air Travel Regulations* to further prescribe acceptable identification for travel, and clarified passenger identification verification requirements for air carriers. In the second and final phase, the amendments will authorize, among other things, the Minister of Public Safety to collect personal information from individuals for the purpose of issuing a unique identifier to assist with pre-flight identity verification. They will also authorize the Minister to collect information from air carriers and operators of aviation reservation systems about individuals who are on board or expected to be on board an aircraft for any flight prescribed by regulation for purposes of the "Passenger Protect Program" (sometimes referred to as the "no-fly list").

Safety

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

In February 2021, Air Canada successfully completed a process inspection with Transport Canada. The purpose of the process inspection was to verify that the Air Canada SMS is compliant with regulatory requirements and that Air Canada has the systems and processes defined, deployed and implemented to ensure ongoing compliance. Further, as a founding member of the Star Alliance® network, Air Canada is actively engaged in helping ensure that the Star Alliance® members, including Air Canada, are guided by best industry practices and enhanced safety performance. Air Canada has an established position on the ad hoc committee established through the Star Alliance safety committee leadership which is overseeing benchmarking and Safety Performance Indicator (SPI) development for all members. This work includes the capture of airline statistics but also depends on the use of digital flight data from Flight Data Monitoring (FDM) Programs as well as newer technology systems such as ADS-B. Additional non-regulated measures, such as the completion of Line Operations Safety audits, the establishment of an advanced Flight Data Monitoring programs, the implementation of Fatigue Risk Management programs and compliance with IATA, Operational Safety Audit standards are key examples where Air Canada is among those leading international safety efforts.

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

The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IATA members are IOSA registered and must remain registered to maintain their IATA membership. Air Canada and Air Canada Rouge participate in the IOSA audit process. Air Canada is required to successfully complete a biennial audit to remain a Star Alliance® member.

Privacy and Anti-Spam

As discussed in section 18 "*Risk Factors*" in Air Canada's 2021 MD&A, Air Canada is subject to proliferating and increasingly stringent domestic and foreign laws and regulations regarding privacy and cybersecurity.

Canada's federal private sector privacy legislation, the *Personal Information Protection and Electronic Documents Act* ("PIPEDA"), governs the collection, use, storage and disclosure of personal information including employee personal information by Air Canada. PIPEDA obligations to notify affected persons, report to relevant authorities and keep records of all breaches of personal information came into force as of 2018.

In 2020, the federal government tabled Bill C-11, the *Digital Charter Implementation Act*, proposing the creation of a new *Consumer Privacy Protection Act* ("CPPA") and *Data Protection Tribunal Act* to replace PIPEDA. The CPPA proposed enhanced consent standards and new rights for individuals and would require greater transparency on processing activities. It also proposed stronger enforcement measures, granting order-making powers to the Privacy Commissioner, and providing for significant fines and a private right of action for violations. In August 2021, Federal elections were called, and Parliament was dissolved.

As an international airline, Air Canada is subject to privacy and data protection laws in other jurisdictions, including the European Union's General Data Protection Regulation ("GDPR") which came into force on May 25, 2018 and which imposes a number of data protection and security requirements. Such requirements include conducting transfer impact assessments and implementing modernized standard contractual clauses or other approved transfer mechanisms when transferring personal data to jurisdictions whose privacy laws have not been deemed adequately protective. Other privacy regimes have also come into force or are being considered in other jurisdictions.

Air Canada is also subject to Canadian federal legislation known as "*Canada's Anti-Spam Law*" ("CASL"), which regulates if, when and how commercial electronic messages may be sent. This law also prohibits the installation of programs on a third-party computer without consent. A private right of action by individuals and organizations that claim to be affected by a violation of CASL was to come into effect in July 2017 but was postponed pending the outcome of the third anniversary parliamentary review mandated by the legislation. Although the review was completed, the private right of action has not come into force.

INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

As discussed in the section entitled "*Strategy*" of this AIF, the COVID-19 pandemic has been having a significant negative impact on the airline industry and on Air Canada, including its operations. The discussion below focuses on the airline industry and the competitive environment.

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

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

Domestic Market

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

Air Canada is Canada's largest domestic airline. Jazz is Canada's largest regional airline.

Competition in the domestic market is primarily from WestJet and Swoop which, in the last few years, have moved away from their low-cost and ultra-low-cost model to develop into a network carrier with a low-cost brand.

Porter Airlines Inc. ("Porter") is a regional passenger carrier based at and operating primarily from Billy Bishop Toronto City Airport in the eastern triangle market, Ontario, as well as into Atlantic Canada. Porter announced plans to expand introducing jet service, across Canada and into the U.S. from Eastern Canada (Toronto Pearson, Montreal, Ottawa).

Other airlines operating in the domestic market with which Air Canada competes include: Air Creebec, Canadian North, Central Mountain Air, Transat, First Air, Flair Airlines, Pacific Coastal Airlines, Pascan Aviation, Provincial Airlines, and to a lesser extent: Air North, Air Inuit, and Bearskin Airlines. New ultra-low-cost carriers, such as Lynx (formerly Enerjet) and Canada Jetlines have announced future service.

U.S. Transborder Market

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

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

Canadian carriers and low-cost carriers, including Swoop, Transat, Porter and Flair Airlines also operate U.S. transborder services and have further expanded these operations in 2021**.**

Given the easing of some of the Canada-U.S. border travel and entry restrictions put in place in the context of the COVID-19 pandemic, Air Canada began to rebuild its U.S. transborder operations starting in the third and fourth quarters of 2021.

International Market

Air Canada is the largest provider of scheduled passenger services in the international market to and from Canada and has a broad portfolio of international route rights.

Competition in the transatlantic, transpacific, and South American markets is primarily from foreign network carriers and, to a lesser extent, from charter carriers on higher-density routes during peak travel seasons. After a complete shutdown in the first half of the year, Transat resumed limited services to leisure destinations in Europe in August 2021. WestJet also resumed transatlantic operations in May 2021 using its new Boeing 787 fleet. The two carriers announced a code-share agreement for the transatlantic market, stating an expected implementation in 2022. U.S. network carriers also compete by flying Canadian passengers through their hubs to destinations in international markets.

Competition in the Mexico and Caribbean markets is mainly from WestJet and Canadian low-cost carriers and tour operators, such as Transat, Sunwing Airlines (“Sunwing”), Flair Airlines, and Swoop.

Prior to the COVID-19 pandemic, Air Canada Rouge provided Air Canada with the ability to compete more effectively against low-cost carriers serving international leisure destinations. In 2022, the Air Canada Rouge fleet will consist of narrow-body aircraft only and will primarily operate short and medium haul flights to leisure destinations in the Caribbean, the U.S., and Canada. As the COVID-19 pandemic recedes, Air Canada is rebuilding its transatlantic network, focused on hub-to-hub markets, VFR markets and leisure-focused European destinations, using mainline aircraft and supported by its commercial partnership with Lufthansa, and the Lufthansa Group carriers.

Air Canada has effective tools, processes, and other competitive attributes to profitably pursue international route opportunities. It has the capability and means to appreciably increase international-to-international traffic through its strategic international gateways in Toronto, Vancouver and Montréal.

Air Canada has the capability and means to broaden its network appeal through its membership in Star Alliance®, its revenue-sharing joint ventures, and through numerous codeshare and interline agreements. Furthermore, Air Canada has access to Canada’s wide portfolio of international route rights, and Canada’s multi-ethnic demographic profile provides the airline with further opportunities to profitably capture demand for international travel.

RISK FACTORS

For a description of risk factors associated with Air Canada and its business, refer to section 18 “*Risk Factors*” in Air Canada’s 2021 MD&A, which section is incorporated into the AIF by this reference.

MARKET FOR SECURITIES

The Variable Voting Shares and the Voting Shares trade on the TSX under a single trading symbol “AC”. The following table sets forth the price range and trading volume, on a combined basis, of the Variable Voting Shares and the Voting Shares as reported by the TSX for the months of January to December 2021.

	Variable Voting Shares and Voting Shares (AC)

	High		Low	Average Daily Trading Volume	Total Monthly Volume
January	$	24.35	19.37	4,682,508	93,650,156
February	$	26.51	19.73	4,592,063	87,249,196
March	$	31.00	25.41	4,996,803	114,926,459
April	$	28.49	22.70	4,059,685	85,253,379
May	$	27.86	23.80	3,425,728	68,514,560
June	$	29.17	25.11	3,332,720	73,319,834
July	$	27.41	23.02	2,632,176	55,275,689
August	$	25.45	23.25	2,240,422	47,048,861
September	$	24.75	22.30	2,692,659	56,545,844
October	$	24.85	22.03	2,698,174	53,963,484
November	$	26.80	20.52	3,542,079	77,925,729
December	$	22.49	19.31	2,947,788	61,903,548

TRANSFER AGENT AND REGISTRAR

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

DIVIDEND RECORD

The Corporation has not declared or paid dividends on its Voting Shares and Variable Voting Shares for any of the financial years ended December 31, 2021, 2020 and 2019.

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

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Air Canada comprises an unlimited number of Variable Voting Shares and Voting Shares. As at December 31, 2021, an aggregate of 82,897,507 Variable Voting

Shares and 274,944,350 Voting Shares were issued and outstanding for an aggregate amount of 357,841,857 Shares.

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

Class A Variable Voting Shares

Constraints on Ownership of Shares

The *CTA* requires that national holders of domestic, scheduled international and non-scheduled international licences, such as Air Canada, be "Canadian". In 2018, the Government of Canada passed the *Transportation Modernization Act* that amended, among other things, the definition of "Canadian" under section 55(1) of the *CTA* to increase foreign ownership limits in Canadian air carriers from 25% to 49%, provided that no single non-Canadian holds more than 25% of the voting interests and provided that non-Canadian air service providers do not, in the aggregate, hold more than 25% of the voting interests in a Canadian air carrier.

More specifically, the definition of "Canadian" under section 55(1) of the *CTA*, as amended by the *Transportation Modernization Act*, is as follows:

(a) a Canadian citizen or a permanent resident as defined in subsection 2(1) of the *Immigration and Refugee Protection Act*,

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

(c) a corporation or entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least 51% of the voting interests are owned and controlled by Canadians and where:

  (i) no more than 25% of the voting interests are owned directly or indirectly by any single non-Canadian, either individually or in affiliation with another person, and

  (ii) no more than 25% of the voting interests are owned directly or indirectly by one or more non-Canadians authorized to provide an air service in any jurisdiction, either individually or in affiliation with another person.

In 2019, Air Canada received court and shareholder approval for a plan of arrangement under section 192 of the CBCA to effect amendments to Air Canada's restated articles of incorporation to align its restrictions as to the level of non-Canadian ownership and voting control with those prescribed in the *CTA*. Air Canada's amended articles became effective on May 8, 2019.

The Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians. Each issued and outstanding Variable Voting Share shall be converted into one Voting Share, automatically and without any further act of the Corporation or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian.

Voting

Each Variable Voting Share confers the right to one vote unless:

(i) the number of Variable Voting Shares held by any single non-Canadian, either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of any single non-Canadian holder of Variable Voting Shares, either individually or in affiliation with any other person, 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 law or regulation of Canada and approved or adopted by the directors of Air Canada);

(ii) the number of Variable Voting Shares held collectively by one or more non-Canadians authorized to provide air service in any jurisdiction ("Non-Canadian Air Carrier"), either individually or in affiliation with any other person, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of one or more Non-Canadian Air Carrier holders of Variable Voting Shares, either individually or in affiliation with any other person, at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restriction in (i) above if required, exceeds 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada); or

(iii) the number of Variable Voting Shares, as a percentage of the total number of issued and outstanding voting shares of Air Canada, or the total number of votes that would be cast by or on behalf of holders of Variable Voting Shares at any meeting in relation to the total number of votes cast at such meeting and after the application of the voting restrictions in (i) and (ii) above if required, exceeds 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada).

If either of the thresholds in (i) or (ii) above would otherwise be exceeded at any time, the vote attached to each of their Variable Voting Shares will decrease proportionately and automatically without further act or formality such that the Variable Voting Shares held, as applicable, by any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, do not carry more than 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast, as applicable, by or on behalf of any single non-Canadian or by all Non-Canadian Air Carriers, either individually or in affiliation with any other person, at any meeting do not exceed 25% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting. For greater certainty, a single Non-Canadian Air Carrier would also constitute a single non-Canadian holder for purposes of the voting restriction in (i) above.

If the threshold in (iii) above would otherwise be exceeded at any time, the vote attached to each Variable Voting Share will decrease proportionately and automatically without further act or formality such that the Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the aggregate votes attached to all issued and outstanding voting shares of Air Canada and the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by law or regulation of Canada and approved or adopted by the directors of Air Canada) of the total number of votes cast at such meeting.

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

Each issued and outstanding Variable Voting Share is converted into one Voting Share, automatically and without any further act of Air Canada or of the holder, if (i) such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, or (ii) the provisions contained in the *CTA* relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

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

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

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

Class B Voting Shares

Voting

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

Dividends

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

Subdivision or Consolidation

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

Rights upon Liquidation, Dissolution or Winding Up

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

Conversion

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

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

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

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

Repurchase of Shares

Air Canada may be allowed, from time to time, to purchase Shares for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such repurchase would constitute an "issuer bid" under Canadian provincial securities legislation and would be conducted in accordance with the applicable requirements thereof. Any future decision to purchase Shares for cancellation will depend on Air Canada's financial condition, results of operations, capital requirements, restrictive covenants in contracts and such other factors as Air Canada's Board of Directors deems relevant. Agreements entered into in relation to the Notes, Term Loan and Revolving Facility, and certain obligations which survive the termination of the LEEFF program financing agreements with the Government of Canada, described in the section entitled "*Significant Financing Transactions*" of this AIF include restrictions with respect to Air Canada's ability to purchase Shares for cancellation.

In May 2019, Air Canada received approval from the TSX for the renewal of its normal course issuer bid for its Shares, authorizing, between May 31, 2019 and May 30, 2020, the purchase of up to 24,130,551 Shares, representing 10% of the public float as at May 17, 2019 ("Issuer Bid"). The renewal followed the conclusion of the 2018 normal course issuer bid which expired on May 30, 2019.

In May 2019, Air Canada renewed its automatic share purchase plan (the "Plan") with a designated broker to facilitate the purchase of Shares under the Issuer Bid at times when Air

Canada would ordinarily not be permitted to purchase its Shares due to regulatory restrictions or self-imposed blackout periods.

In response to the COVID-19 pandemic, in early March 2020, Air Canada suspended share purchases under its normal course issuer bid (which had received approval from the Toronto Stock Exchange for the renewal of its previous normal course issuer bid). Air Canada's normal course issuer bid and the Plan expired in May 2020 and were not renewed. As such, no Shares were purchased in the last three quarters of 2020.

In the first quarter of 2020, Air Canada purchased, for cancellation, a total of 2,910,800 Shares at an average cost of $43.76 per share for aggregate consideration of $127 million.

Air Canada Shareholder Rights Plan

On March 24, 2017, the Board of Directors adopted a shareholder rights plan (the "Rights Plan") in order to amend and restate the then existing shareholder rights Plan which was set to expire the day after the 2017 annual meeting of shareholders which was held May 5, 2017. The Rights Plan was ratified at the 2017 annual meeting of shareholders held May 5, 2017 to remain in effect until the close of business on the date of Air Canada's annual meeting of shareholders in 2020. The renewal of the Rights Plan was approved by the Board of Directors on May 4, 2020, approved by shareholders on June 25, 2020 and came into effect on June 26, 2020. The Rights Plan remains in effect until the close of business on the date on which the annual meeting of the shareholders of the Corporation is held in 2023 and can be renewed in accordance with its terms for an additional period of three years (from 2023 to 2026) provided that the Board of Directors and shareholders ratify such renewal at or prior to the annual meeting of shareholders to be held in 2023.

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

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

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

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

Air Canada Long-Term Incentive Plan

Certain of the Corporation's employees participate in the Air Canada Long-term Incentive Plan (the "Long-term Incentive Plan"). The Long-term Incentive Plan provides for the grant of options, performance share units and restricted share units to senior management and officers of Air Canada. 19,381,792 Shares are authorized for issuance under the Long-term Incentive Plan. As at December 31, 2021, after taking into account the issued and outstanding stock options, and after deducting stock options which have been exercised, 6,868,598 shares remained available for future issuance under the Long-term Incentive Plan. The outstanding performance share units and restricted share units will generally not result in the issuance of new Shares as these share units will be redeemed for Shares purchased on the secondary market (and not issued from treasury) and/or equivalent cash, at the discretion of the Corporation.

DIRECTORS AND OFFICERS

Directors

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

Name and Municipality of Residence	Principal Occupation	Director since
Amee Chande (1)(4) Los Altos, California	Corporate Director and Strategy Consultant	June 25, 2020
Christie J.B. Clark (1)(2) Toronto, Ontario	Corporate Director	June 27, 2013
Gary A. Doer (3)(4) Winnipeg, Manitoba	Corporate Director	April 30, 2018
Rob Fyfe (3)(4) Auckland, New Zealand	Corporate Director	September 30, 2017
Michael M. Green (3)(4) East Hampton, New York	Chief Executive Officer and Managing Director, Tenex Capital Management	March 30, 2009
Jean Marc Huot (2)(4) Montréal, Québec	Partner, Stikeman Elliott LLP	May 8, 2009
Madeleine Paquin (2)(4) Montréal, Québec	President and Chief Executive Officer, Logistec Corporation	May 12, 2015
Michael Rousseau Saint-Lambert, Québec	President and Chief Executive Officer, Air Canada	February 15, 2021

Name and Municipality of Residence	Principal Occupation	Director since
Vagn Sørensen (2)(5) London, United Kingdom	Corporate Director	November 15, 2006
Kathleen Taylor (1)(2)(3) Toronto, Ontario	Corporate Director	May 10, 2016
Annette Verschuren (1)(2) Toronto, Ontario	Chair and Chief Executive Officer, NRStor Inc.	November 12, 2012
Michael M. Wilson (1)(3)(6) Bragg Creek, Alberta	Corporate Director	October 1, 2014

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

Unless otherwise indicated below, each of the directors has held the occupation listed above for more than five years. Ms. Chande was Managing Director at Alibaba Group from 2015 to 2018 and Chief Commercial Officer for Waymo in 2019. Mr. Fyfe was Chief Executive Officer of Icebreaker from 2014 to 2017. Mr. Rousseau was Executive Vice President and Chief Financial Officer from 2007 to 2018 and Deputy Chief Executive Officer and Chief Financial Officer from 2019 to 2021.

Executive Officers

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

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

Name and Municipality of Residence	Position with Air Canada	Officer Since
Michael Rousseau Saint-Lambert, Québec	President and Chief Executive Officer	October 22, 2007
Marc Barbeau Mont-Royal, Québec	Executive Vice President and Chief Legal Officer	July 1, 2021
Lucie Guillemette Beaconsfield, Québec	Executive Vice President and Chief Commercial Officer	February 6, 2008

Name and Municipality of Residence	Position with Air Canada	Officer Since
Amos S. Kazzaz Saint-Laurent, Québec	Executive Vice President and Chief Financial Officer	May 3, 2010
Craig Landry Montréal, Québec	Executive Vice President and Chief Operations Officer	August 1, 2010
Arielle Meloul-Wechsler Montréal, Québec	Executive Vice President, Chief Human Resources Officer and Public Affairs	September 18, 2013
Mark Galardo Mont-Royal, Québec	Senior Vice President, Network Planning and Revenue Management	January 1, 2017
Mark Nasr Toronto, Ontario	Senior Vice President, Products, Marketing and eCommerce	July 11, 2017
Richard Steer Georgetown, Ontario	Senior Vice President, Operations and Express Carriers	January 1, 2015
Murray Strom Burlington, Ontario	Senior Vice President, Flight Operations	March 6, 2018
Carolyn M. Hadrovic Beaconsfield, Québec	Vice President and Corporate Secretary	February 16, 2006

Unless otherwise indicated below, each of the executive officers has held a position with Air Canada similar to that listed above for more than five years. Mr. Barbeau was Partner or Principal at Stikeman Elliott LLP from 1993 to 2021. Mr. Landry was Senior Vice President, Revenue Optimization from 2017 to 2018. Mr. Nasr was Managing Director, Loyalty, eCommerce and Ancillary Revenues from 2016 to 2017 and Vice President, Loyalty and eCommerce from 2017 to 2021. Mr. Rousseau was Executive Vice President and Chief Financial Officer from 2007 to 2018 and Deputy Chief Executive Officer and Chief Financial Officer from 2019 to 2021. Mr. Steer was Vice President, Maintenance and Engineering from 2015 to 2017. Captain Murray Strom was Chief Pilot, B777/B787 from 2016 to 2018.

As at December 31, 2021, the directors and executive officers mentioned above, as a group, owned, or had control or direction over, directly or indirectly, 492,949 Voting Shares representing approximately 0.1793% of the outstanding Voting Shares and 19,300 Variable Voting Shares representing approximately 0.0233% of the outstanding Variable Voting Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

To the knowledge of Air Canada, except as disclosed below, no director or executive officer of Air Canada, or a shareholder holding a sufficient number of securities of Air Canada to affect materially the control of Air Canada, (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder of Air Canada. Michael Rousseau, President and Chief Executive Officer and a director of Air Canada, was a director of Aveos Fleet Performance Inc. from March 12, 2010 until February 27, 2012 pursuant to a board nomination right held by Air Canada under a shareholders' agreement. Aveos Fleet Performance Inc. sought protection from its creditors under the Companies' Creditors Arrangement Act (Canada) on March 19, 2012.

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

AUDIT, FINANCE AND RISK COMMITTEE

Audit Committee Charter

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

Composition of Audit Committee

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

Relevant Education and Experience of Audit Committee Members

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

(i) Christie J.B. Clark is a corporate director. Mr. Clark is a director of Loblaw Companies Limited and SNC-Lavalin Group Inc. and a trustee of Choice Properties Real Estate Investment Trust. From 2005 to 2011, Mr. Clark was Chief Executive Officer and the senior partner of PricewaterhouseCoopers LLP. 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 served as a director of Hydro One Limited, Hydro One Inc., Brookfield Office Properties Inc. and IGM Financial Inc. Mr. Clark graduated from Queen's University with a Bachelor of Commerce degree and the University of Toronto with a Master of Business Administration degree. He is a Fellow Chartered Accountant. Mr. Clark is a former National Academic Director for the Institute of Corporate Directors' course entitled Audit Committee Effectiveness.

(ii) Amee Chande is a corporate director and strategy consultant. Ms. Chande is a senior advisor to leading companies in the mobility sector such as ChargePoint. 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 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, Staples and Wal-Mart in both Europe and the United States. She began her career as a strategy consultant with McKinsey & Company. Ms. Chande serves on the Advisory Board of Livingbridge Private Equity and is an active volunteer with the World Association of Girl Guides and Girl Scouts where she recently completed her term as a member of the World Board. She has also served as a director of Signature Aviation plc. Ms. Chande holds a Bachelor of Business Administration degree from Simon Fraser University, a Master of Science degree from the London School of Economics and a Master of Business Administration from Harvard Business School.

(iii) Kathleen Taylor is a corporate director. Ms. Taylor is Chair of the Board of the Royal Bank of Canada, Vice-Chair of the Adecco Group and a director of the Canada Pension Plan Investment Board. She serves as Chair of Altas Partners, a Toronto-based private equity investment firm. Ms. Taylor is also the immediate past Chair and member of the Board of the SickKids Foundation, a member of the Board of Trustees for the Hospital for Sick Children and a Co-Chair of the SickKids Capital Campaign. Ms. Taylor is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts. During her 24-year career, she held a number of senior leadership roles and was instrumental in building the firm's global brand and its international portfolio of luxury properties. Ms. Taylor is also a member of the C.D. Howe Institute's National Council, Chair of their Human Capital Policy Council and a member of the Task Force on the Digital Economy. She serves on the Dean's Advisory Council of the Schulich School of Business and on the Principal's International Advisory Board of McGill University. Ms. Taylor is a member of the Order of Canada and has received an Honorary Doctorate of Laws from the University of Toronto, McGill University, York University and Trent University, and an Honorary Doctorate of Humane Letters from Mount Saint Vincent

University. Ms. Taylor holds a Master of Business Administration degree 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.

(iv) Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops and manages energy storage projects. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth from 19 to 179 Canadian stores and led its entry into China. Prior to joining The Home Depot, Ms. Verschuren was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco Ltd. and Executive Vice President of Canada Development Investment Corporation. Ms. Verschuren is a director of Canadian Natural Resources Limited, and Saputo Inc., and is Chair of both MaRS Discovery District and Sustainable Development Technology Canada (SDTC). In addition, she serves as Chancellor of Cape Breton University and is a director of Liberty Mutual Insurance Group and the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton, and supports numerous non-profit organizations. She is a founding member of the Rideau Hall Foundation. She co-chairs the Smart Prosperity Initiative, which is mapping out a course to a stronger, cleaner economy for Canada and is Vice Chair of the Ontario Energy Association Board. In 2011, Ms. Verschuren was made an Officer of the Order of Canada for her contribution to the retail industry and corporate social responsibility and in 2019 became a companion in the Canadian Business Hall of Fame. Ms. Verschuren holds honorary doctorate degrees from ten universities including St. Francis Xavier University where she also earned a Bachelor of Business Administration degree.

(v) 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.

Pre-approval Policies and Procedures

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

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

Auditors' Fees

PricewaterhouseCoopers LLP has served as Air Canada's auditing firm since April 26, 1990. Fees payable for the years ended December 31, 2021 and December 31, 2020 to

PricewaterhouseCoopers LLP and its affiliates are $4,509,873 and $5,111,065, respectively, as detailed below.

	2021		2020	
Audit fees	$	2,722,500	$	2,901,400
Audit-related fees		1,106,294		1,155,572
Tax fees		233,595		296,563
All other fees		447,484		757,530
Total	**$**	**4,509,873**	**$**	**5,111,065**

The nature of each category of fees is described below:

Audit fees

Audit fees were paid for professional services rendered for the audit of Air Canada's annual consolidated financial statements and for services that are normally provided in connection with statutory and regulatory filings or engagements related to the annual consolidated financial statements, including review engagements performed on the interim condensed consolidated financial statements of Air Canada.

Audit-related fees

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

Tax fees

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

All other fees

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

LEGAL PROCEEDINGS

In the course of conducting its business, Air Canada is subject to various claims and litigation (including class action claims), including with respect to its contractual arrangements and current or new laws and regulations. A discussion of risks relating to claims and litigation appears under the heading "Legal Proceedings" in section 18 "Risk Factors" in Air Canada's 2021 MD&A, which section is incorporated into the AIF by this reference.

MATERIAL CONTRACTS

The contract that is material to the Corporation and that was entered into within the year ended December 31, 2021, or before such year but which are still in effect, and which is required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 - Continuous Disclosure Obligations is the Jazz CPA.

EXPERTS

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

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Air Canada's securities and securities authorized for issuance under equity compensation plans, is contained in Air Canada's management proxy circular for its 2022 annual meeting of shareholders scheduled to be held on March 28, 2022, available on SEDAR at sedar.com.

Additional financial information is provided in Air Canada's consolidated financial statements for the year ended December 31, 2021 and Air Canada's 2021 MD&A. These documents and additional information related to Air Canada are available on Air Canada's website at aircanada.com or on SEDAR at sedar.com.

The following documents can be obtained by contacting Shareholder Relations at 514-422-6644, via email at shareholders.actionnaires@aircanada.ca, or by mail at Air Canada Centre, Zip 1273, P.O. Box 14000, Station Airport, Dorval, Québec H4Y 1H4:

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

(ii) the Consolidated Financial Statements of Air Canada as at and for the year ended December 31, 2021, including the Independent auditor's report and notes related thereto, Air Canada's 2021 MD&A, and any interim financial statements filed after the audited financial statements for Air Canada's most recently completed financial year; and

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

GLOSSARY OF TERMS

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

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

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

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

"ACPA" means the Air Canada Pilots Association.

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

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

"AIF" means this Annual Information Form.

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

"Air Canada's 2021 MD&A" means Air Canada's 2021 Management's Discussion and Analysis of Results of Operations and Financial Condition dated February 17, 2022.

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

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

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

"AMEX" means Amex Bank of Canada.

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

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

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

"**Benchmark Pricing**" has the meaning provided under the section of this AIF entitled "Carbon Emissions".

"Boeing" means The Boeing Company.

"CALDA" means the Canadian Airline Dispatchers Association.

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

"Canadian Airlines" means Canadian Airlines International Ltd.

"CARS" means Canadian Aviation Regulations.

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

"CASM" means the operating expense per ASM.

"CAST" means the Commercial Aviation Safety Team.

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

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

"CIBC" means Canadian Imperial Bank of Commerce.

"**Contracted Carriers**" means Jazz, and, prior to the consolidation of regional flying with Jazz, includes Sky Regional and, prior to December 31, 2020, includes Sky Regional other airlines operating flights on behalf of Air Canada under capacity purchase agreements with Air Canada.

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

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

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

"CUPE" means the Canadian Union of Public Employees.

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

"EETCs" means Enhanced Equipment Trust Certificates.

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

"EMS" means environmental management system.

"ETS" means emission trading system.

"Fitch" means Fitch Ratings, Inc.

"FTE" has the meaning provided under the section of this AIF entitled "*Employees and Arrangements with Unions*" of this AIF.

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

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

"GHG" means greenhouse gas.

"**GRI**" means Global Reporting Initiative.

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

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

"IBT" means the International Brotherhood of Teamsters.

"ICAO" means the International Civil Aviation Organization.

"IEnvA" means the IATA Environmental Assessment.

"IFRS" means International Financial Reporting Standards.

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

"Issuer Bid" has the meaning provided under the section of this AIF entitled "Repurchase of Shares".

"IOSA" means IATA Operational Safety Audit.

"Jazz" means Jazz Aviation LP.

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

"Long-term Incentive Plan" has the meaning provided under the section of this AIF entitled "Long-term Incentive Plan".

"Lufthansa" means Deutsche Lufthansa AG.

"Lufthansa Group" means the group owned by Lufthansa and comprised of the segments Network Airlines Eurowings and Aviation Services.

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

"Mitsubishi" means Mitsubishi Heavy Industries, Ltd.

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

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

"NACC" means National Airlines Council of Canada.

"National Security Matters Act" has the meaning provided under the section of this AIF entitled "Security".

"Non-Canadian Air Carrier" has the meaning provided under the section of this AIF entitled "Class A Variable Voting Shares".

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

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

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

"**PCR**" polymerase chain reaction.

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

"**Plan"** has the meaning provided under the section of this AIF entitled "Repurchase of Shares".

"Porter" means Porter Airlines Inc.

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

"SDGs" means sustainable development goals.

"Shares" means, as the context may require, Variable Voting Shares and/or Voting Shares.

"Sixth Freedom" has the meaning provided under the section of this AIF entitled "Routes and Schedule".

"Sky Regional" means Sky Regional Airlines Inc.

"SMS" means the Safety Management System.

"SOC" means the System Operations Centre.

"Standard & Poor's" means Standard & Poor's Rating Services.

"Sunwing" means Sunwing Airlines.

"TD Bank" means The Toronto-Dominion Bank.

"Toronto Pearson Airport" means Toronto

Pearson International Airport.

"Transat" means Transat A.T. Inc.

"TSX" means the Toronto Stock Exchange.

"UBY" refers to the Unlock the Best in You program.

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

"United Airlines" means United Airlines Inc.

"Variable Voting Shares" means the Class A Variable Voting Shares in the share capital of Air Canada.

"**Visa**" means Visa Canada Corporation.

"VFR" means Visiting Friends and Relatives.

"Voluntary Action Plan" has the meaning provided under "Carbon Emissions".

"Voting Shares" means the Class B Voting Shares in the share capital of Air Canada.

"WestJet" means WestJet Airlines Ltd.

SCHEDULE A

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

1. **GENERAL PURPOSE**

The purpose of the Audit Committee is as follows:

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

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

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

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

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

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

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

2. COMPOSITION AND QUALIFICATION

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

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

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

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

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

3. MEETINGS AND PROCEDURE

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

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

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

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

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

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

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

4. RESPONSIBILITIES AND DUTIES

To achieve its objectives, the Audit Committee shall:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. OTHER RESPONSIBILITIES AND DUTIES

(a) **Public Disclosure**

The Audit Committee shall:

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

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

(b) **Enterprise Risk Management**

The Audit Committee shall:

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

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

(c) **Contingent Liabilities**

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

(d) **Corporate Authorizations Policies**

The Audit Committee shall:

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

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

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

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

(e) **Performance to Budget**

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

(f) **Responsibilities**

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

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

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