

**CHARTER OF THE**  
**HUMAN RESOURCES AND COMPENSATION COMMITTEE**  
**(the “Committee”)**  
**OF THE BOARD OF DIRECTORS**  
**OF AIR CANADA**  
**(the “Corporation”)**

**1. General Purpose**

The purpose of the Committee is as follows:

- (a) To assist the Board of Directors (the “Board”) in the discharge of its oversight responsibilities in the field of human resources and compensation including: (i) the Corporation’s compensation philosophy and policies, and major compensation programs; (ii) the compensation for the Chief Executive Officer (the “CEO”) and members of executive management; (iii) succession plans for executive officers and key senior leadership roles; (iv) key talent management strategies and practices; and (v) workplace practices and labour relations.
- (b) To assist the Board in the discharge of its responsibilities for the monitoring and oversight of the Corporation’s retirement plans to ensure pension liabilities are appropriately funded as required, pension assets are prudently invested, the risk is managed at an acceptable level for the stakeholders, including financial risks defined by the Statement of Investment Principles and Beliefs, and retirement benefits are administered in a proper and effective manner.
- (c) To assist the Board in the discharge of its oversight responsibilities for risks related to human resources including talent management, employee conduct, succession planning, compensation and pension matters.

**2. Composition and Qualification**

- (a) The Committee shall be comprised of three or more directors as determined by the Board, all of whom shall be independent (as defined under applicable securities laws).
- (b) The members of the 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 Committee may designate a Chair and a Secretary by a majority vote of all the Committee members.

- (c) The 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 Committee. However, any such persons invited may not vote at any meeting of the Committee.
- (d) The Board, may, at any time, remove any member of the Committee at its discretion and may accept the resignation of any member of the Committee. Vacancies at any time occurring on the Committee shall be filled by the Board.

**3. Meetings and Procedure**

- (a) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings may be held by telephone, video conference or by any other means which enables all participants to communicate with each other simultaneously.
- (b) The 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 a Committee meeting shall be a majority of the Committee members. All decisions and recommendations made by the Committee shall be made by a majority vote of the members present at the meeting.
- (d) The Committee shall have the authority to delegate any of its responsibilities to individual members and subcommittees as the Committee may deem appropriate in its sole discretion.
- (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 will be held. Members may waive notice of any meeting.
- (f) The minutes of the Committee meetings shall accurately record the significant discussions of, and decisions made by, the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to Committee members as well as to all the directors of the Corporation, with copies to the CEO.
- (g) The Committee, through its Chair, shall report to the Board on all proceedings and deliberations of the 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 Committee in its discretion may consider advisable.

- (h) To carry out its duties, the Committee will have access to independent advisors at the expense of the Corporation as well as having access to data and performance information relative to the Corporation. The Committee shall be free to choose advisors as it deems appropriate. These advisors will be given access to management and the work carried out by management for presentation to the Committee.

#### **4. Responsibilities and Duties**

To achieve its objectives, the Committee shall:

- (a) Develop the Corporation's compensation philosophy and guiding principles.
- (b) Review the compensation policies and major compensation programs of the Corporation and its subsidiaries against business objectives, operations and the risks to which the Corporation and such subsidiaries are exposed.
- (c) Review the major compensation programs of the Corporation and its subsidiaries to ensure program design and payouts align with sound risk management principles and practices.
- (d) Through the receipt of periodic reports from the Executive Vice President, Chief Human Resources Officer and Public Affairs, or his or her designate, review and discuss with management all key enterprise risk exposures related to human resources including talent management, employee conduct, succession planning, compensation and pension matters, and the steps management has taken to monitor/control and mitigate those exposures. The Chair of the Committee shall periodically report to the Board on any major issues arising with respect to the management of these risks. The Committee may also request reports from legal, corporate audit and advisory, and any other department as it deems appropriate.
- (e) Review and approve corporate goals, objectives and business performance measures relevant to the compensation of the CEO, taking into account market practices and comparator group benchmarks. The Chairman of the Board and the Chair of the Committee shall evaluate the CEO's performance in light of those goals, objectives and business performance measures, and based on this evaluation, the Committee shall make recommendations to the Board with respect to the CEO's compensation.
- (f) Review the performance of other executive officers, as summarized by the CEO, and recommend to the Board the compensation of the executive officers.
- (g) Review the compensation of non-officer vice presidents.

- (h) Review and make recommendations to the Board with respect to the design, payout and funding of the incentive compensation plan, equity-based plans and other major compensation plans, and any amendments thereto.
- (i) Review executive compensation disclosure before public dissemination, including the review of the annual report on executive compensation for inclusion in the management proxy circular, in accordance with applicable rules and regulations.
- (j) Regularly review succession and contingency plans for executive management and key senior leadership roles.
- (k) Review the talent management practices for critical skills required to execute the Corporation's strategic goals.
- (l) Review the key measurable objectives of the Corporation's diversity and inclusion action plan and monitor progress on the achievement of such objectives.
- (m) Receive periodic reports on workplace practices and labour relations.
- (n) Carry out functions with respect to the retirement plans of the Corporation as set out in Appendix "A". For the purposes of this Charter, the retirement plans include the Air Canada Rouge plans and the Trans-Canada Capital Inc. ("TCC") pension plan unless specifically excluded, given the delegation of certain responsibilities by Air Canada Rouge and TCC to the Corporation in respect of such plans.
- (o) Perform such other functions as may be delegated from time to time by the Board.

5. **Annual Review**

- (a) The Committee shall review this Charter on an annual basis and recommend to the Board any changes to it that the Committee considers advisable.
- (b) The Committee shall assess the performance of the Committee on an annual basis in accordance with performance assessment guidelines formulated by the Governance and Nominating Committee.

*Effective as of November 2, 2021*

## APPENDIX "A"

### Retirement Plans

#### Responsibilities and Duties

1. The Committee shall undertake the following responsibilities and duties with respect to the Corporation's retirement plans, subject to certain exceptions set out in section 2 that apply to supplementary executive retirement plans, retirement plans in the United Kingdom and other foreign countries, the Air Canada Rouge plans, and the TCC pension plan.
  - (I) Plan Design
    - (a) *Policy Regarding Materiality* - The Committee shall review and recommend to the Board a Policy on Materiality of Benefit Changes ("Materiality Policy"). Said Policy shall define materiality in the context of plan and benefit changes and shall assist in determining who is authorized to approve plan text amendments and other changes to the Corporation's retirement plans.
    - (b) *Initiation, Restructuring and Termination of Retirement Plans* - Unless otherwise referred to the Board by the Committee, the Committee shall approve all decisions to initiate, merge, split, terminate, and/or otherwise fundamentally restructure any of the Corporation's retirement plans where the expected impact of such decisions on the Corporation is material, as defined in the Materiality Policy.
    - (c) *Plan Text and Amendments* - The Committee shall approve, in concept, changes to plan provisions that affect the cost of retirement benefits in a material way, as per the Materiality Policy. The Management Pension Committee is authorized to subsequently approve the formal plan text and amendments necessary to enact the changes approved in concept by the Committee.

The Committee shall be informed of any amendments required to maintain the registration of a plan if they affect the cost of retirement benefits in a material way.

- (II) Plan Governance
  - (a) *Governance Structure* - The Committee shall review and recommend to the Board for its approval a governance structure for the retirement plans which sets out the

- major decision-making bodies and their key decision-making and reporting responsibilities.
- (b) *Charter of the Board* - The Committee shall review and recommend to the Board for its approval any amendments to the Charter of the Board with respect to the management and administration of the retirement plans.
  - (c) *Charter of the Management Pension Committee* - The Committee shall approve the Charter of the Management Pension Committee and any amendments thereto.
  - (d) *Appointment of Members of the Management Pension Committee* - The Committee shall be informed of the appointment of new members to the Management Pension Committee by the CEO.
  - (e) *Monitoring and Reporting Framework* - The Committee shall approve a monitoring and reporting framework, and any amendments thereto, which specifies the major reports and documents that the Board, the Committee, and the Management Pension Committee shall receive in order to fulfill their duties and responsibilities with respect to the monitoring and oversight of the Corporation's retirement plans.
  - (f) *Self-Assessment Framework* - The Committee shall approve a pension governance self-assessment framework and any amendments thereto.
- (III) Valuation and Funding
- (a) *Major Actuarial Assumptions* - The Committee shall approve the major actuarial assumptions for the valuation of the liabilities of the defined benefit pension plans.
  - (b) *Funding of Consent Benefits* - The Committee shall approve on an annual basis how consent benefits, as provided under certain plan provisions, will be funded. The Committee shall also approve the related instructions to be provided to the actuary in order to prepare its actuarial valuation.
  - (c) *Pension Contributions* - The Committee shall approve the contributions to the pension funds of the defined benefit pension plans in accordance with the actuarial valuation reports prepared on the basis of the major actuarial assumptions approved by the Committee and subject to the decisions made by the Committee on how to fund the consent benefits. The Committee shall also approve whether contributions to the defined contribution component of the plans shall be paid from the surplus (if any) in the defined benefit component of the plans or from the Company's general revenues.
  - (d) *Appointment of Actuary* - The Committee shall approve the appointment of the actuaries.

(IV) Administration of Consent Benefits

The Committee shall approve a policy setting out criteria to consider in granting or denying consent benefits and shall review said policy from time to time. Based on said policy, the Committee will, on at least a quarterly basis, make determinations to grant or deny consent benefits to members as provided under certain plan provisions.

(V) Investment Policy Framework

- (a) *Statement of Investment Principles and Beliefs* - The Committee shall establish a Statement of Investment Principles and Beliefs ("SIP&B") which sets out the fundamental principles and beliefs to be followed in managing the investments for defined benefit and capital accumulation plans.

Defined Benefit Plans

- (a) *Asset Mix* - The Committee shall approve the long-term asset mix policy for the defined benefit retirement plans, in terms of the proportion of assets to be invested in the major asset classes on average over the long term, as well as establish the goals and objectives of the asset mix policy with respect to investment risk and return.
- (b) *Statements of Investment Policies and Procedures* - The Committee shall review the Statements of Investment Policies and Procedures approved by the Management Pension Committee for any of the Corporation's defined benefit retirement plans to ensure that they are generally consistent with the investment principles and beliefs set out in the SIP&B.
- (c) *Outsourced Chief Investment Officer (OCIO) Mandates* - The Committee shall appoint the OCIO for the Canadian defined benefit registered pension plans.
- (d) *Investment Fee Policy* - The Committee shall approve an Investment Fee Policy to provide criteria to determine and monitor if the fees charged by TCC to the pension plans for investment management services are appropriate.
- (e) *OCIO Oversight Policy* - The Committee shall approve the OCIO Oversight Policy, which shall set out the process and criteria for regularly evaluating the continued appropriateness of the funds' OCIOs.
- (f) *TCC Specialized Funds* - The Committee shall be informed of investments in the specialized funds of TCC.

Capital Accumulation Plans

- (g) The Committee shall approve the broad nature of the investment program for the Canadian capital accumulation plans, in terms of the number and types of investment options to be offered to members of the plans. The approval of specific investment funds to be offered in the investment program shall be delegated to the Air Canada Pension Department.

(VI) Financial Statements

- (a) *Material Issues* - The Committee shall be informed by the Management Pension Committee of any material issues raised by the auditors concerning the annual audited financial statements of the retirement plans including the supplemental executive retirement plans. The Committee may, if it deems necessary or advisable, hold a meeting with the auditors to discuss any such issues before the financial statements are filed. For the purposes hereof, "material issues" include those matters outlined in the monitoring and reporting framework approved by the Committee. The auditors' lead engagement partner and the Chair of the Committee may directly discuss any issue with respect to the financial statements. The Committee may request the auditors to reconsider any material issues before the financial statements are filed.
- (b) *Appointment of the Auditors* - The Committee shall approve the appointment of the auditors of the retirement plans.

**2. Exceptions**

- (I) United Kingdom Defined Benefit Trust Fund  
Notwithstanding anything contained herein, the duties and responsibilities of the Committee with respect to the United Kingdom defined benefit plan and trust fund shall include without limitation the following:
  - (a) *Plan Text and Amendments* - The Committee shall, jointly with the board of trustees of the plan and trust fund (the "Trustees"), approve in concept changes to plan provisions that affect the cost of retirement benefits in a material way, as per the Materiality Policy. The Management Pension Committee is authorized, jointly with the Trustees, to subsequently approve the formal plan text and amendments necessary to enact the changes approved in concept by the Committee and Trustees.
  - (b) The Committee recognizes that the Management Pension Committee, jointly with the Trustees, is further authorized to:
    - (i) approve amendments that do not affect the cost of retirement benefits in a material way (as defined in the Materiality Policy);



- (ii) approve amendments required to maintain the registration of the plans under applicable laws; and
- (iii) perform all such acts necessitated by the approval of any plan texts and amendments including for example approval of related plan documentation or regulatory filings.

The Committee shall be informed of any amendments that are required to maintain the registration of a plan if they affect the cost of retirement benefits in a material way as defined in the Materiality Policy.

- (c) *Funding of U.K. Defined Benefit Trust Fund* - The Committee shall, jointly with the Trustees, approve the following actuarial matters: statement of funding principles, major actuarial assumptions, schedule of contributions and recovery plans.
- (d) *Consent* - The Committee shall approve, on a triennial basis, how consent benefits, as provided under the provisions of the U.K. Trust Fund, will be funded.

(II) Foreign Retirement Plans Outside the United States and the United Kingdom

Notwithstanding anything contained herein, the following duties and responsibilities shall be delegated to the Management Pension Committee with respect to small foreign retirement plans established outside the United States and the United Kingdom:

- (a) Approval of decisions related to the initiation, termination, or fundamental restructuring of such plans, and approval of the plan text and any amendments thereto, where the expected impact on the Corporation is not material (as defined in the Materiality Policy). The Committee shall approve such decisions if the impact is material.
- (b) Approval of all investment decisions pertaining to capital accumulation plans.

(III) Air Canada Rouge Plans

The duties and responsibilities of the Committee with respect to the Air Canada Rouge plans shall be identical to those pertaining to all other Canadian retirement plans, with the following exceptions:

- (a) *Plan Design* - All decisions to initiate, merge, split, terminate, and/or otherwise fundamentally restructure the Air Canada Rouge plans shall be made by the Air Canada Rouge Board. The Air Canada Rouge Board is also responsible for approving all plan texts and amendments thereto. The Committee shall be informed of the main provisions of the Air Canada Rouge plans necessary to fulfill its duties.

- (b) *Plan Governance* - The Committee shall review and jointly approve with the Air Canada Rouge Board a governance structure for the Air Canada Rouge plans.
- (c) *Pension Contributions* - The Board of Air Canada Rouge is responsible for determining the amount of contributions to be made after consideration of the actuarial valuation results, based on the major actuarial assumptions approved by, and the decisions on how to fund the consent benefits of, the Committee of the Board.

(IV) Supplementary Executive Retirement Plans

- (a) *Initiation, Change and Termination* - The Committee shall review and recommend to the Board for its approval all decisions to initiate, terminate, and/or otherwise fundamentally restructure a supplementary executive retirement plan ("SERP").
- (b) *Plan Text and Amendments* - The Committee shall approve the plan texts of any SERPs and any amendments thereto.
- (c) *Funding* - The Committee shall review and recommend to the Board for its approval any decision on whether or not to fund or otherwise secure the liabilities of a SERP and how those liabilities should be funded or secured. If the liabilities are to be funded, the Committee shall recommend to the Board a funding policy which sets out guidelines with respect to the valuation and funding of such liabilities.
- (d) *Pension Contributions* - The Committee shall approve any contributions to SERPs within the guidelines of the funding policy established by the Board. Notwithstanding the above, any contributions approved by the Committee in connection with defined benefit SERPs shall be subject to review by the Board.
- (e) *Investments* - The Committee shall establish policies and guidelines with respect to how the contributions to SERPs should be invested.