

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE

I. PURPOSE; COMPOSITION AND QUALIFICATIONS

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

General

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

Financial reporting, controls

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

Information technology risks

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

Communication among parties

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

Composition and Qualifications

The Audit Committee shall be composed of not less than three directors who: (a) meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board; (b) have no relationships with management, the Corporation, and its related entities that in the opinion of the Board may interfere with their independence from management and from the Corporation; (c) do not receive, other than for service on the Board or the Audit Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the Corporation or any of its related entities, parties, or subsidiaries; and (d) possess the mix of characteristics, experiences, and skills to provide an appropriate balance for the performance of the duties of the Audit Committee, including that each member of the Audit Committee shall be "financially literate" and at least one member shall be a "financial expert" as defined by relevant securities legislation or regulations.

II. RESPONSIBILITIES

To achieve its objectives, the Audit Committee shall:

Accounting and financial reporting process

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

appropriateness of such selections and changes;

Public disclosures

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

Audit plan and related matters

- (e) meet with the Corporation's external auditor to review and approve their audit plan with particular emphasis on risk factors which could lead to a material misstatement of the financial statements, the scope and timing of the audit, the assumptions and decisions that have been made in developing the plan and co-ordination of work between the external auditor and the Corporate Audit and Advisory Department of the Corporation;
- (f) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
- (g) review, determine and approve (or pre-approve) the fees and expenses for the current and prior year and any significant additional audit and audit-related fees over the estimated amount, such authority resting solely and exclusively with the Audit Committee, with the Corporation ensuring that funding is available to the Audit Committee for payment any such approved amounts;
- (h) review and approve, or delegate to a member of the Audit Committee the responsibility to review and pre-approve, the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by the Corporation's external auditor prior to the commencement of such work, provided that: (i) the Audit Committee will prepare a report for presentation to the shareholders of the Corporation quarterly or annually, as required, regarding the Audit Committee's approval of such non-audit services in the period; and (ii) the pre-approval of non-audit services by a member of the Audit Committee to whom such authority is delegated must be presented to the Audit Committee at its first scheduled meeting following such pre-approval;
- (i) review a report from the external auditor that (i) describes any relationship between the external auditor and the Corporation and (ii) states that in the external auditor's professional judgment it is independent of the Corporation, and discuss this report with the external auditor in order to evaluate the objectivity and independence thereof;

- (j) specifically require the external auditor to confirm that it is a registered public accounting firm as prescribed by various applicable securities regulations and that it is not the subject of any other inquiry or investigation by governmental or professional authority relating to any audit conducted by the firm;
- (k) receive reports on any: (i) consultations between management and other public accountants respecting accounting principles to be applied in preparing the quarterly or annual financial statements of the Corporation; and (ii) incidents involving fraud or illegal acts of which management, the Corporate Audit and Advisory Department or the external auditor of the Corporation become aware, in which case the relevant control procedures must be reviewed with management to satisfy itself that such matters are adequately guarded against;
- (l) at each quarterly meeting of the Audit Committee, meet privately with the external auditor to, amongst other things, understand any restrictions placed on them or other difficulties encountered in the course of the audit or review, including instructions on the scope of their work and access to requested information and the level of co-operation received from management during the performance of their work and their evaluation of the Corporation's financial, accounting and audit personnel and systems;
- (m) in conjunction with management, on an annual basis, evaluate the performance of the external auditor, and if so determined, recommend that the Board either take steps to replace the external auditor or provide for the reappointment of the external auditor by the shareholders of the Corporation;

Corporate Audit and Advisory Department

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

the external auditor and management respectively;

Major audit findings, significant accounting, and reporting issues

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

Financial and other disclosures

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

Related party transactions

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

Report to Board, annual reviews, other matters

- (u) whenever it may be appropriate to do so to assist it in the discharge of its mandate, retain and receive advice from consultants or experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the Audit Committee as the Audit Committee may consider appropriate, it being understood that the Corporation shall ensure that funding is available to the Audit Committee in respect of any such activity;
- (v) report regularly to the Board on the activities, findings, and conclusions of the Audit Committee;

- (w) review this Charter on an annual basis and recommend to the Board any changes to it that the Audit Committee considers advisable;
- (x) complete a self-assessment annually to determine how effectively the Audit Committee is meeting its responsibilities;
- (y) perform such other functions as may be delegated from time to time by the Board;
- (z) review and confirm the selection of the lead audit partner and any other audit engagement team partner of the external auditor of the Corporation; and
- (aa) review and approve the hiring as an officer, employee or consultant of any partner or former partner of the present and former external auditors of the Corporation, or any member of their immediate family.

III. OTHER RESPONSIBILITIES

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

Public Disclosure

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

Enterprise Risk Management

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

ESG and sustainability

- (g) perform its activities having regard for the Corporation's environmental, social and governance (ESG) practices and strategies, including as to diversity, equity and inclusion;

- (h) monitor trends relating to, and oversee the development of, control mechanisms and the integration of ESG criteria in financial and other corporate reporting;
- (i) review the audit scope and approach of the external auditors (or other independent assurance providers) related to reporting on ESG matters;
- (j) review and recommend to the Board, those elements of the annual report or other public reporting aligned to climate and other sustainability reporting standards and disclosures that emerge;

Cybersecurity

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

Contingent Liabilities

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

Corporate Authorisation Policies

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

IV. LIMITATIONS OF AUDIT COMMITTEE'S ROLE; RELIANCE

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

Members of the Audit Committee are entitled to rely,

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

V. GENERAL

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

Effective as of August 7, 2024.