Annual information form | 2024

March 28, 2025

AIR CANADA

A STAR ALLIANCE MEMBER

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1. EXPLANATORY NOTES

This Air Canada Annual Information Form (AIF) explicitly incorporates certain information by reference by designating it herein to that end, including certain sections of our management's discussion and analysis and consolidated financial statements. No information contained on or accessed via Air Canada's website (or any other website referred to in this AIF), and no other document referred to in this AIF, is incorporated into or forms part of this AIF, unless it is expressly stated herein to be incorporated into this AIF. The documents incorporated by reference herein are available on Air Canada's website at aircanada.com and on SEDAR+ website at www.sedarplus.ca. Except as otherwise noted or where the context may otherwise require, (a) the information in this Annual Information Form is current as at December 31, 2024, and (b) 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 – In this AIF, *Air Canada*, *our*, *we* or *us*, mean, as the context may require, Air Canada or Air Canada and one or more of its subsidiaries, including its wholly owned operating subsidiaries, Aeroplan Inc. (Aeroplan), Touram Limited Partnership, doing business under the brand name Air Canada Vacations® (Air Canada Vacations), and Air Canada Rouge LP, doing business under the brand name Air Canada Rouge® (Air Canada Rouge).

Currency – All monetary amounts referred to in this AIF are in Canadian dollars, unless stated otherwise.

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

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

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

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

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic conditions, statements or actions by governments relating to the imposition of (or threats to impose) tariffs on Canadian exports or imports and their resulting consequences, geopolitical conditions such as the military conflicts in the Middle East and between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, Air Canada's dependence on technology, cybersecurity risks, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), employee and labour relations and costs, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, epidemic diseases, changes in laws, regulatory developments or proceedings, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations, as well as the factors identified in Air Canada's public disclosure file available at www.sedarplus.ca and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2024 MD&A dated February 14, 2025, which section is incorporated into this AIF by this reference.

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

The forward-looking statements contained or incorporated by reference in this 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.

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 Air Canada does not make any representation as to the accuracy or the completeness of such information. Any estimates and forecasts involve risks and uncertainties and are subject to change based on various factors including those discussed above under "Forward-looking information."

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.

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

2. CORPORATE STRUCTURE

2.1 Name, address and incorporation

We were incorporated as Trans-Canada Air Lines in 1937 and renamed as Air Canada in 1965. We were continued under the *Canada Business Corporations Act* (CBCA) pursuant to the 1988 *Air Canada Public Participation Act* (ACPPA). Our articles of incorporation have since been amended to reflect changes in our share capital, in the ACPPA or in the Canadian ownership and voting control requirements of the *Canada Transportation Act.* We are currently governed by a restated certificate and articles of incorporation dated January 1, 2025. The head office of Air Canada is located at 7373 Côte-Vertu Boulevard West, Saint-Laurent, Quebec, H4S 1Z3. Air Canada's website address is **aircanada.com.**

2.2 Intercorporate relationships

At December 31, 2024, Air Canada did not have any subsidiary that represented 10 per cent or more of our consolidated assets, or 10 per cent or more of our consolidated sales and operating revenues, or any subsidiaries that in the aggregate represented 20 per cent or more of our total consolidated assets or total consolidated sales and operating revenues.

3. GENERAL OVERVIEW OF THE BUSINESS AND STRATEGY

Air Canada wants to share the best of Canada at home and abroad. We are the largest provider of scheduled passenger services in the Canadian market, the Canada-U.S. transborder market and the international market to and from Canada, enabling us to fulfill our mission to connect Canada and the world.
In 2024, we carried over 47 million passengers safely to their destination with care and class, operating more than 377,000 flights and reaching 56 countries.
Our network, fleet and financial and operational strategies align with the "Rise Higher" framework we launched in 2021, articulating Air Canada's business imperatives by focusing on four key priorities:

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

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

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

Lift each other up
by fostering a representative and collaborative workplace that respects all cultures and contributions to society.

We advance our priorities by building on and leveraging our key assets and competitive advantages, including by:

- Remaining dedicated to Safety First, Always, our overarching priority.
- Relying on talented and dedicated people and a culture of performance.
- Acting with customer centricity in our activities, including by pursuing initiatives to enhance our customer experience with competitive products and services.
- Positioning our global network and alliances to meet demand from various customer segments.
- Streamlining, modernizing and upgrading our aircraft fleet, thereby increasing fuel-efficiency.
- Implementing new core and improved technologies.
- Growing our revenue base diversification, leveraging our widely recognized and powerful brand and building on the strengths and agility of Aeroplan, Air Canada Cargo, Air Canada Rouge, our lower-cost leisure carrier, and Air Canada Vacations, our leading Canadian tour operator.
- Encouraging and supporting sustainability initiatives.

4. DESCRIPTION OF THE BUSINESS

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

Air Canada enhances its domestic and transborder network through commercial agreements with regional carriers, including a capacity purchase agreement (CPA) with Jazz Aviation LP (Jazz), a wholly owned subsidiary of Chorus Aviation Inc., operating flights on behalf of Air Canada under the Air Canada Express brand. Regional flying forms an integral part of the airline's international network strategy, providing valuable traffic feed to Air Canada and Air Canada Rouge routes.

Air Canada is a founding member of the Star Alliance® network, through which we offer our customers access to a wide global network, as well as reciprocal participation in frequent flyer programs, a seamless travel experience and improved customer service, including the use of airport lounges and other common airport facilities.

Air Canada continues to diversify its revenue streams through Aeroplan, Air Canada Cargo and Air Canada Vacations:

- Air Canada's Aeroplan program is Canada's premier travel loyalty program. Aeroplan allows individuals to enrol as members and accumulate Aeroplan points through travel on Air Canada and select partners, as well as through the purchase of products and services from participating partners and suppliers.

- Air Canada Cargo, a division of Air Canada, is a global cargo service provider, offering cargo services on passenger flights and on dedicated Boeing 767 freighter aircraft.

- Air Canada Vacations is a leading Canadian tour operator, developing, marketing and distributing vacation travel packages, as well as offering flight and cruise packages in worldwide destinations. Air Canada Rouge is Air Canada's leisure carrier, leveraging the strengths of Air Canada.

Three-year overview

As the immediate impacts of the COVID-19 pandemic subsided, 2022 became a year of transition for Air Canada. We restored our operational depth in advance of renewed travel demand, and we operated significantly more flights than in 2021, carrying more than 37 million customers.

In 2023, we met a very fast and strong increase in demand, carrying more than 46 million customers at a time when aircraft availability was still limited, which led to exceptionally high load factors and yields. We prepaid about $1.3 billion in debt, materially lowering our leverage ratio.

In 2024, we acted on our strategic priorities, leveraging the solid foundation we had restored. We carried over 47 million passengers, further building on our business, our operational depth and our financial position, as supply and demand for air travel stabilized, leading to year-over-year declines in load factors and yields, most notably in international markets, during the second and third quarters. Other key highlights from our activities in 2024 include:

- Record revenues of $22,255 million, a two per cent increase from 2023.
- A five per cent increase in operated capacity, with significant growth in the Pacific.
- Improved operational performance, including an eight-percentage-point increase in on-time performance.
- Conclusion of a four-year collective agreement with our pilot group, without significant disruption.
- Purchase for cancellation of more than 20 million shares under our 2024 normal course issuer bid and of over 15 million more in early 2025.

As of the date of this AIF, measures affecting trade relations between Canada and its partners, including the imposition of tariffs and any measures taken in response to such tariffs, may affect business or economic conditions generally or lead to changes in demand for air travel overall or for some destinations. Air Canada is monitoring these developments and assessing their impacts, including whether any mitigating actions are warranted.

4.1 Routes, network and services

Throughout 2024, Air Canada expanded its global network, including through the following:

- **North American network**: New services on three transborder and five sun routes were launched, and capacity was added on 60 per cent of all North American routes served. In the domestic market, Air Canada resumed several seasonal routes, increased frequencies on certain domestic routes and deployed over 800,000 incremental seats year over year. In the transborder market, we launched non-stop services between Toronto and Charleston, N.C., and between Montréal and St. Louis, Mo. and Austin, Texas. In addition to increasing seats on over 70 routes, Air Canada expanded its sun portfolio by introducing service between Montréal and Saint Maarten and between Tulum, Mexico and Toronto, Montréal, Ottawa and Québec.

- **International network**: Eight new routes across the Atlantic and Pacific were launched, and frequencies and/or extended operating seasons were added on over 30 routes. We added new transatlantic services from Montréal and Toronto to Stockholm, Montréal to Madrid, Toronto to Mumbai and Calgary to Delhi via London-Heathrow. Across the Pacific, we significantly increased frequencies to Hong Kong and launched new services from Vancouver to Singapore, Toronto to Osaka and Montréal to Seoul.

4.1.1 Global network

Air Canada's global ambition is built on a strong global network that covers all key segments of air travel — from well-rooted and active regional, domestic and transborder services to a broad international offering. Our objective is to provide seamless connectivity with Air Canada and partner services, consistent and superior customer service delivery. 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 offer Air Canada a variety of international network opportunities.
System ASM capacity in 2024 was 104,381 million, a year-over-year increase of five per cent from 2023.

4.1.2 Domestic services

Air Canada operates a comprehensive domestic network, supported by a deep regional network operated on its behalf by Air Canada Express partners, to serve our customers from coast to coast to coast. We help Canadians reach their destination of choice through our hubs in Toronto, Montréal and Vancouver. In 2024, Air Canada increased its capacity in the domestic market by more than five per cent from 2023, driven by growth in Eastern Canada. In 2024, we operated an average of 784 daily scheduled flights to 51 stations in Canada — more than any other carrier that year.

4.1.3 Transborder services

During 2024, Air Canada had the most non-stop destinations and flights to the United States from Canada, and together with its regional partners carried more passengers between the two countries, than any other airline offering transborder services. Our network reach is also enhanced by extensive connections made available through a strategic alliance with United Airlines, offering 80 additional routes and more than 200 daily flights, as well as code share flights.

We served 52 U.S. destinations in total in 2024 as compared to 51 in 2023 with the addition of Charleston. The average number of daily flights totalled 186 in 2024, as compared to 187 in 2023, but the average number of daily seats to U.S. destinations increased to nearly 22,700 from almost 22,000. These results reflect Air Canada's strategy regarding Sixth Freedom traffic.

4.1.4 International services

In 2024, we further expanded our global network, offering direct scheduled services to 87 international destinations compared to 85 international destinations in 2023. We continued to strengthen our footing in the transatlantic, transpacific and South American markets. As Canada's largest airline and flag carrier, our robust international network serves the demand for leisure, visiting friends and relatives and business travel, and also contributes cargo revenue on scheduled passenger flights. We also aim to further develop and diversify our international strategy, supported by our strong airline partnerships including our Star Alliance® membership, various joint business agreements as well as our codeshare and interline partnerships, all underpinned by our commitment to elevate the customer experience.

4.1.5 Aeroplan

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

In 2024, in building upon its everyday partnerships with Starbucks, Uber, LCBO and Parkland, Aeroplan deepened relationships in the non-air travel space with an expanded partnership with Marriott and added more than 2,000 hotel properties to its HotelSavers redemption offering. Aeroplan also enabled TD and CIBC cardholders to redeem their points to cover eligible purchases made with their Aeroplan co-branded Visa credit cards, including grocery, dining, entertainment and drugstore purchases. The Aeroplan loyalty program welcomed a significant number of new members in 2024, with active members totalling more than nine million. Aeroplan continues to play a key role in Air Canada's diversification strategy.

4.1.6 Air Canada Cargo

Air Canada Cargo is a division of Air Canada. Its primary customers are large freight-forwarding companies and businesses that require air services to expedite their time-sensitive cargo shipments. Air Canada Cargo is present in more than 50 countries with hubs in Montréal, Toronto, Vancouver, Chicago, London and Frankfurt. As the dedicated air freight division of Air Canada, Air Canada Cargo uses Air Canada's domestic and international passenger flights and all-cargo flights, as well as other modes of transportation such as trucking services.

Air Canada Cargo began operating freighter services in 2022 and now operates six freighters to over a dozen destinations including Toronto, Miami, Atlanta, Dallas, Quito, Lima, San Juan, Mexico City, Guadalajara and Bogotá. The freighter operation complements Air Canada's vast international and domestic passenger network. Air Canada Cargo offers shipping solutions tailored to specific commodities, and it develops and sources applications and uses technology to improve operational and business processes and deliver quality service to its customers. Air Canada Cargo continues to focus on sustained revenues, leveraging network synergies between the passenger and freighter fleets, expediting opportunities in Sixth Freedom revenue and capitalizing on e-commerce demand. Air Canada Cargo continues to play a key role in Air Canada's diversification strategy.

Air Canada Cargo actively fosters its interline agreements with airline partners to provide enhanced benefits to customers and expand its global presence. This approach grants access to increased capacity in strategic markets and opens new markets to serve its global clientele. As a member of the Pharma Aero platform, Air Canada Cargo leverages Pharma Aero's expertise to enhance its pharmaceutical shipment handling. Air Canada Cargo continues to invest in its revamped website, designed to elevate the customer experience.

4.1.7 Air Canada Vacations and Air Canada Rouge

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

In 2024, Air Canada Vacations expanded its tour package offering to more than 180 itineraries and extended its New Way to Earn extra Aeroplan points program to December 31, 2025, offering customers the opportunity to accumulate extra points on both the flight and vacation portion of their travel package. Eligible members can earn up to 12,000 extra points when booking a minimum seven-night stay from a selection of more than 280 vacation packages to Mexico and the Caribbean, as well as earn points on 20 new destinations for a total of 464 packages including to Rome, London, Lisbon, Asia, Australia, New Zealand and Dubai. In addition, a new version of the aircanadavacations.com website was launched, offering travellers an enhanced booking experience.

Air Canada Rouge is Air Canada's leisure carrier, leveraging the strengths of Air Canada, including its extensive network with enhanced connection options, operational expertise and frequent flyer program. Air Canada Rouge seeks to maintain a cost structure that is consistent with that of its leisure market competitors, effectively managing CASM on leisure routes with increased seat density, improved labour efficiency, more efficient work standards and reduced overhead costs. Air Canada Rouge also gives Air Canada the ability to compete against low-cost carriers and ultra-low-cost carriers. In 2024, the Air Canada Rouge fleet consisted solely of narrow-body aircraft and primarily operated short- and medium-haul flights to leisure destinations in the Caribbean, the U.S., and Canada. In 2024, and as part of its longer-term strategy, Air Canada announced plans to transfer its Boeing 737 MAX aircraft from the mainline fleet to the Rouge fleet starting in 2026, to provide Rouge with a modernized narrow-body fleet with improved CASM and extended range performance (compared to the current Rouge fleet), which will better position Rouge for its customers in the leisure segment.

4.1.8 Strategic partnerships

Air Canada Express

Air Canada's domestic and transborder networks are available to customers flying on regional flights operated on its behalf under the "Air Canada Express" banner. In 2019, Air Canada amended its capacity purchase agreement with Jazz (Jazz CPA) to extend its term to 2035, generate cost savings and optimize the network and fleet flexibility as compared to the prior agreement. At that time, it also announced a $97 million equity investment in voting shares of Chorus Aviation Inc. (Chorus), Jazz's parent corporation. As of February 5, 2025, its investment represents about 8.2 per cent of Chorus's voting and variable voting shares. Air Canada has the right to designate one nominee on Chorus's board of directors under an investor rights agreement. In 2021, Air Canada further amended the Jazz CPA and transferred the operation of its Embraer E175 fleet to Jazz from Sky Regional. The revised Jazz CPA lowers future contractual capital expenditures and leasing costs through a restructured Jazz CPA fleet.

In 2023, Air Canada entered into a commercial agreement with PAL Airlines to provide regional flying capacity within Eastern Canada and northeastern United States using six Dash 8-400 for five years.

Star Alliance®

Air Canada is a founding member of the Star Alliance® network, the world's largest airline alliance group. Since its inception in 1997, the Star Alliance® membership has grown and currently includes 25 airlines. This alliance brings together flight networks of many global-leading airlines. It strives for seamless connections through lounge access, check-in services, ticketing and other services to improve the customer travel experience. Air Canada and its Star Alliance® partners are also focused on enhancing the customer experience while optimizing connectivity through codeshare and interline arrangements. Air Canada has codeshare arrangements with all Star Alliance® members save for Copa Airlines and Shenzhen Airlines.

Strategic arrangements and codeshare partnerships

In addition, Air Canada develops commercial arrangements with major international carriers as an important element of its business strategy, providing Air Canada with an effective means to further leverage and broaden its network offerings. Air Canada has enhanced its partnership portfolio through joint business agreements, codeshare partnerships and interline agreements. Air Canada has three joint business agreements that enable the participating carriers to integrate the services they provide, delivering enhanced customer benefits such as competitive fares and schedules:

- A++ transatlantic revenue-sharing joint business agreement with United Airlines and Lufthansa Group
- Revenue-sharing joint business agreement with United Airlines on the Canada-U.S. transborder market
- Revenue-sharing joint venture with Air China on routes between Canada and China

These business arrangements reflect the parties' focus on enhancing competitiveness, creating operating efficiencies and revenue synergies and improving the customer experience. By co-ordinating fares, scheduling and sales under its joint business arrangements, Air Canada can offer customers enhanced travel options, including improved connectivity and reduced travel times.

Air Canada has many codeshare and interline agreements to further increase its network scope and offer its customers more travel options. In addition to Star Alliance® partners, we maintain codeshare relationships with 17 partners outside of Star Alliance®: Aer Lingus, Air Dolomiti, airBaltic, Azul Linhas Aereas Brasileiras, Cathay Pacific, Central Mountain Air, Discover Airlines, Edelweiss, Emirates, Etihad Airways, Eurowings, Flydubai, GOL Linhas Aéreas Inteligentes, Middle East Airlines, SNCF Voyageurs (Société nationale des chemins de fer français), SriLankan Airlines and Virgin Australia.

In 2024, Air Canada announced an expanded offering of its intermodal strategy, broadening its overall partnership portfolio and customer proposition in Europe and offering its first rail connection in Asia, as well as expanded regional services with luxury motorcoach land-air connections for customers via a pilot project with Landline Company to link Hamilton and region of Waterloo airports to Toronto Pearson. Customers can book air and rail and/or bus all in one itinerary for a seamless travel experience on Trenitalia (Italy), Renfe (Spain), five operators in the U.K. including National Express, Korail (South Korea) and in Ontario (Canada).
Air Canada continues to assess and support new opportunities to strategically develop commercial alliances with major international carriers and other modes of transportation.

4.2 Sales and distribution of services

Air Canada uses several distribution channels and strategies to sell its services to various customer segments. It distributes its services directly to customers through Air Canada digital platforms including its main website (www.aircanada.com), mobile application, travel agency web portal (www.aircanada.com/agents) and travel agency booking tool (https://acconnex.aircanada.com). Air Canada also sells its services through its contact centres, as well as through a global network of general sales agents (GSAs) and travel agencies (i.e., traditional brick and mortar and leading online agencies). In addition, Air Canada's services are offered through corporate self-booking tools and through online metasearch sites that redirect customers to www.aircanada.com or facilitate the booking, leveraging Air Canada application programming interfaces (APIs).

Air Canada also offers a robust and complete set of IATA New Distribution Capability (NDC) APIs, allowing travel agencies and technology companies to access the widest range of products and ancillaries from Air Canada, along with superior servicing capabilities. This is complemented by substantially restructured agreements with the industry's three primary global distribution systems. The NDC channel supports our efforts to improve our customers' travel experience, transforming the shopping and servicing between airlines and sellers and providing access to the most comprehensive Air Canada content — an efficient shopping experience for all retail fare products.

In 2024, Air Canada undertook a significant upgrade of the digital technology supporting its main website. As a part of this upgrade, we leveraged common services originally deployed in the NDC channel, completing the first phase of our omni-channel customer service strategy. In 2025, Air Canada will look to further build on this strategy by migrating our mobile app to the same modern core services.

4.3 Sources, pricing and availability of supplies

Fuel constitutes one of Air Canada's largest expenditures. We use financial instruments to manage certain risks relating to currency fluctuations and the price volatility of fuel. For additional information, refer to Sections 11 (Financial Instruments and Risk Management - Fuel Price Risk Management) and 18 (Risk Factors) of Air Canada's 2024 MD&A, which sections are hereby incorporated into the AIF by this reference.

4.4 People

During 2024, Air Canada hired close to 4,400 new employees, with its workforce being more than 40,000 employees at year-end. Our success and sustainability are dependent on how well we serve, engage and connect with our customers, and, accordingly how we attract, engage, train, retain and motivate our employees. We strive to do so through our commitment to support the best employee and customer experience outcomes. Learning and development are at the core of this experience and are paramount for our employees to be successful.

Corporate Customer Service Training offers initial and continuous learning through a variety of mediums including face-to-face, on-the-job and digital experiences that are tailored learning paths to build role-based skill sets and leverage opportunities to train in the flow of work in both official languages, all of which are grounded in our brand values.

In line with Air Canada's commitment to accessible travel for all customers, more than 1,160 Airside Operations employees received training regarding Eagle Lifts, a piece of equipment available to assist customers that require assistance when moving between mobility aids and aircraft seats. Almost 4,400 In-Terminal employees participated in voluntary upskilling workshops offered at airport locations, which covered technical and customer-centric topics.

Digital learning was used by more than 7,000 employees who completed self-led training on seven newly launched safety and security titles including "Office Ergonomics" and "Security Awareness." Around 100 instructors attended training town halls that featured Air Canada's Accessibility Awareness panel with keynote speaker and four-time Paralympic champion Michael Frogley. In 2024, more than 2,000 management employees received training in Elevate, a comprehensive 18-month leadership development program launched in 2023.

4.5 Fleet

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

At December 31, 2024, Air Canada mainline had 212 aircraft in its operating fleet, which consisted of 122 Boeing and Airbus narrow-body aircraft and 90 Boeing and Airbus wide-body aircraft, including six Boeing 767 freighters. Air Canada Rouge had an operating fleet of 37 Airbus narrow-body aircraft.

The tables below provide the number of aircraft in Air Canada's and Air Canada Rouge's operating fleet as at December 31, 2024.

	Number of operating aircraft	Total seats	Average age	Owned	Leased
AIR CANADA					
Wide-body aircraft					
Boeing 777-300ER	19	418	14.8	12	7
Boeing 777-200LR	6	300	17.3	4	2
Boeing 787-8	8	255	10.5	8	-
Boeing 787-9	31	298	7.6	25	6
Boeing 767-300 freighters	6	-	31.3	4	2
Airbus A330-300	20	295	18.3	10	10
Total wide-body aircraft	**90**	**321**	**14.0**	**63**	**27**
Narrow-body aircraft					
Boeing 737 MAX 8	41	169	5.1	31	10
Airbus A321	20	183	19.7	8	12
Airbus A320	22	133	24.6	9	13
Airbus A319	5	126	28.0	5	-
Airbus A220-300	34	137	3.9	34	-
Total narrow-body aircraft	**122**	**154**	**11.6**	**87**	**35**
Total mainline	**212**	**222**	**12.6**	**150**	**62**
AIR CANADA ROUGE					
Narrow-body aircraft					
Airbus A321	14	203	9.7	4	10
Airbus A320	5	168	17.8	-	5
Airbus A319	18	136	26.8	15	3
Total Air Canada Rouge	**37**	**166**	**19.1**	**19**	**18**
Total mainline and Air Canada Rouge	**249**	**215**	**13.6**	**169**	**80**

At December 31, 2024, the Air Canada Express fleet consisted of 105 aircraft: 35 Mitsubishi regional jets, 45 De Havilland Dash-8 turboprop aircraft and 25 Embraer 175 aircraft.

4.5.1 Planned fleet

- **Airbus A321XLR:** Air Canada is acquiring 30 extra-long range (XLR) Airbus A321neo aircraft (Airbus A321XLR). Deliveries are scheduled to begin in the fourth quarter of 2025 with the final aircraft scheduled to arrive in 2029. Of the 30 total aircraft, 15 aircraft will be leased and 15 are being acquired under a purchase agreement with Airbus S.A.S., which includes purchase rights to acquire up to 10 additional aircraft between 2030 and 2032.
- **Airbus A220-300:** Air Canada has agreed with Airbus Canada on firm orders to purchase 65 Airbus A220-300 aircraft, of which 34 have been delivered, and purchase options for 10 additional Airbus A220-300 aircraft. Deliveries for the 31 remaining firm orders are planned to continue into 2027. In October 2024, Air Canada received a loan commitment from Export Development Canada of up to US$975 million to finance a portion of the purchase price of up to 27 Airbus A220-300 aircraft, which are expected to be delivered no later than October 2027.
- **Boeing 737 MAX:** Air Canada has agreed with Boeing on firm orders to purchase 40 Boeing 737 MAX 8 aircraft (which have all been delivered) and purchase options for 10 additional Boeing 737 MAX aircraft. In 2023, Air Canada entered into lease agreements for five additional Boeing 737 MAX 8 aircraft that are scheduled to enter the operating fleet in 2026. In June 2024, Air Canada entered into lease agreements for eight additional Boeing 737 MAX 8 aircraft, of which one was delivered in June 2024 and two were delivered to date in 2025. In February 2025, Air Canada reduced the total number of aircraft to seven, which are scheduled to enter the operating fleet during 2025.
- **Boeing 767 freighter:** In the first quarter of 2024, Air Canada adjusted its freighter capacity plans to align with market conditions and removed the addition of two Boeing 767 freighters from its 2024–25 fleet plan.
- **Boeing 787-9:** In 2021, Air Canada exercised options for the purchase of three Boeing 787-9 aircraft. Two 787-9 aircraft were delivered, and the third aircraft is scheduled to be delivered in 2025.
- **Boeing 787-10:** In 2023, Air Canada agreed to purchase 18 Boeing 787-10 aircraft. Deliveries are scheduled to begin in 2026. The agreement includes options for 12 additional Boeing 787-10 aircraft.
- **Heart Aerospace ES-30:** In 2022, Air Canada agreed to purchase 30 ES-30 electric-hybrid aircraft under development by Heart Aerospace. The purchase remains subject to conditions including in relation to the design and specifications of the aircraft. In addition, the final cost for the aircraft, which is subject to a price cap, is not yet determinable. These aircraft would not be expected to start entry into service before at least 2029.

For additional information on Air Canada's fleet, refer to section 7 "Fleet" of Air Canada's 2024 MD&A, which section is incorporated into the AIF by reference.

4.6 Elevating the customer experience

We carried more than 47 million customers to their destination safely and saw continued progress on our operational performance in 2024. Our focus on operational improvement was reflected in key operational metrics for on-time performance, baggage performance and customer satisfaction improved from 2023. We continue to act on our strategic transformation to elevate the customer experience through technology evolution, employee empowerment and training, changes to ways of working and focus on improving operational execution. Our transformation plan is driven by comprehensive data, incorporating industry benchmarks and direct customer feedback gathered through insight surveys and focus groups.

In 2024, we delivered several initiatives across Air Canada that focused on customer experience, disruption handling, on-time performance, accessibility and employee engagement. These include:

- Improved baggage-handling performance, departure and arrival punctualities, flights completion and disruption handling, driven by new initiatives, tools and procedures including an enhanced schedule design and increased staff experience.

- Modernized services, boarding procedures and significant equipment investments across Air Canada and Canadian airports regarding accessibility.
- The Hidden Disability Sunflower program, which is a voluntary program that allows customers with non-visible disabilities to wear a sunflower lanyard to discretely indicate that they have a non-visible disability and need a little extra time or patience.
- The launch of an Accessibility Advisory Committee, made up of customers with disabilities who will be advising and consulting on our accessibility plans and priorities going forward.
- A new proactive customer care team providing real-time updates and resolutions to customers experiencing significant disruptions.

We are dedicated to elevating the customer travel experience through innovation, improved offerings and elevated levels of service, comfort and convenience, reflecting our commitment to strengthening our competitive offer in the premium travel segment.

We outline below some of the significant ways in which we continued to elevate our ground and in-flight product experience for customers in 2024:

- We continued to provide a world-class dining experience with industry-leading service and locally inspired culinary offerings in our Air Canada Signature Suite at Toronto Pearson, receiving the Skytrax World's Best Business Class Lounge Catering.
- We further expanded offerings through meaningful partnerships with Inez Cook, Jacques Thériault Watso and David Wolfman, three prominent Indigenous culinary leaders.
- We optimized key Canadian lounge locations, such as our International Maple Leaf Lounges in Toronto Pearson and Montréal-Pierre Elliott Trudeau International Airport (YUL), and refreshed locations at London Heathrow, Frankfurt Airport and Los Angeles International Airport.
- We introduced new products to the complimentary premium snack selection for Economy Class passengers as well as complimentary beer and wine for all flights within Canada and mainland U.S., Alaska and Hawaii.
- We introduced 100+ new rotating seasonal recipes for customers travelling in Air Canada International Signature Class, International Premium Economy and Economy, North America Business and Premium Economy Class.
- We refreshed our Bistro menu on North American flights, featuring a wide range of fresh options including hot, fresh kids' meals, and we continued expansion of the meal pre-order program.
- We introduced bamboo straws for customers with accessibility needs.

4.7 New and improved core technologies

Investing in new data and technology platforms will remain important for Air Canada, for enhancing customer experience and for improving operational efficiency and performance.

In 2024, we migrated our airline operations control system to a new cloud-hosted platform. We upgraded the LSY (Lufthansa Systems) platform from NLOPS classic to NLOPS++ and moved LSY Crew (NLCREW) and EAI (message broker) to the cloud. This new system marks a major step in modernizing our operations, providing an intuitive user experience, streamlined workflows and continued data governance. We also supported airport operations making available data and insights to improve on-time-performance and baggage delivery. With these investments, we are better equipped to implement future improvements, keeping Air Canada agile and competitive.

Our customers continue to benefit from modern technology and enhanced experiences, including real-time communications and better disruption handling. In 2024, Air Canada upgraded its shopping and booking platform via aircanada.com. In addition, the ability to track checked baggage and mobility aids via the Air Canada mobile app was expanded to additional stations around the world, and we are progressively rolling out the ability for eligible customers to receive meal and hotel vouchers, where eligible, via their mobile device. As in recent years, customer experience and growth are further supported by ongoing investments in optimization models and artificial intelligence-powered tools for customer relations, revenue management, network planning and maintenance.
Finally, technology investments have also strengthened our security posture with new capabilities that improve cybersecurity and automation, as well as fraud detection and monitoring.

4.8 Climate-related ambition

Air Canada's efforts related to greenhouse gas emissions are aimed to align with the Government of Canada's Aviation Climate Action Plan stated vision net-zero emissions by 2050, the International Air Transport Association (IATA) 2021 resolution for the global air transport industry to achieve net-zero carbon emissions by 2050 and the International Civil Aviation Organization (ICAO) member states' collective long-term global aspirational goal of net-zero carbon emissions by 2050. These ambitions align with the Paris Agreement and, to succeed, they will require the co-ordinated efforts of the entire airline industry (e.g., airlines, airports, air navigation service providers, manufacturers) and significant government support.

In March 2021, we announced our own ambitious plan setting out mid-term targets in support of our long-term aspirational goal of net-zero GHG emissions by 2050. Those mid-term targets are (a) 20 per cent GHG net reductions from our air operations compared to a 2019 baseline by 2030 and (b) 30 per cent GHG net reductions from our ground operations compared to a 2019 baseline by 2030 and (c) a $50 million investment fund for new technologies such as SAF as well as new aircraft or carbon reduction and removal technologies.

Our ambitions, particularly our net reduction target for our air operations, are dependent on new technologies and the availability of sufficient sustainable aviation fuels (SAF) and other renewable energies. IATA estimated that SAF production volumes only accounted for 0.3 per cent of global jet fuel production in 2024. Although Air Canada is proud of the progress it is making, we cannot achieve our ambitions alone; governments play an essential role in these efforts. Industry and other participants in our supply chain or otherwise must each play their part.

Air Canada's initiatives relating to GHG emissions build on existing value streams and activities based on four key carbon reduction pillars that are central to the advancement of our objectives and position us to leverage emerging opportunities: Fleet and operations; Innovation; SAF and renewable energy; Carbon reductions and removals.

The aviation industry includes many participants, many of which can play a meaningful role in reducing GHG emissions. Air Canada is accordingly engaged with other stakeholders in the air transport system to advance and explore opportunities. For more information about our climate-related governance, strategy risks and opportunities, see Air Canada's 2023 TCFD summary.

4.9 Sustainability reporting

Our approach to sustainability disclosure aligns with international recommendations. Our social and environmental achievements are reported in accordance with the Global Reporting Initiative (GRI) standards. The 2023 edition describes our approach, commitments and progress respecting our environmental, social and governance activities and performance throughout that year.

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

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

Our 2023 TCFD summary, GRI Content Index and related charts and United Nations Sustainable Development Goals index are available at Corporate sustainability reports. The information on our sustainability website is subject to change without notice. While we do our best to ensure the currency and accuracy of the information contained on our sustainability website, documents in it have necessarily been created as at a point in time and may no longer be current or accurate. We disclaim any intention or obligation to update or revise any statements, whether because of new information, future events or otherwise.

4.10 Certain Air Canada policies and practices

We highlight below some of the policies and practices Air Canada has adopted in connection with its business and affairs.

4.10.1 Safety

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

4.10.2 Safety management

Safety management is a critical responsibility and affects virtually every decision Air Canada makes. Air Canada has established a governance structure, processes and resources to ensure that all aspects of safety and its stewardship are always prioritized and that safety measures are appropriate and effective. Air Canada is committed to conducting its business in a manner that ensures the health and safety of its employees and its customers, while meeting its obligations under applicable laws. As part of its commitment to safety, Air Canada supports and promotes effective training, as well as the development and integration of safety data analytics. We also continually assess and manage safety risks associated with the introduction of new equipment, new routes and new initiatives or projects and reinforce and promote safety reporting and protect safety critical information in order to inform our decisions.

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

4.10.3 Safety management program

To improve the safety performance of Canadian air operators and increase accountability in the aviation sector, the CARs require that air operators implement an SMS in their organizations and appoint executives who are accountable for safety. An SMS is a systematic approach to managing safety, including through the necessary organizational structures, accountabilities, policies and procedures. Each of Air Canada and Air Canada Rouge has implemented an SMS that meets and exceeds the requirements of applicable laws. The SMS serves as a framework within which systematic and comprehensive processes and procedures for managing risk are developed, applied and evaluated.

The SMS also creates a common support structure for all operational groups, with concise direction, so that they may perform their safety management functions effectively, ensuring the following:

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

4.10.4 Code of conduct and policy against workplace harassment

Air Canada has a Code of conduct, which is reviewed annually by the Board of Directors. The Code of conduct applies to all directors, officers and employees of Air Canada. It addresses, among other things, conflicts of interest, use of company assets, confidential information, compliance with laws, fair dealing with other people and organizations, employment policies, computer, email, internet and other authorized technologies and reporting actual or potential misconduct or violations thereof. The Code of conduct is available on SEDAR+ at http://www.sedarplus.ca and on our website at http://www.aircanada.com. The Code of conduct is communicated or brought to the attention of all employees of Air Canada. In addition, all directors of Air Canada and members of management are required to complete an annual acknowledgment form and take all reasonable measures to ensure that the employees under their supervision comply with the Code of conduct.

Employees are required under the Code of conduct to report any illegal acts or violations thereof. It also provides guidance on how to file such a report including through our confidential and anonymous telephone and online reporting system administered by an independent third party.

We also maintain a Workplace Harassment and Violence Prevention Policy that reflects our commitment to providing employees with a safe, respectful and violence-free workplace and to preventing harassment and discrimination against any employee or applicant based on grounds such as religion, race, sex, nationality, disability or any other basis protected by law. Internal complaint resolution procedures have been established.

On a quarterly basis, the Audit, Finance and Risk Committee receives an overview of reports logged and investigated, and the Human Resources, Compensation and Pension Committee receives an overview of complaints received and investigated by the Human Rights and Harassment Office.

4.10.5 Supplier conduct

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

4.10.6 Privacy and information security

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

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

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

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

4.11 Environmental policy and management system

Air Canada has developed an Environmental Policy (available at aircanada.com) that is consistent with the requirements of the IATA Environmental Assessment (IEnvA) Program, which details Air Canada’s commitments. The policy is the foundation of Air Canada’s Environmental Management System (EMS) through which we maintain environmental management programs, enabling us to meet our obligations and address our environmental impacts.
Air Canada’s EMS is a structured system of policies and procedures that is used to identify, monitor and assess environmental aspects and impacts of its activities including climate change impact, related regulatory requirements and risks and opportunities, manage their impacts and set Air Canada’s environmental objectives, targets and performance indicators.

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

In support of its efforts to reduce waste, pollution including greenhouse gas (GHG) emissions and to improve environmental performance, Air Canada advanced to a third-party certified EMS system through the IEnvA Program. IEnvA is an environmental management system certification program, specifically developed for the airline sector, which demonstrates equivalency to the ISO 14001: 2015 environmental management systems standard.
Air Canada was the first airline in North America to be IEnvA Stage 2 and IWT certified in 2020, the highest level of IEnvA compliance. The recertification cycle for the program is every two years, and we obtained our recertification for both in 2024.

5. INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

5.1 Domestic market

The Canadian domestic market is highly competitive and dynamic. It is characterized by a large geographic territory with a limited number of high-density routes that account for most of the passenger traffic and revenue. This leads to a concentration of routes in Canada around major hubs such as 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 Airlines Ltd. (WestJet), Porter Airlines Inc. (Porter) and Flair Airlines.

WestJet is the second largest carrier in Canada, based in Calgary, Alberta, and operating a fleet of seven wide-bodies and more than 130 narrow-bodies across the domestic, transborder and international markets. In 2023, the WestJet Group completed its acquisition of Sunwing, which was announced the year prior, growing its fleet by 18 Boeing 737s and strengthening its position in leisure markets from across Canada.

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

The domestic market has seen the emergence of ultra-low-cost carriers such as Flair Airlines. Lynx Air, which had also launched as an ultra-low-cost carrier, ceased operations in the first quarter of 2024. Other airlines operating in the domestic market with which Air Canada competes include Air Creebec, Canadian North, Central Mountain Air, First Air, Pacific Coastal Airlines, Pascan Aviation, Provincial Airlines and Transat A.T. Inc., as well as, to a lesser extent, Air North, Air Inuit and Bearskin Airlines.

5.2 U.S. Transborder market

Air Canada is the largest provider of scheduled passenger services in the U.S. transborder market. Competition in the U.S. transborder market is primarily from U.S. network carriers and their regional affiliates, as well as WestJet and Porter. 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. WestJet mainly operates flights to and from leisure destinations and key Delta Air Lines hubs. Porter began ramping up its transborder flying with the introduction of service from Toronto and Ottawa to Florida in November 2023, rapidly expanding capacity to more regional destinations in Eastern Canada. For information on the business relationships between Air Canada and United Airlines, refer to the section entitled “Routes, network and services” of this AIF.

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

5.3 International market

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

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

In 2024, the Air Canada Rouge fleet consisted of only narrow-body aircraft primarily operating short- and medium-haul flights to leisure destinations in the Caribbean, the U.S., and Canada.

6. REGULATORY ENVIRONMENT

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

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

6.1 Canada

6.1.1 Introduction

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

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

6.1.2 Air Passenger protection regulations

Air Passenger Protection Regulations govern flights to, from and within Canada, including connecting flights, and specify carrier obligations such as in the event of a flight delay, cancellation or denial of boarding, as well as minimum standards of treatment, compensation and assistance in completing the planned itinerary and compensation for lost or damaged baggage. Legislation introduced in 2023 mandates changes to these regulations. Following a public consultation in 2023, the CTA published draft regulations in December 2024, with a consultation on the draft closing on March 6, 2025. Proposed changes notably include situations in which compensation and standards of treatment are owed, and communication requirements. These changes, if adopted, would expose airlines to additional costs.

6.1.3 Accessibility

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

In June 2023, we published our first 3-year Accessibility Plan, which sets out our commitment to improve accessibility and remove barriers for customers and employees with disabilities. Our 2024 Accessibility Progress Report outlines the measures and initiatives we implemented during the first year thereof, including adjustments to our zonal boarding policy, enhanced storage of mobility aids and training and strengthened investments in accessibility-related equipment at Canadian airports.

6.2 U.S. transborder services

Transborder services between Canada and the United States are operated pursuant to the Open Skies Agreement between Canada and the United States. The Open Skies Agreement allows air carriers of both countries (i) to pick up passenger and/or cargo traffic in the other country and carry that traffic to a third country as part of a service to or from the carrier's home country, (ii) to operate stand-alone all-cargo services between the other country's territory and third countries, and (iii) greater pricing flexibility for services between the other country and a third country. This agreement also permits Air Canada to offer code share services with certain

Star Alliance® partners between Canada and the United States. In addition, some of these Star Alliance® partners' codes appear on certain transborder flights operated by Air Canada or its regional partners, Jazz and PAL.

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

6.3 International services

Scheduled international air services are regulated by the applicable Canadian and foreign governments involved. The Canadian Minister of Transport has the authority to designate which Canadian air carriers may serve scheduled international routes. International route rights are obtained through bilateral negotiations between the Government of Canada and foreign countries. Bilateral agreements provide for the rights to be exercised over agreed routings, operating conditions, the number of carriers that may operate, capacity and/or flight frequencies and controls over tariffs to be charged. Most bilateral agreements to which Canada is a party provide for the designation of more than one Canadian carrier, but 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. Any Canadian carrier may apply for designation to serve any foreign country regardless of the size of the air travel market. If the number of Canadian carriers permitted is restricted under existing bilateral agreements, the Government of Canada will pursue negotiations with the appropriate countries to seek the necessary rights for Canadian carriers. In addition, an incumbent carrier's designation in a particular market will be subject to reallocation only in circumstances where the bilateral agreement limits designation and the carrier is not operating its own aircraft or code share services.

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

6.4 Charter services

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

6.5 Climate and related greenhouse gas emissions legislation

Global, national and other regulators continue to be focused on carbon dioxide emissions, which are one of the main greenhouse gas or GHG emissions produced by the aviation industry. Legislation and regulations in various jurisdictions, as well as accords and standards, continue to be considered or adopted, including those related to carbon taxes, market-based mechanisms such as emissions trading systems, mandated fossil fuels carbon intensity reductions and related reporting and other obligations.

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

We believe that policies that incentivize or otherwise encourage the production of sustainable aviation fuel will enable us to decarbonize our operations more cost efficiently than uncoordinated regulatory requirements that impose the cost of transitioning disproportionately on airlines. We will continue to work with policymakers and stakeholders to adopt policies and promote initiatives to allow the industry to transition to a lower carbon future. In addition, we will be subject to carbon offsetting in a regulatory context through CORSIA, which may expose Air Canada to additional costs associated with the procurement of offsets or limited supply in the carbon offsets market. We believe that policies that incentivize in-sector emissions reductions, rather than carbon offset purchases, will better support the industry's transition to a lower carbon future.

6.5.1 Canada's action plan to reduce greenhouse gas emissions from aviation

The *Canadian Net-Zero Emissions Accountability Act* reflects Canada's commitment to achieve net-zero GHG emissions by 2050 and requires the Government of Canada to set five-year national emissions reduction targets 10 years in advance. The federal government published its first 2030 Emissions Reduction Plan in 2022, setting out Canada's first intermediate climate target of 40-45 per cent emissions reductions by 2030 and referencing the development in 2022 of Canada's Action Plan to reduce GHG Emissions from Aviation (2022–2030), as committed in 2021 at the 26th UN Climate Change Conference of the Parties. In December 2024, the federal government published its second intermediate climate target of 45-50 per cent emissions reductions below 2005 levels by 2035.

Canada's Action Plan to reduce GHG Emissions from Aviation (2022–2030) includes ambitious national actions to achieve net-zero emissions by 2050 for the Canadian aviation sector. It includes an aspirational goal of 10 per cent for the use of SAF by 2030, recognizing the need for significant volumes of SAF to achieve net zero by 2050. In 2024, an Aviation Task Force was established to initiate work to update the Canada Action Plan. Changes to the Canada Action Plan will include reassessing long-term projections, strengthening short-term commitments, setting interim targets and ensuring continued alignment with Canada's climate commitments. A revised action plan is expected to be published by the end of 2025.

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

6.5.2 Carbon offsetting and reduction scheme for international aviation

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

The baseline year, initially set to be based on 2019 and 2020 emissions, was changed to 2019 for the first compliance period (2021–23) as a result of the impact of the COVID-19 pandemic. Consequently, airlines may start incurring CORSIA obligations once the aviation industry, as a whole, exceeds its 2019 emission levels. At the 41st ICAO Assembly, countries agreed on a new CORSIA baseline from 2024 onwards, defined as 85 per cent of CO_2 emissions in 2019 and on revised percentages for the sectoral and individual growth factors to be used for the calculation of offsetting requirements from 2030 onwards.

In November 2023, ICAO held its third Conference on Aviation Alternative Fuels where an aspirational goal of five per cent reduction in CO_2 emissions in international aviation by 2030 was agreed to by member states. This goal is to be achieved through the use of SAF, Low Carbon Aviation Fuels (LCAF) and other more sustainable energy sources.

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

In December 2022, a political agreement was reached on the revision of the EU ETS rules on aviation maintaining the current "stop the clock" mechanism on the international application of the rules until the end of 2026. The European Commission is scheduled to perform an assessment of CORSIA in 2026 to evaluate if it is sufficiently delivering on the goals of the Paris Agreement, an international treaty on climate change that aims to address the issues linked to global climate change and its impacts. Subject to the outcome of this assessment, the European Commission could propose to revoke the stop the clock mechanism if CORSIA is not sufficiently aligned with the Paris Agreement. The revisions of the EU ETS also provide for a new support scheme to incentivize the use of SAF and bridge the price differential between conventional fuel and eligible sustainable aviation fuels starting January 2024 through December 2030, financed by setting aside part of the EU

ETS free allowances for that purpose. Airlines will also be required to monitor, report and verify non-CO_2 emissions starting January 2025. In May 2023, the European Parliament published amendments to Directive 2003/87/EC, transposing key elements of the political agreement.

6.5.3 Greenhouse gas pollution pricing legislation

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

6.5.4 Clean fuel and low carbon fuel regulations

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

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

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

The BC LCFS applies to producers and importers of jet fuel and establishes two compliance obligations: (a) 10 per cent carbon intensity reduction target starting at two per cent in 2026 and increasing to 10 per cent by 2030; and (b) a volumetric requirement starting at one per cent renewable fuel content in 2028 and increasing to three per cent by 2030. Sustainable aviation fuel is eligible to generate compliance credits on a voluntary basis as of January 1, 2024.

6.6 Official and other languages

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

Our services are offered in a variety of settings but most visibly aboard our aircraft, carrying more than 47 million passengers on about 377,000 flights in 2024 within Canada or to the 56 countries we serve. We are one of few airline companies in the world that serve customers in English and in French on the scale we do, and we are proud to reflect Canada in that way both within and outside its borders.

In addition to our official languages, through the diverse linguistic abilities of our workforce, we have been able to designate 24 of what we call route languages. These designations are based on internal criteria including minimum service requirements on the relevant flights.

We invite our customer service and other employees to voluntarily share with us the languages they speak. Although their skills are not tested in the same way as in respect of official or route languages, we understand from self-reporting that our employees speak more than 80 languages globally with some level of proficiency. The most spoken languages other than official languages are Spanish, Hindi, Punjabi and Mandarin.

We use both official languages of Canada in our communications. We are committed to promoting both official languages of Canada across the country, both of which are used in many parts of our operations. We have policies, programs, procedures and tools to help our employees serve our customers and learn and improve their language skills.

We care about all the communities in which we live and work, including Quebec where our head office is located. We will continue to work will all our stakeholders to see how we can meet their expectations, while honouring individual rights and our legal obligations. In 2023, we announced our voluntary registration with the *Office québécois de la langue française* (OQLF) under the *Charter of the French language*, following discussions with the *Office*, reflecting our aim to contribute to the protection, promotion and reach of the French language, while complying with the *Official Languages Act* that applies to us.

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

Progress on our official languages and Linguistic Action Plan initiatives are reported quarterly to the Governance and Nominating Committee of the Board.
In 2024, Air Canada:

- Released a new three-year action plan, detailing accomplishments and ambitions.
- Continued process of OQLF voluntary registration.
- Finalized the Plan de francisation. The program was approved by the OQLF.
- Issued a new Official Languages Policy.
- Created more employee engagement activities, trainings and tools.

6.7 Security

Air Canada is committed to the security of its operations, passengers, employees and assets. Air Canada works with the other stakeholders in the aviation industry, as well as regulators, airports, industry associations, service providers and other third parties to ensure that the appropriate security measures are implemented in an efficient and effective manner. Air Canada continues to continuously improve its Security Management System. This system uses threat and risk management, incident management, and quality controls to define appropriate security measures and then monitors compliance through audits and incident reporting. In advance of expected amendments to Transport Canada security requirements, Air Canada has amended and published a new Aircraft Operator Security Program aligned with international standards and recommended practices.

6.8 Safety

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

Safety is assigned the day-to-day administration and oversight of the Air Canada SMS. The Director, Safety, Security & Regulatory Affairs of Air Canada Rouge is assigned the day-to-day administration and oversight of the Air Canada Rouge SMS.

6.9 Privacy and personal data protection

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

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, which imposes a number of data protection and security requirements. They range from governance requirements to respecting rights of individuals and include conducting transfer impact assessments and implementing 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 laws have also come into force or are being considered in other jurisdictions.

6.10 Anti-spam legislation

Air Canada is subject to Canadian federal anti-spam legislation, 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.

6.11 Artificial intelligence (AI)

Air Canada has adopted a policy and a directive to govern its development, selection and use of artificial intelligence systems. This policy is based on seven principles, defined purpose, fairness and equality, transparency and explainability, legal requirements, accountability and integrity, robustness, safety and security, human oversight and monitoring. A directive sets the accountability of stakeholders involved in the selection and use of third parties providing AI systems to Air Canada. This framework helps Air Canada build its risk assessment processes, and the mitigation measures required to ensure the use of the AI systems in compliance with applicable laws.

The *Artificial Intelligence Act*, a European Union regulation came into force in August 2024, to establish a common regulatory and legal framework for AI within the European Union. The regulation is stated to apply to entities that provide or deploy an AI system within the EU market or whose use impacts individuals in the EU. The regulation employs a risk-based approach, categorizing risks as unacceptable (prohibited AI system use), high (e.g., safety components of products or employment-related use), specific transparency (e.g., chatbots), minimal (e.g., spam filters) and systemic risks specifically for generative AI (GenAI). Providers of high-risk AI systems are required to perform a conformity assessment.

7. RISK FACTORS

The risk factors associated with Air Canada and its business are described in section 18 "*Risk Factors*" of Air Canada's 2024 MD&A, which section is incorporated into the AIF by this reference.

8. DIVIDEND RECORD

Air Canada has not declared or paid dividends on its Voting Shares and Variable Voting Shares for any of the financial years ended December 31, 2024, 2023 and 2022.

Air Canada’s current policy is to reinvest earnings and use excess liquidity to finance the growth and the development of its business, pay down debt and, when appropriate, buy back its shares (see below section 9.1 of this AIF). Certain agreements Air Canada may enter into from time to time, including those described in section 13 of this AIF, impose conditions or restrictions with respect to Air Canada’s ability to declare and pay dividends. Any future determination to declare and pay dividends is subject to legal restrictions applicable at the time to Air Canada and to the discretion of Air Canada's Board of Directors. It will also depend on Air Canada's financial condition, results of operations, capital requirements and allocation priorities, restrictive covenants in contracts and such other factors as Air Canada's Board of Directors deems relevant.

9. 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, 2024, an aggregate of 102,314,033 Variable Voting Shares and 237,525,089 Voting Shares were issued and outstanding for an aggregate amount of 339,839,122 Shares. The two classes of shares have equivalent rights as shareholders except for voting rights.

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

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

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

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

Each Variable Voting Share and Voting Share entitles its holder to vote at any meeting of shareholders as described herein, and to rank equally in the payment of dividends, if and when, declared by the directors and in the distribution of assets if Air Canada is liquidated, dissolved or wound up.
Upon liquidation, dissolution or winding up of Air Canada or other distribution of Air Canada's assets among its shareholders for the purpose of winding up its affairs, the holders of Variable Voting Shares and Voting Shares are entitled to receive the remaining property of Air Canada and to share equally, share for share, in all distributions of such assets.

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

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

9.1 Purchase of shares

In the fourth quarter of 2024, Air Canada received approval from the Toronto Stock Exchange ("TSX") to launch a normal course issuer bid ("NCIB"), allowing Air Canada to purchase for cancellation, in accordance with the rules of the TSX and during the period from November 5, 2024 to November 4, 2025, up to 35,783,842 of its Shares, representing about 10 per cent of the public float of its Shares as at October 22, 2024.

From November 5, 2024 until February 11, 2025, Air Canada purchased and cancelled all 35,783,842 Shares available under the NCIB at an average cost per Share of $23.92 (with respect to 20,279,100 Shares purchased and cancelled in November and December 2024) and $20.30 (with respect to 15,504,742 Shares purchased and cancelled in January and February 2025), for aggregate consideration of about $800 million.

9.2 Air Canada shareholder rights plan

Air Canada's shareholder rights plan, as approved by its shareholders, is in effect until the close of business on the date immediately following the date on which the annual meeting of the shareholders of Air Canada will be held in 2026, and may be renewed in accordance with its terms for an additional period of three years, from 2026 to 2029, if the shareholders ratify such renewal at or prior to the annual meeting of shareholders to be held in 2026. It is available on SEDAR+ at **sedarplus.ca**.

10. MARKET FOR SECURITIES

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

The following table sets forth the price range and trading volume, on a combined basis, of the Variable Voting Shares and the Voting Shares as reported by the TSX for the months of January to December 2024.

	High ($)	Low ($)	Average daily trading volume	Total monthly volume
January	19.80	17.72	2,099,889	46,197,550
February	19.38	17.61	2,414,120	48,282,404
March	19.78	17.37	2,303,707	46,074,139
April	20.43	18.16	2,204,714	48,503,705
May	20.47	17.58	2,465,375	54,238,243
June	18.48	16.62	1,627,104	32,542,076
July	18.07	15.77	2,327,992	51,215,820
August	15.96	14.47	1,989,562	41,780,808
September	17.08	14.86	2,196,942	43,938,830
October	19.47	15.98	2,863,430	62,995,450
November	25.00	19.81	4,636,750	97,371,752
December	26.18	21.21	4,059,219	81,184,371

11. EMPLOYEES

After having recalled more than 10,000 furloughed employees and hired new employees as it rebuilt its network beginning in late 2021, Air Canada focused on hiring new, diverse talent and welcomed close to 4,400 new employees in 2024. We continue to prioritize our employee retention strategy and talent acquisition efforts. The following table provides a breakdown of Air Canada's average full-time equivalent (FTE) employees for the year 2024, together with unions that represent unionized employees and the expiry date of the agreement with the union.

Employee group	Union(s)	FTEs	Collective agreement expiration date
Management, Administrative support and Non-union direct	–	6,771	–
Pilots	ALPA	4,729	September 29, 2027
Flight attendants	CUPE	9,107	March 31, 2025
Customer sales and Service agents and Flight dispatchers	Unifor/IBT/CALDA	5,761	Unifor – February 28, 2026 IBT – June 30, 2029 CALDA – February 29, 2028
Technical services, Ramp and Cargo	IAMAW (1)	10,394	March 31, 2026
United Kingdom and other unionized employees	UNITE/Various	341	Various
TOTAL		**37,103**	

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

Air Canada is engaged in collective bargaining with the Canadian Union of Public Employees (CUPE), the union representing its flight attendants. The collective agreement with CUPE expires on March 31, 2025, however, no strikes or lockouts may lawfully occur following the term of the collective agreement until a number of pre-conditions prescribed by the *Canada Labour Code* have been satisfied. As agreements with other unions will expire over the next few years, bargaining is expected to commence with them as well.

12. SELECTED FINANCIAL HIGHLIGHTS

The table below sets forth selected Air Canada financial results for the years 2022 through to 2024:

(Canadian dollars in millions)	2024	2023	2022
Passenger revenues	19,760	19,403	14,238
Cargo revenues	991	924	1,266
Other revenues	1,504	1,506	1,052
Total operating revenues	**22,255**	**21,833**	**16,556**
Total operating expenses	**20,992**	**19,554**	**16,743**
Operating income (loss)	1,263	2,279	(187)
Non-operating expense	(748)	(67)	(1,337)
Income (loss) before income taxes	**515**	**2,212**	**(1,524)**
Income tax recover (expense)	1,205	64	(176)
Net income (loss)	**1,720**	**2,276**	**(1,700)**

The table below sets forth the proportions of passenger revenues derived from domestic, transborder and international services of Air Canada for the years 2022 through to 2024:

	2024	2023	2022
Domestic	27%	26%	31%
U.S. transborder	22%	21%	21%
International	51%	53%	48%
Total	**100%**	**100%**	**100%**

13. SIGNIFICANT FINANCING TRANSACTIONS

Air Canada entered into the following significant financing transactions from 2022 to 2024:

2024

- In March 2024, Air Canada completed the closing of a US$1.175 billion term loan B maturing in 2031 and a US$975 million revolving credit facility maturing in 2029, and the termination of its undrawn $200 million revolving credit facility maturing in 2026.
- In November 2024, Air Canada completed a repricing of its US$1.175 billion term loan B, reducing the interest rate by 50 basis points.
- In October 2024, Air Canada received a loan commitment from Export Development Canada of up to US$975 million to finance a portion of the purchase price of each of the 27 Airbus A220-300 aircraft expected to be delivered no later than October 2027.

2023

- In 2023, Air Canada prepaid loans of $1.112 billion, which had been used to finance the acquisition of 33 Airbus A220-300 aircraft. In addition, financing of $164 million previously used to fund the acquisition of five Boeing 787-8 aircraft was also prepaid.
- In November 2023, Air Canada extended its $200 million revolving credit facility by one year to December 2026. It remained undrawn as of December 31, 2023, and was terminated in 2024, as described above.

2022

- In September 2022, Air Canada repurchased $273 million (US$207 million) aggregate principal amount of its outstanding 4.0 per cent Convertible Senior Notes due 2025 (the Convertible Notes) for an aggregate cash repurchase price of approximately $329 million (US$249 million), including accrued interest.
- In December 2022, Air Canada repurchased $362 million (US$266 million) aggregate principal amount of the outstanding Convertible Notes for an aggregate cash repurchase price of $449 million (US$330 million), including accrued interest. As at December 31, 2024, $394 million (US$274 million) aggregate principal amount of the Convertible Notes remains outstanding.
- In November 2022, Air Canada extended its $200 million revolving credit facility by one year to December 2025. It remained undrawn as of December 31, 2022, and was terminated in 2024, as described above.

14. RATINGS

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

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

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

Air Canada pays fees to credit rating agencies to obtain its credit ratings. It also pays fees for other services from credit rating agencies in the ordinary course of business.

	Moody's		Standard & Poor's		Fitch	
	Rating	Rank*	Rating	Rank*	Rating	Rank*
Air Canada corporate credit	Ba2	12 of 21	BB	12 of 22	BB	12 of 23
Air Canada long-term debt						
Senior secured debt (first lien)	Ba1	11 of 21	BBB-	10 of 22	BB+	11 of 23
Air Canada enhanced equipment trust certificates (EETC)						
EETC 2013-1						
Rating A Tranche	Baa1	8 of 21	BBB+	8 of 22	BBB+	8 of 23
Rating B tranche					BBB-	10 of 23
EETC 2015-1						
Rating A tranche			A+	5 of 22	A	6 of 23
EETC 2015-2						
Rating AA tranche	A1	5 of 21	AA-	4 of 22		
Rating A tranche	Baa2	9 of 21	A	6 of 22		
EETC2017-1						
Rating AA tranche	Aa2	3 of 21			AA	3 of 23
Rating A tranche	A2	6 of 21			A	6 of 23
Rating B tranche	Baa1	8 of 21			BBB+	8 of 23
CAD$ EETC 2018-1						
Rating A tranche			A+	5 of 22		
Rating B tranche			BBB+	8 of 22		
EETC 2020-1						
Rating C tranche	Ba2	12 of 21	BB	12 of 22		
EETC 2020-2						
Rating A tranche			A+	5 of 22	A	6 of 23
Rating B tranche			A+	5 of 22	BBB+	8 of 23

* Relative rank of each rating within the organization's overall classification system.

The following descriptions of the ratings categories assigned by each of the rating agencies are provided in accordance with applicable requirements relating to this AIF and were taken from the agencies' respective websites. They do not constitute an endorsement by Air Canada of the categories or of the application by the respective rating agencies of their criteria and analyses. More information can be obtained from the respective rating agencies.

Moody's rating explanation

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal 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 considered upper medium-grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements 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 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 in principal and interest.
C	Obligations rated C are the lowest-rated and are typically in default, with little prospect for recovery of principal and interest.

Note: Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa (for a total of 21 ratings related to the categories in the table above). 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

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

Note: Ratings of 'AAA' through 'BBB' are classified as investment grade and ratings of 'BB', 'B', 'CCC', 'CC' and 'C' are speculative grade 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 (for a total of 22 ratings related to the categories in the table above).

Fitch rating explanation

AAA	Highest Credit Quality. AAA' ratings denote the lowest expectation of default 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 default 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 default 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 default 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 default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.
B	Highly Speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial Credit Risk. Very low margin for safety. Default is a real possibility.
CC	Very High Levels of Credit Risk. Default of some kind appears probable.
C	Near Default. A default or default-like process has begun, or for a closed funding vehicle, payment capacity is irrevocably impaired.
RD	Restricted Default. 'RD' ratings indicate an issuer that in Fitch's opinion has experienced an uncured payment default or distressed debt exchange on a bond, loan or other material financial obligation, but has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and has not otherwise ceased operating.
D	Default. 'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business and debt is still outstanding.

Note: 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. (for a total of 23 ratings related to the categories in the table above).

15. INFRASTRUCTURE

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

16. TRADEMARKS

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

17. DIRECTORS AND OFFICERS

17.1 Directors

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

Name and residence	Principal occupation	Director since
Amee Chande (1)(4) (British Columbia, Canada)	Corporate Director	June 25, 2020
Christie J.B. Clark (1)(2)(7) (Ontario, Canada)	Corporate Director	June 27, 2013
Gary A. Doer (3)(4) (Manitoba, Canada)	Corporate Director	April 30, 2018
Rob Fyfe (3)(4)(8) (Auckland, New Zealand)	Corporate Director	September 30, 2017
Michael M. Green (3)(4) (Florida, U.S.)	Chief Executive Officer and Managing Director, Tenex Capital Management (private investment firm)	March 30, 2009
Jean Marc Huot (2)(4) (Quebec, Canada)	Partner, Stikeman Elliott LLP (Canadian law firm)	May 8, 2009
Claudette McGowan (1)(3) (Ontario, Canada)	Chief Executive Officer, Protexxa Inc. (Canadian-based cybersecurity software and services company)	May 15, 2023
Madeleine Paquin (2)(4) (Quebec, Canada)	Corporate Director	May 12, 2015
Michael Rousseau (Quebec, Canada)	President and Chief Executive Officer, Air Canada	February 15, 2021
Vagn Sørensen (5) (London, U.K.)	Corporate Director	November 15, 2006
Kathleen Taylor (1)(2)(3)(10) (Ontario, Canada)	Corporate Director	May 10, 2016
Annette Verschuren (1)(2)(9) (Ontario, Canada)	Chair and Chief Executive Officer, NRStor Inc. (develops, builds and manages energy storage projects)	November 12, 2012
Michael M. Wilson (1)(3)(6) (Alberta, Canada)	Corporate Director	October 1, 2014

(1) Member of the Audit, Finance and Risk Committee.
(2) Member of the Governance and Nominating Committee.
(3) Member of the Human Resources, Compensation and Pension Committee.
(4) Member of the Safety, Health, Environment and Security Committee.
(5) Mr. Sørensen became the Chair of the Board of Air Canada on May 5, 2017.
(6) Mr. Wilson also served on the Board of Air Canada from May 21, 2008 to May 8, 2009. Mr. Wilson has chosen not to stand for re-election at the 2025 annual meeting of shareholders to be held on March 31, 2025.
(7) Mr. Clark is Chair of the Audit, Finance and Risk Committee.
(8) Mr. Fyfe is Chair of the Safety, Health, Environment and Security Committee.
(9) Ms. Verschuren is Chair of the Governance and Nominating Committee.
(10) Ms. Taylor is Chair of the Human Resources, Compensation and Pension Committee.

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

17.2 Executive officers

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

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

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

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

- Mr. O’Connor was Vice President, System Operations Control from 2017 to 2023 and was appointed Senior Vice President, Global Airports and Operations Control of Air Canada in March 2023.
- Captain Strom was Vice President, Flight Operations from 2018 to 2021, Senior Vice President, Flight Operations from 2021 to 2023, and was appointed Senior Vice President, Flight Operations and Maintenance of Air Canada in March 2023.

As at December 31, 2024, the directors and executive officers mentioned above, as a group, owned, or had control or direction over, directly or indirectly, 553,565 Voting Shares representing approximately 0.2331 per cent of the outstanding Voting Shares and 19,300 Variable Voting Shares representing approximately 0.0189 per cent of the outstanding Variable Voting Shares.

18. AUDIT, FINANCE AND RISK COMMITTEE

18.1 Audit Committee Charter

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

18.2 Composition of Audit Committee

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

18.3 Relevant education and experience of audit committee members

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

(a) Christie J.B. Clark is a corporate director. From 2005 to 2011, Mr. Clark was Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Mr. Clark is a director of Loblaw Companies Limited and AtkinsRéalis and he was a director of Choice Properties Real Estate Investment Trust from 2013 to 2023. He is also a member of the Board of the Canadian Olympic Committee, the Canadian Olympic Foundation, Own The Podium and the Sunnybrook Hospital Foundation, and an Emeritus member of the Advisory Council of the Stephen J.R. Smith School of Business at Queen’s University. Mr. Clark has served as a director of Hydro One Inc., Brookfield Office Properties Inc., IGM Financial Inc. and Choice Properties Real Estate Investment Trust. Mr. Clark graduated from Queen’s University with a bachelor of commerce degree and the University of Toronto with a master of business administration degree. He is a Fellow Chartered Accountant. Mr. Clark is a former National Academic Director for the Institute of Corporate Directors’ course entitled Audit Committee Effectiveness.

(b) Amee Chande is a corporate director. Ms. Chande sits on the boards of Algonquin Power & Utilities Corp. and Fortune Brands Innovations. In 2019, Ms. Chande was Chief Commercial Officer for Waymo, Google’s self-driving car project. From 2015 to 2018, she was a Managing Director at Alibaba Group Holding Limited, where she was the first senior executive hired to lead globalization. Ms. Chande has also held divisional president and other executive roles at global retailers including Tesco, Staples and Wal-Mart in Europe and the United States. She began her career as a strategy consultant with McKinsey & Company. Ms. Chande is a volunteer with the World Association of Girl Guides and Girl Scouts where she served as a member of the World Board, and she is an active unit leader. She also teaches strategy as an adjunct professor at University of British Columbia. Ms. Chande holds a bachelor of business administration degree from Simon Fraser University, a master of science degree from London School of Economics and a master of business administration from Harvard Business School.

(c) Claudette McGowan is Chief Executive Officer for Protexxa, a Canadian-based cybersecurity software and services company. Ms. McGowan is a global information technology leader who has worked in the technology industry for several organizations such as Deloitte, Metropolitan Police Services, North York General Hospital, Bank of Montréal (BMO) and the Toronto-Dominion Bank (TD). At BMO, Ms. McGowan served as the Chief Information Officer, Enterprise

Technology Employee Experience and, at TD, she was the Global Executive Officer for Protect Fusion & Cyber Experience. Ms. McGowan is the Chair of the Coalition of Innovation Leaders Advancing Respect (CILAR), a group of senior business leaders committed to creating platforms that break down systemic barriers within the innovation economy. She recently co-led the launch of Phoenix Fire & The Firehood, a women-focused angel fund and network for women in technology. She serves on the board/council of the SickKids Hospital Foundation, CILAR, Elevate Technology Festival, Women in the Economy Task Force, and the U.S. Consulate General of Toronto U.S. & Canada Innovation Council. Ms. McGowan completed her studies in Canada and graduated with bachelor of arts (Lakehead University) and master of business administration (Athabasca University) degrees. In 2022, she was awarded an honorary doctor of laws degree from Carleton University in recognition of her distinguished 20-year career as a global information technology leader.

(d) Kathleen Taylor is a corporate director. Ms. Taylor is Chair of Element Fleet Management Corp., Vice Chair of the Adecco Group and a director of Mattamy Asset Management. She also serves as Chair of Atlas Partners, a Toronto-based private equity firm, and Chair of the Advisory Board of the Cabot Collection, a developer and operator of golf resorts and residential properties. Ms. Taylor is the former Chair of the Board of the Royal Bank of Canada and is the former President and Chief Executive Officer of Four Seasons Hotels and Resorts. Ms. Taylor is Chair of the Board of Trustees of the Hospital for Sick Children, a director of the SickKids Foundation and Chancellor of York University. Ms. Taylor is also a member of the C.D. Howe Institute's National Council, co-Chair of its Human Capital Policy Council and a member of the Dean's Advisory Council of the Schulich School of Business. Ms. Taylor holds a master of business administration from Schulich School of Business, a law degree from Osgoode Hall Law School and a bachelor of arts (honours) from University of Toronto. She has received honorary doctorates from a number of Canadian universities.

(e) Annette Verschuren is Chair and Chief Executive Officer of NRStor Inc. The company develops, builds and manages energy storage projects. From 1996 to 2011, Ms. Verschuren was President of The Home Depot Canada where she oversaw the company's growth to 179 from 19 Canadian stores and led its entry into China. Prior to joining Home Depot, Ms. Verschuren was President and co-owner of Michaels of Canada, a chain of arts and crafts stores. Previously, Ms. Verschuren was Vice President, Corporate Development of Imasco and Executive Vice President of Canada Development Investment Corporation. Ms. Verschuren is Chair of the Board of the MaRS Discovery District. In addition, she is a director of Canadian Natural Resources Limited, Saputo Inc., Liberty Mutual Insurance Group, Ontario Energy Association and the Verschuren Centre for Sustainability in Energy and the Environment in Cape Breton. She serves as Chancellor of Cape Breton University and supports numerous non-profit organizations. She is a founding member of the Rideau Hall Foundation. In 2011, Ms. Verschuren was made an Officer of the Order of Canada and, in 2019, was named a companion of the Canadian Business Hall of Fame. Ms. Verschuren holds honorary doctorate degrees from many Canadian universities including St. Francis Xavier University where she also earned a bachelor of business administration degree.

(f) Michael M. Wilson is a corporate director. Mr. Wilson is Chair of Celestica Inc. He 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 is the former Chair of Suncor Energy Inc., having been a Board member since 2014 and serving as Chair since 2017. 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. Mr. Wilson has chosen not to stand for re-election at Air Canada's annual meeting of shareholders on March 31, 2025.

18.4 Pre-approval policies and procedures

The Audit Committee reviews and pre-approves the nature of all non-audit services, as permitted by securities legislation and regulations, to be provided by Air Canada'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 Air Canada 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 Air Canada and states that, in the external auditor's professional judgment, it is independent of Air Canada and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor.

18.5 Auditor's fees

PricewaterhouseCoopers LLP has served as Air Canada's auditing firm since April 26, 1990. Fees payable for the years ended December 31, 2024, and December 31, 2023, to PricewaterhouseCoopers LLP and its affiliates are $6,811,677 and $5,142,128 respectively, as detailed below.

	2024	2023
Audit fees	$3,445,000	$3,300,000
Audit-related fees	1,433,971	1,326,873
Tax fees	251,176	235,505
All other fees	1,681,530	279,750
Total	**$6,811,677**	**$5,142,128**

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 advisory and consulting services, as well as translation services (generally related to financial statements and other financial filings).

19. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the (a) directors or executive officers of Air Canada, (b) shareholders of Air Canada, that, to the knowledge of Air Canada, beneficially own, or control, directly or indirectly, more than 10 per cent of any class of shares of Air Canada, or (c) any associate or affiliate of the persons referred to in (a) and (b), 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.

20. 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 2024 MD&A, which section is incorporated into the AIF by this reference.

21. 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.

22. MATERIAL CONTRACTS

There are no contracts that are material to Air Canada and that were entered into within the year ended December 31, 2024, or before such year but which are still in effect and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 - Continuous Disclosure Obligations.

23. EXPERTS

Air Canada's independent auditor is PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP has advised that they are independent with respect to Air Canada in compliance with the Code of ethics of Chartered Professional Accountants (Quebec).

24. 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 2024 annual meeting of shareholders held on March 28, 2024, available on SEDAR+ at sedarplus.ca, and in Air Canada’s management proxy circular for its 2025 annual meeting of shareholders scheduled to be held on March 31, 2025, which circular is also available on SEDAR+ at sedarplus.ca.

Additional financial information is provided in Air Canada's consolidated financial statements for the year ended December 31, 2024, and Air Canada’s 2024 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 sedarplus.ca.

25. GLOSSARY OF TERMS

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

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

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

"AIF" means this Annual Information Form.

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

"Air Canada's 2024 MD&A" means Air Canada's 2024 Management's Discussion and Analysis of Results of Operations and Financial Condition dated February 14, 2025.

"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 under the laws of Quebec.

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

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

"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.

"Boeing" means The Boeing Company.

"CALDA" means the Canadian Airline Dispatchers Association.

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

"CARs" means *Canadian Aviation Regulations*.

"CASM" means the operating expense per ASM.

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

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

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

"CUPE" means the Canadian Union of Public Employees.

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

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

"EMS" means environmental management system.

"ETS" means emissions trading system.

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

"**Fitch**" means Fitch Ratings, Inc.

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

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

"GHG" means greenhouse gas.

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

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

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

"IBT" means the International Brotherhood of Teamsters.

"IEnvA" means the IATA Environmental Assessment.

"IFRS" means International Financial Reporting Standards.

"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 Jan. 1, 2015, as amended.

"Lufthansa" means Deutsche Lufthansa AG.

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

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

"Mitsubishi" means Mitsubishi Heavy Industries, Ltd.

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

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

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

"Porter" means Porter Airlines Inc.

"SDGs" means sustainable development goals.

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

"Sixth Freedom" as per the International Civil Aviation Organization's Freedoms of the Air, means the right or privilege, in respect of scheduled international air services, of transporting, via one country, traffic moving between two other countries (also known as a Sixth Freedom Right).

"Sky Regional" means Sky Regional Airlines Inc.

"SMS" means the Safety Management System.

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

"TCFD" means Task Force on Climate-related Financial Disclosures, a framework established in 2015 by the Group of 20 (G20) Financial Stability Board with a stated goal to develop recommendations for more effective climate-related disclosures.

"Toronto Pearson" means Toronto Pearson International Airport.

"Transat" means Transat A.T. Inc.

"TSX" means the Toronto Stock Exchange.

"Unifor" refers to a Canadian union resulting from the merger of the Canadian Auto Workers and Communications, Energy and Paperworkers unions.

"UNITE" refers to a labour union in Great Britian resulting from the merger of Amicus and Transport and General Workers' Union.

"United Airlines" means United Airlines Inc.

"UNGC" means United Nations Global Compact.

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

"VFR" means visiting friends and relatives.

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

"WestJet" means WestJet Airlines Ltd.

SCHEDULE A
CHARTER OF THE
AUDIT, FINANCE AND RISK COMMITTEE

Purpose; Composition and Qualifications

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

General

(a) to assist the board of directors of Air Canada (the “Board”) in its oversight responsibilities in relation to:
  - (i) the component parts of Air Canada's financial reporting and audit process,
  - (ii) the independence, qualifications, and appointment of the external auditor,
  - (iii) the oversight of Air Canada’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 Air Canada’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, Air Canada, and its related entities that in the opinion of the Board may interfere with their independence from management and from Air Canada; (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 Air Canada 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.

Responsibilities

To achieve its objectives, the Audit Committee shall:

Accounting and financial reporting process

(a) monitor and review the quality and integrity of Air Canada'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 Air Canada, (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 Air Canada including their disclosure or lack thereof in the applicable quarterly or annual financial statements, (4) the external auditor's suggestions for improvements to Air Canada'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 for the approval by the Board 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: (i) Air Canada'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 Air Canada and the disclosure or impact on the results of these matters in the quarterly and annual financial statements of Air Canada;

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

Audit plan and related matters

(e) meet with Air Canada'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 Air Canada;

(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 Air Canada;

(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 Air Canada 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 Air Canada'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 Air Canada 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 Air Canada and (ii) states that in the external auditor's professional judgment it is independent of Air Canada, 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 Air Canada; and (ii) incidents involving fraud or illegal acts of which management, the Corporate Audit and Advisory Department or the external auditor of Air Canada 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 Air Canada'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 Air Canada;

Corporate Audit and Advisory Department

(n) regarding the services provided by the Corporate Audit and Advisory Department, the Audit Committee will:
    (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 Air Canada'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 Air Canada's financial statements;

(q) establish policies and procedures for the receipt, retention and treatment of complaints received by Air Canada 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 Air Canada in respect of financial disclosures, and the existence of any significant deficiencies in the design or operation of internal controls which could adversely affect Air Canada'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 Air Canada's Disclosure Committee and the Corporate Audit and Advisory Department with respect to Air Canada'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 Air Canada 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 Air Canada; 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 Air Canada, or any member of their immediate family.

Other Responsibilities

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

Public Disclosure

(a) review and approve Air Canada'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 Air Canada which are expected by management to be material in relation to the market price of any of Air Canada'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 Air Canada'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;

Sustainability

(g) perform its activities having regard for Air Canada's sustainability practices and strategies, including as to representation, equity and inclusion;
(h) monitor trends relating to, and oversee the development of, control mechanisms and the integration of sustainability criteria in financial and other reporting;
(i) review the audit scope and approach of the external auditors (or other independent assurance providers) related to reporting on sustainability matters;
(j) review and recommend to the Board those elements of any annual or other report aligned to 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 Air Canada 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 Air Canada'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 Air Canada's approach to corporate donations and any changes thereto and the annual corporate donations budget; and any other financial expenditure policies that would affect Air Canada's and its subsidiaries' financial condition or reputation.

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 Air Canada'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 Air Canada'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 Air Canada by the external auditor.

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.

Restated as of February 14, 2025.