What is the share trust referred to in this agreement in principle?
In 2009 Air Canada and its employees faced a $2.835 billion solvency deficit in its defined benefit Canadian pension plans. At that time, Air Canada, the Air Canada Pionairs and Air Canada's Canadian unions, namely CALDA, CAW-Canada (now Unifor), the IAMAW, ACPA and CUPE worked together to protect the plans and the Company. In return for that co-operation, a total of 17,647,059 Air Canada shares were issued to a share trust.

The purpose was for proceeds from the sale of the shares in the trust to be used to pay solvency deficits in the Canadian pension plans if this became necessary.

Since then, and in large part thanks to the Company, its employees, its unions and its pensioners working together to support our pension strategy, our Canadian pension plans have gone from an almost $3 billion deficit to an almost $3 billion surplus which has been crucial to our transformation over the last decade. Employer contributions are currently not only not required, they are also not permitted given the current level of surplus in our Canadian pension plans.

Why is the share trust now being repurposed?
When a pension plan is in a significant surplus position such as our Canadian pension plans, by law, employer contributions may no longer be made. This means that over the past several years, there has been no need to sell trust shares to obtain proceeds to use for contributions. The trust shares have simply remained untouched in the trust. By repurposing the trust, proceeds earned from the sale of the trust shares would be available to be used to benefit employees and Canadian pensioners, starting as early as the end of 2022 until 2037.

Why now?
With our Canadian pension plans in a very strong position, this is an opportunity to use the trust shares for the benefit of our employees and Canadian pensioners.

How does the repurposing work?
First a number of conditions must be met including the receipt of all required regulatory approvals before the trust can be repurposed as agreed. If all conditions are met, trust shares having a value of $150 million would be allocated for voluntary separation packages ("VSPs") (1) for senior Air Canada unionized employees to be made available in three rounds between 2024 and 2037 and (2) for Air Canada non-executive management and A&TS employees by 2037. Remaining trust shares (valued at about $305 million based on the latest TSX closing price for Air Canada shares) would be allocated for use for lump sum payments to Air Canada Canadian pensioners (unionized and non-unionized) of which the first $100 million could be paid as early as the end of 2022 with any remaining available proceeds to be paid out periodically to 2037.

More details on the allocation method between the different groups for VSPs and lump sum payments to pensioners will be provided at the time of repurposing.

How does this agreement in principle benefit active employees? Why not just cash in the trust shares and distribute the proceeds to active employees and retirees now?
The proposal for the reallocation of the trust will benefit a great many employees over a long period of time. Many current employees will become retirees between now and 2037 and will therefore benefit from any lump sum payments paid while in retirement. Additionally, the VSP offerings until 2037 to both unionized and non-executive management and A&TS employees will provide options to more senior active employees who may wish to explore other options such as early retirement or starting a different career outside of Air Canada.

Does this put our Canadian pension plans at risk?
No. We have a significant solvency surplus in our Canadian pension plans of almost $3 billion as at January 1, 2021. In fact, this solvency surplus has continued to grow in 2021 reflecting an excellent high performing investment strategy over the past 10 years while maintaining a lower risk profile. The surplus in the pension plans cannot be withdrawn by the company or used for any other purpose than providing benefits to plan members unless permitted by pension legislation under certain conditions. With the investment strategy put in place in 2009 to reduce the risks, the additional protection provided by the share trust is no longer needed and therefore no portion of the trust will be kept to make any future contributions to the pension plans.

According to pension legislation, should the pension plans have a deficit in the future, the company would have to finance the deficit through additional contributions but with this investment strategy, the contributions required to fund the deficit should be affordable to Air Canada.

How much will the lump sum payments be and how often will they be made?
The value of the lump sum payments to Canadian pensioners will be determined by the share price at the time the trust shares are sold. Of the trust shares allocated for lump sum payments to Air Canada Canadian pensioners, the

first $100 million could be paid as early as the end of 2022 with any remaining available proceeds to be paid out periodically to 2037 as follows.

Year of Payment	Portion of remaining shares used for lump sum
2025	20%
2028	25%
2031	33.33%
2034	50%
2037	100%

NEW Will retirees or surviving spouses receiving a pension from one of Air Canada Canadian pension plans be eligible to receive a lump sum if they live abroad?

Subject to all conditions for the repurposing having been satisfied, available proceeds from the sale of the shares in the trust would be for Canadian employees and Canadian pensioners only. However, in such circumstances, a retiree who accumulated a pension in one of the Canadian plans while based in Canada and then moved abroad, would also be eligible for a lump sum.

When can we expect the first round of VSPs?

Three VSPs will be offered as follows for all unionized groups:
1st VSP – 2024
2nd VSP –between 2026 and 2029
3rd VSP –between 2030 and 2037

For non-executive management and A&TS employees, VSPs will be offered between 2022 and 2037.