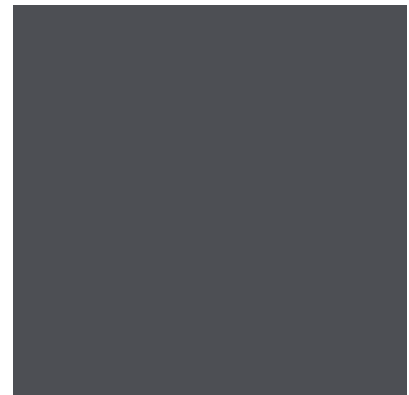




CITIZENS OF THE WORLD

CORPORATE SUSTAINABILITY REPORT 2014



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FOUR PILLARS

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AT A GLANCE

In fulfillment of its commitment to regularly update stakeholders on its corporate sustainability activities, Air Canada presents Citizens of the World 2014, its most recent corporate sustainability report.

The following document has been approved by Air Canada's Board of Directors and is structured around four broad areas – safety, environment, employees and community – identified as being of primary concern in stakeholder consultations.

It also encompasses the Air Canada Leisure Group, consisting of Air Canada rouge® and Air Canada Vacations®, two wholly-owned operating subsidiaries of Air Canada.

The report has been prepared in accordance with the principles developed by the Global Reporting Initiative (GRI), an internationally-recognized standard for corporate reporting of economic, environmental and social performance. Development of the report was the responsibility of a 15-member steering committee composed of senior managers representing all major branches of Air Canada and chaired by the Vice President of Corporate Communications. Air Canada declares that its 2014 report has been prepared in accordance with the Core option of the Global Reporting Initiative G4 guidelines.





INTRODUCTORY LETTER FROM CALIN ROVINESCU

In a world beset by concerns about such issues as the environment, the availability of good jobs and the health and well-being of the vulnerable, any lasting solutions must begin from the premise that we each bear responsibility for how our actions affect others. This is the essence of sustainability.

We at Air Canada fully embrace this notion and it guides our behaviour, both as a company and as individuals. In all that we do, we consider the impact of our activities on the communities where we operate. Even more, we actively participate in building these communities to make them stronger, healthier, more prosperous and enjoyable.

To demonstrate this commitment, Air Canada is pleased to present *Citizens of the World, Air Canada's 2014 Corporate Sustainability*

Report. This is our fourth edition of the report and, as with each previous edition, it improves upon the prior year with fuller disclosure and more quantified reporting of our activities in the areas of most concern to our stakeholders: safety, the environment, our employees and community investments. For the first time, we have obtained third-party, limited assurance for select indicators to better validate our disclosure.

Citizens of the World is more than a retrospective. In addition to evaluating the previous year's activities, our reports also contain new goals for the coming year that we will duly update in the next edition so our progress can be measured. Among these, key for 2015 is adopting a Corporate Sustainability Mission Statement that will help direct our sustainability efforts and more tightly bind us to our commitments.

Lastly, although an understanding of the importance of sustainability already permeates our organization, the annual process of collecting information and preparing a report reinforces this awareness. By recording our accomplishments, disclosing our shortcomings and setting goals for which we can be held accountable, this exercise plays a critical role in focusing the entire organization on our shared responsibilities.

I am therefore proud to present Air Canada's 2014 sustainability report and look forward to more reports on our progress in the future. I invite you to take part and assist us by providing feedback, either on this report or our sustainability programs more generally, through sustainability.developpement_durable@aircanada.ca

Sincerely,



SUSTAINABILITY PERFORMANCE HIGHLIGHTS

	KEY ACHIEVEMENTS 2014	KEY GOALS FOR 2015
• SAFETY	<p>Successfully completed the biennial IATA Operational safety audit (IOSA)</p> <p>Achieved a reduction in costs and days lost</p> <p>Developed the safety procedures for the 787 aircraft</p>	<p>Successfully complete Transport Canada Program Validation Inspection</p> <p>Enhance safety risk management associated with new international routes and new initiatives</p> <p>Reduce Lost Time Injuries by eight per cent</p>
• ENVIRONMENT	<p>Continued to advance greenhouse gas (GHG) reductions through the four pillar approach</p> <p>Continued to improve methods for measuring Air Canada's environmental footprint</p> <p>Completed the sustainable aviation biofuel feedstock assessment</p>	<p>Advance GHG emission reductions including the retrofit of winglets on additional Boeing 767 aircraft and the launch of a new fuel optimization program for our fleet</p> <p>Improve communications to stakeholders by redesigning the Leaveless website</p> <p>Work with partners to expand the scope of the Responsible Travel and Tourism Forum's annual leadership awards to support the broader environmental sustainability initiatives</p>
• EMPLOYEES	<p>Successfully launched a leading edge employee portal which has improved access to information, facilitated collaboration and enhanced communication between employees</p> <p>Increased emphasis on diversity</p> <p>Increased emphasis on communication, teaming and customer focused engagement</p>	<p>Increase front line training by at least 50 per cent</p> <p>Launch a Leadership Development program called Leading the ACWAY</p> <p>Negotiate new CUPE and UNIFOR contracts</p>
• COMMUNITY	<p>The Air Canada Foundation¹ exceeded its fundraising target goals</p> <p>Increased Air Canada's presence in regional communities</p> <p>Incorporated the Air Canada Foundation in Air Canada's Brand Marketing Initiatives</p>	<p>Increase the Air Canada Foundation's financial grants to charities by 25 per cent over previous year</p> <p>Achieve fundraising target of \$1 million for the 4th annual edition of Air Canada Foundation Golf Tournament</p> <p>Expand our presence in local communities with an increased management presence in local events and management dialogue with local stakeholders</p>

¹ The Air Canada Foundation is a stand-alone not-for-profit charitable organisation

FINANCIAL PERFORMANCE

STRATEGY

Air Canada's goal is to fully develop as a leading global airline, to be among those with the highest levels of customer experience, employee engagement and value creation for shareholders and other stakeholders.

KEY PRIORITIES

Air Canada's global strategy for sustained value creation and profitability is based on the following four key priorities:

 **REVENUE ENHANCEMENT AND COST TRANSFORMATION**

 **INTERNATIONAL GROWTH**

 **CUSTOMER ENGAGEMENT**

 **CULTURE CHANGE**

FINANCIAL PERFORMANCE

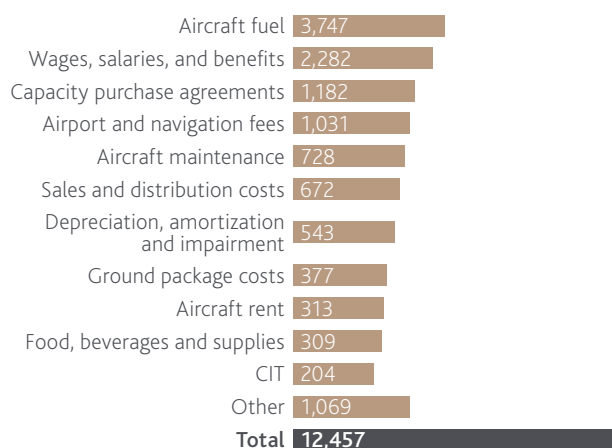
Canadian dollars in millions, except where indicated	2013	2014
Operating revenues	12,382	13,272
Operating expenses	11,763	12,457
Operating income	619	815
Non-operating expense	(617)	(710)
Net income	10	105
Unrestricted liquidity at December 31	2,364	2,685
Net income per share - Diluted	\$0.02	\$0.34

OPERATIONAL PERFORMANCE

	2013	2014
Revenue passenger miles (RPM) (millions)	56,791	61,616
Available seat miles (ASM) (millions)	68,573	73,889
Passenger Load factor (%)	82.8%	83.4%
Passenger revenue per RPM (Yield) (cents)	19.1	18.9
Passenger revenue per ASM (PRASM) (cents)	15.9	15.8
Operating revenue per ASM (cents)	18.1	18.0
Operating expense per ASM (CASM) (cents)	17.2	16.9

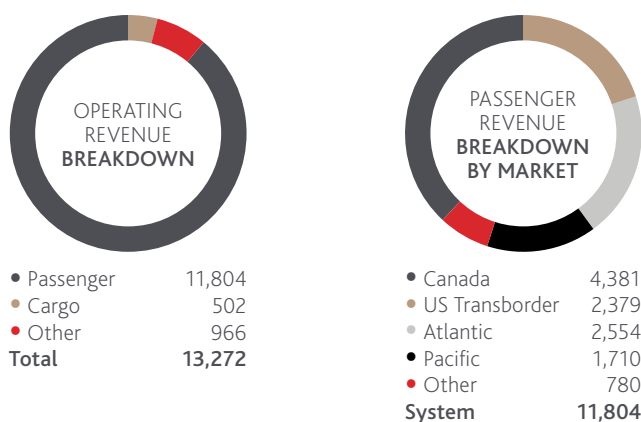
EXPENSE BREAKDOWN

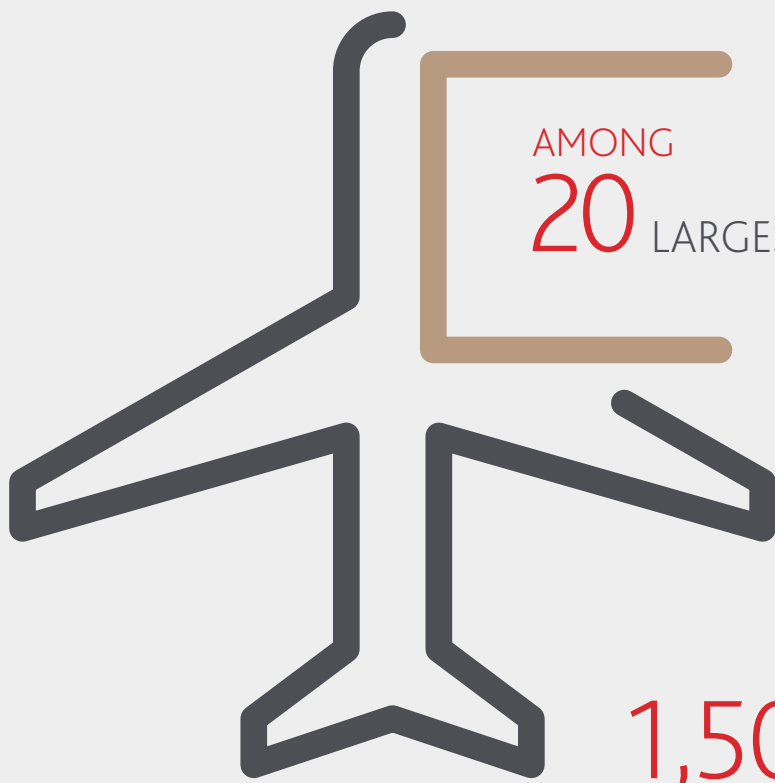
Canadian dollars in millions



REVENUE BREAKDOWN

Canadian dollars in millions



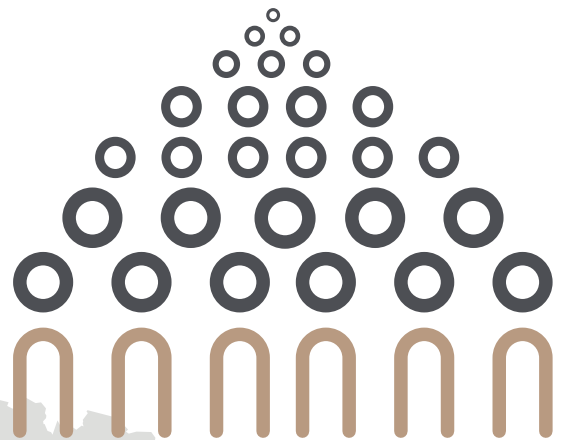


AMONG
20 LARGEST AIRLINE IN THE WORLD

\$13.27 BILLION
OPERATING REVENUE

1,500 AVERAGE DAILY FLIGHTS

APPROX.
28,000 EMPLOYEES* AROUND
THE WORLD



*Includes employees at
Air Canada, Air Canada rouge®
and Air Canada Vacations®





OVERVIEW

As Canada's largest passenger airline, Air Canada operates the most scheduled flights in each of the domestic, U.S. and international markets for air travel within, to and from Canada.

In 2014, Air Canada, together with its leisure carrier Air Canada *rouge*® and its Air Canada Express® regional partners, operated 1,500 daily flights on average. With a fleet of 365 aircraft at year-end, the combined entity served more than 38 million customers, providing direct passenger service to more than 186 destinations on five continents. Air Canada is a founding member of the Star Alliance® of carriers, making it part of the world's most comprehensive air transport network, serving over 1,300 destinations in 193 countries worldwide.

Air Canada is among the 20 largest commercial airlines in the world by traffic. In 2014 it had operating revenue of \$13.3 billion (all figures Canadian dollars) which places it among the largest 100 corporations by revenue in Canada. The company's headquarters are located in Montreal and it employs approximately 28,000¹ people in Canada and 28 other countries throughout the world.

1 Includes employees at Air Canada, Air Canada *rouge*® and Air Canada Vacations®



ECONOMIC FOOTPRINT

Given the size of its annual operating expenditures (nearly \$12.5 billion in 2014 – including annual salaries, wages and benefits exceeding \$2.3 billion), Air Canada's economic footprint is large. Its contribution is estimated at more than 50 per cent of all aviation activity in Canada, including that of foreign airlines operating into the country. One indicator of the significance of its impact is the fact that the four largest airlines in Canada alone have an estimated total economic output of approximately \$35 billion, including multiplier effects, and they sustain at least 268,000 jobs.¹

Founded in 1937 as Trans-Canada Air Lines, the carrier was initially owned by the Government of Canada which created it to provide passenger and cargo air services for Canadians. In 1965 the company's name was changed to Air Canada, reflecting the linguistic duality of the country. The company was fully privatized by 1989 through a public share offering and today Air Canada's shares (AC) trade on the Toronto TSX exchange where they returned 60 per cent in 2014, well above the S&P/TSX Composite's 10.5 per cent total return for the year.

FINANCIAL SUSTAINABILITY

The global airline industry has long been characterized by single-digit margins, intense competition and sensitivity to economic fluctuations and geopolitical events. Business risk is always present and must be managed.² Historically, this has been especially true for traditional network or legacy carriers such as Air Canada. After a difficult period that affected the entire industry in the first decade of the 21st century, Air Canada has entered into a period of growth and is pursuing a strategy to secure sustainable profitability over the long term.

¹ Source: National Airlines Council of Canada

² GRI information can be found on aircanada.com>About Air Canada>Corporate Sustainability Reports>2014 Corporate Sustainability Report>2014 GRI and for a discussion of risk factors in Management's Discussion and Analysis of Results of Operations, February 11, 2015, page 69



186

DESTINATIONS
SERVED WORLDWIDE



38 MILLION

CUSTOMERS FLOWN IN 2014



365

THE NUMBER OF
AIRCRAFT IN THE FLEET






\$531 MILLION
 AIR CANADA'S ADJUSTED NET
 INCOME IN 2014

In 2014, Air Canada generated adjusted net income of \$531 million (\$1.81 per diluted share), exceeding the previous year's record by \$191 million (\$0.61 per diluted share) or by 56.2 per cent. On a GAAP basis, annual net income was \$105 million (\$0.34 per diluted share), up from \$10 million (\$0.02 per diluted share) in the prior period. EBITDAR (earnings before interest, taxes, depreciation and aircraft rent), excluding the impact of benefit plan amendments, was \$1.67 billion, an improvement of 16.6 per cent over 2013.

LIQUIDITY

The company ended the year with nearly \$2.7 billion in liquidity, well above the minimum liquidity level of \$1.7 billion it had targeted. Adjusted net debt grew in 2014 to \$5.1 billion primarily as a result of the financing of new aircraft purchases; however, the adjusted net debt to trailing 12 month EBITDAR ratio at was 3.1 at year end, which was well within the

objective of maintaining that ratio below 3.5. For several years, Air Canada, like many corporations with defined benefit employee pension plans, had been dealing with a significant solvency deficit in excess of \$4 billion in 2012 primarily due to low interest rates and market returns. However, by 2014 the Canadian plans had moved into a surplus position and the trend continued through 2014, so that its Canadian plans ended the year with an estimated \$780 million surplus, dramatically improving the company's financial flexibility and overall risk profile.¹ This has resulted in a very positive outcome for Air Canada's approximately 28,000 employees² and 28,000 retirees.

All of these results are indicative of the progress Air Canada is making through a corporate strategy based on four key priorities. They include cost structure transformation, international expansion, promoting customer engagement and effecting culture change among employees. During 2014, the company achieved notable success in each of these areas.³

¹ Management's Discussion and Analysis of Results of Operations, February 11, 2015, page 52

² Includes employees at Air Canada, Air Canada rouge® and Air Canada Vacations®

³ Management's Discussion and Analysis of Results of Operations, February 11, 2015, page 7



GOVERNANCE

Air Canada is governed by an eleven-member Board of Directors committed to meeting high standards of corporate governance in all aspects of the Corporation's affairs. The Board and management believe that a strong, effective, independent Board plays a crucial role in promoting the interests of stakeholders, maximizing shareholder value and ensuring ethical business practices. This is of major importance to the company and its stakeholders, who both rate ethical business practices and policies highly in the materiality index of sustainability issues affecting the company, upon which this report is based.

In 2014, the Board reviewed the Corporation's governance practices and concluded that they comply with or exceed the requirements of National Instrument 58-101, Disclosure of Corporate Governance Practices. Air Canada regularly reviews its governance practices as developments warrant and continues to monitor changes closely and implement required updates to its governance practices as the need arises.

Based on the 2014 management proxy circular and other public filings, Institutional Shareholder Services, Inc. (ISS) ranked Air Canada in the first decile in respect of corporate governance, for the second consecutive year, which is the highest ranking given to approximately ten per cent of the 250 companies in the S&P/TSX Composite Index and represents the lowest governance risk.

CODE OF CONDUCT

As a means of living up to applicable corporate governance standards and maintaining best practices, Air Canada adopted and updates, as required, its Corporate Policy and Guidelines on Business Conduct, better known as the Air Canada Code of Conduct.¹ Among other things, the Code addresses: compliance with laws (including those related to competition and anti-corruption), privacy, discrimination and harassment, fair dealing with other people and organizations, conflicts of interest and reporting suspected non-compliance.

1 A complete copy of this document can be obtained on SEDAR at www.sedar.com or on the Air Canada website at www.aircanada.com.



ETHICS HOTLINE

All employees are required to abide by the Code of Conduct and management employees are required to acknowledge annually their undertaking in this regard. In addition, Air Canada encourages employees to report any concerns, including through an anonymous Ethics Reporting Hotline that is actively promoted throughout Air Canada. All Hotline reports are promptly investigated and followed-up to closure.

COMPLIANCE

Consistent with its stated goal of improving its Standard Operating Procedure and Policy Compliance in 2013, Air Canada appointed a full time General Compliance Officer (GCO), within the corporate Law Branch. In 2014, Air Canada established a Compliance Review Board as a management committee responsible for oversight of compliance programs and culture. The GCO developed a comprehensive Compliance Risk Assessment (CRA) process, methodology and related working tools for evaluating and measuring



all material legal, regulatory, policy and contract risks integrated within Air Canada's Enterprise Risk Management Program. The GCO operates pursuant to an Annual Compliance Plan concept using related working tools for the management of and reporting on risk mitigation programs in response to the CRA determinations and priorities.

Air Canada's integrity and compliance standards are further promoted by more detailed policies, guidelines and training that address critical laws and regulations, employment practices and ethical standards. It also employs a communications strategy to raise awareness of corporate values, principles and internal controls. Branches are provided with information, tools and techniques – including templates, registers and guidance documents – to help them meet program requirements.

The independence of the integrity and compliance programs is assured by the GCO's reporting stream to the Board's Audit, Finance and Risk Committee.

SUSTAINABILITY

Each year since 2012 the airline has published a comprehensive sustainability report in accordance with the reporting principles of the Global Reporting Initiative (GRI).

In 2014, in order to reinforce the ongoing commitment to sustainability at Air Canada, the company established a senior management standing committee responsible for overseeing sustainability activities and reporting on the company's progress. Moreover, the company also undertook a new Materiality survey of stakeholders, including customers, suppliers and employees. The results of the 2014 sustainability report are based on how well the company addressed material issues identified in the survey.

Finally, in order to independently validate the results of Air Canada's sustainability efforts, for the first time Air Canada has obtained third party, limited assurance for select GRI indicators. The firm of Ernst & Young has been retained to review and assure at least one key indicator in each of the areas of safety, the environment and governance, which were all identified as issues of prime concern among stakeholders in the Materiality assessment upon which this report is based. The assurance statement is found on aircanada.com>About Air Canada>Corporate Sustainability Reports> 2014 Corporate Sustainability Report.



PROGRESS ON 2014 GOALS

- Establish a senior management standing committee responsible for sustainability activities and reporting **ACHIEVED**
- Maintain the company's domestic registered pension plans in a surplus position **ACHIEVED**
- Continue developing, implementing, improving and monitoring Air Canada's compliance programs **ONGOING**



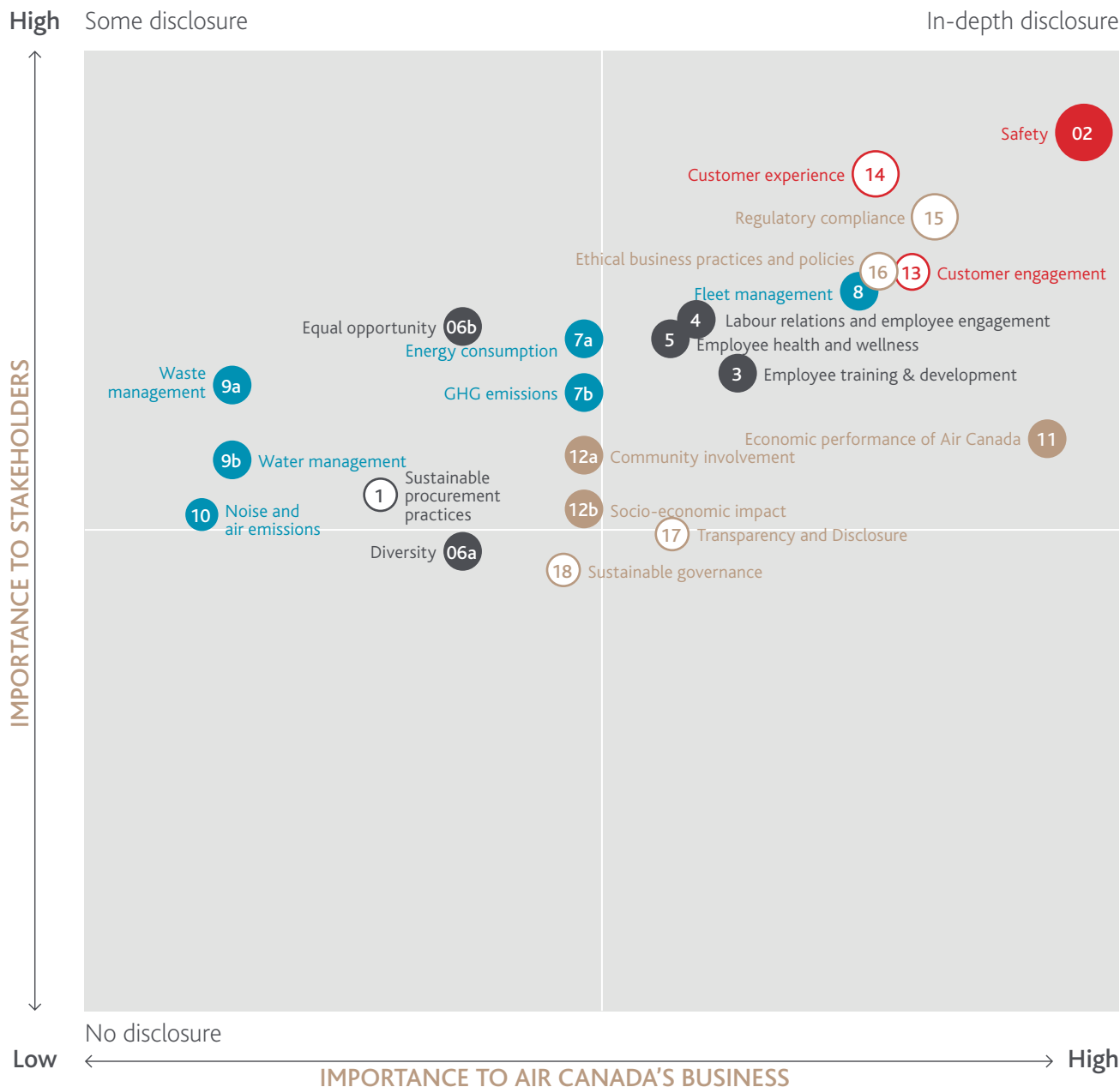
GOALS FOR 2015

- To keep investors and other stakeholders informed, conduct an Investor Day in 2015
- Continue developing, implementing, improving and monitoring Air Canada's compliance programs and culture
- Adopt a corporate Sustainability Mission Statement



RESULTS OF STAKEHOLDER ANALYSIS CONDUCTED IN 2014

AIR CANADA'S MATERIALITY MATRIX



● Safety ● Customer ● Governance ● Economic ● Employee ● Environment ● Supply Chain

- Importance to Air Canada's business: evaluated through internal interviews and surveys
- Importance to stakeholders: evaluated from surveys of Air Canada customers, employees and suppliers
- Level of disclosure: all Air Canada public disclosures are considered (CS report, Annual report, AIF, website, etc.)
- Topics are ranked by decreasing materiality score





SAFETY

FIRST
AND
LAST





Safety is the paramount value of Air Canada. At all levels and throughout the company, safety is the primary consideration in decision-making and for all employees an approach of "safety first and last" governs all activities. Safety is an ethical and operational imperative for everyone at Air Canada.

Outside the organization too, safety is the chief concern of stakeholders. It ranked as the single most important issue identified in the materiality assessment that is the basis of this report.

Finally, safety goes to the heart of sustainability for an airline. It is an essential attribute, as a carrier's success or failure directly depends upon establishing and maintaining a reputation for operating safely. In an industry that is empirically the safest mode of transport, Air Canada ranks among the world's safest carriers. In 2014, Air Canada mainline and Air Canada rouge® both successfully completed their biannual IATA Operational Safety Audit (IOSA) with results that placed the airline in the top two per cent in the global industry for safety.



INJURIES REDUCED

The emphasis on safety also makes Air Canada a safe place to work. In 2014, Lost Time Injuries declined 11.4 per cent from the previous year, the fourth straight year of decline, and total injuries were down 10 per cent from a year ago.

The airline's safety record was recognized with a prestigious national award from *Canadian Occupational Safety* magazine, which gave Air Canada a gold award for its achievements in workplace health and safety at its annual Canada's Safest Employer Awards for 2014 in the transportation category. Among other things, eligibility for the award requires that in the previous five years a company has neither fatalities nor serious injuries, and is free of charges under health and safety laws.



SAFETY MANAGEMENT SYSTEM (SMS)

The management of safety is a critical responsibility at Air Canada and one which impacts every decision the Airline makes. Given this focus and importance, Air Canada has established the appropriate structure, processes and resources to ensure all aspects of safety and safety stewardship are completed in a proper, efficient and proactive manner. To properly guide its safety work, Air Canada's SMS serves as a framework within which systematic and comprehensive processes and procedures for managing risk are developed, applied and evaluated. It also creates a common support structure for all operational groups, with clear elements and concise direction, so that they can perform their safety management functions effectively.

Air Canada's President and Chief Executive Officer is the designated accountable executive for Air Canada's SMS with Air Canada's Senior Director, Corporate Safety, Environment and Quality, responsible for day-to-day administration and corporate oversight of SMS policies and procedures. An integrated safety management process ensures an appropriate flow of safety information reaches all levels throughout the company and the Air Canada corporate safety board, chaired by the chief executive, meets quarterly to oversee and guide the safety program. Achieving safety targets is one criterion in determining annual remuneration for senior executives.



CORPORATE SAFETY STRUCTURE

Within the Corporate Safety, Environment and Quality (CSEQ) branch three separate groups are jointly responsible for safety and support a broad range of operational requirements. The first of these is Safety Services and Initiatives, whose purpose is to ensure employee safety programs are implemented and kept current. Among other things, it monitors compliance with the Canada Labour Code and other applicable regulations, and tracks employee safety-related incidents.

Safety Services also provides primary and important support for a series of health and safety committees. These joint management/employee groups meet regularly to discuss relevant workplace issues, safety concerns and work practices in an effort to find common understanding and appropriate corrective actions to operational concerns.

Finally, the Safety Services group also manages the Web-OHS software tool. This is an online repository for health and safety information which is accessible to all committees. As it is able to collect and process all OHS-related events, it reduces duplication and encourages collaboration among different employee groups as well as simplifying file management and formal reporting to Government agencies as appropriate.



OPERATING ROOM MEETS FLIGHT DECK



Few human endeavours demand precision more than flying and surgery. And the similarities do not end there, as each has achieved a high level of safety and sophistication through a willingness to learn from experience. It was natural then that Air Canada reached out to a Canadian surgeon seeking to collect operating room data the same way airlines capture flight data to identify and mitigate risk.

Air Canada has established a Flight Data Analysis Program that monitors thousands of aviation parameters at levels of fidelity that yield incredible amounts of information. But obtaining the data is the easy part; the real issue is using the information. So Air Canada has developed specific practices and policies to identify errors and follow-up with crews, and it shared this expertise with the medical team.

The result was a completely wired operating theatre with three microphones and three cameras. Two of the cameras film the operating room and a third internal camera records inside the patient's body while the surgeon and his team perform minimally invasive surgeries.

The recorded video and audio information is logged automatically by a data recorder similar to an aircraft's black boxes. The data is then analyzed by a team looking at surgical techniques, communication among the operating room doctors, and how they work together, as well as any hazards that may exist in the operating room. Based on this, improved procedures can be devised.



The second group is Data Management and Research. Employing an integrated team of experts recruited from the Operational Branches, the Safety Managers collect and manage information related to safety, through the use of the Safety Information Management System (SIMS). This group, supported by its Investigation and Flight Data Monitoring staff, also catalogues trends in incidents, reports on safety of flight, conducts flight analysis and flight recreations, develops comprehensive statistical data for senior management and identifies trends, threats, risk and hazards facing the Operation. The Investigation Staff lead all formal investigations and conduct industry benchmarking, participate in International aviation forums and provide detailed quality analysis on the SIMS tool as well as the safety process itself.

The third element of CSEQ is Corporate Quality Services. This team provides critical oversight for all operations and through its work, ensures awareness of and effective management for risk across the organization. This is specifically accomplished

through detailed monitoring of corporate policies and day-to-day practices, conducting internal, and external audits, serving on international oversight Committees including IATA, managing formal audit assessments for the Corporation as conducted by Transport Canada, foreign regulators and IOSA, and developing and managing corrective action plans to ensure policy compliance. Perhaps as important, this group is a key part of the CSEQ structure that cooperatively, routinely and systemically monitors, reviews, challenges and verifies the company's safety policies, processes, procedures and actions in order to deliver a safe and consistent operation across the airline.

INFORMATION SHARING

Shared understandings through ease of communication are essential to safety. A key means by which information is shared is through the SIMS, a software tool which fully supports the company's centrally-managed, non-punitive safety reporting system designed to facilitate timely sharing of information.





 **19,985**
APPROVED REPORTS THROUGH THE
SAFETY INFORMATION MANAGEMENT
SYSTEM IN 2014

In 2014, there were 19,985 reports approved through the SIMS, an increase of 6.7 per cent from the 18,731 reports approved in 2013. Although it may seem counter-intuitive, this level of reporting is positive because it demonstrates confidence the employees have that they can openly, and without personal risk, report their observations, concerns and hazards to the company. Further, it creates opportunities to improve operational procedures by analyzing the information gathered and addressing undesired outcomes.

Finally, it underscores a strong and developing safety and safety reporting culture that is critical to understanding the risks and hazards an organization faces. While safety reports generally address specific issues, the larger body of data allows the company to data mine for threats, hazards and unseen trends. A key responsibility for CSEQ is to examine the database and identify these risks and hazards for the awareness of all employees but specifically for the senior executives.

A key output to the corporate Safety Board is the Safety Risk Profile (SRP). This report highlights the top safety risks the company faces and provides detailed insight into the specific elements that comprise the overall safety risk. The data are both general in nature so it can address company policies but also detailed to allow specific areas of the company to focus on challenges within their own operation. The SRP covers an extensive breadth of issues, ranging from cockpit distractions, aircraft maintenance events, aircraft damage, passenger issues and non-compliance with Standard Operating Procedures (SOPs) to delays, performance pressures and security events.

As important, the SRP is developed from an assessment of all risks, hazards and occurrence reports, as well as from other safety inputs such as Quality Audits, Investigation reports, Flight Data Analysis, industry and regulatory assessments from bodies such as IATA, and reports from partners.





KEY SAFETY INITIATIVES

As noted, in 2014 Air Canada successfully passed its sixth biennial IOSA with “no findings; three observations.” For its part, Air Canada *rouge*® also passed with no findings and seven observations. This is the airline’s third “zero finding” safety audit and puts its results in the top two per cent of the industry. The audit required Air Canada and Air Canada *rouge*® to meet more than 900 standards, including standardized checklists.

The IOSA program is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. IATA members must remain IOSA registered to maintain their membership. Successful completion of this biennial audit is also a requirement for all Star Alliance® members.

Beyond this, IOSA is another means of continuously improving the way Air Canada manages safety and identifies areas for improvement throughout the organization. Other benefits of the IOSA program are that it gives the airline an opportunity to

update standards to reflect regulatory revisions and best practices, eliminate audit redundancy, engage with accredited audit organizations, and structure its audit methodology.

SAFETY PULSE SURVEY

In 2014 Air Canada conducted its second Safety Pulse Survey. One-in-five employees took part in the voluntary survey, which helps gauge the safety culture, set priorities and goals for 2015, and improve the Safety Management System. Among other things, the survey asks employees about their level of awareness of safety reporting systems, their confidence in using the system, the compatibility of SOPs with their assigned work, and their overall view of Air Canada’s safety culture.

Results from the survey were encouraging as 95 per cent said they made safety their personal priority while 92 per cent said they would report any unsafe activity to a manager. Among other things, as a result of the findings, in 2015 there will be increased emphasis on awareness campaigns to further promote SIMS, particularly in terms of electronic filing, and enhanced efforts to publicize SOP changes. As well, senior managers used the findings of the survey to educate employees about safety.





DREAMLINER RISK ASSESSMENT

While customers were only too eager to climb onboard and jet off on Air Canada's new Boeing 787 Dreamliner, before this could occur a tremendous amount of preparatory work was done to ensure the new aircraft's safe operation.

For more than a year, the Corporate Safety, Environment and Quality team and the 787 project team undertook a risk assessment to identify potential hazards and risks, determine the appropriate risk level for each and implement mitigating measures for the new fleet.

Issues were grouped into areas such as Cabin Interiors, Flight Operations, Customer Service (including In-Flight Service, Cabin Safety, and Airports), Corporate Real Estate and IT. Among the risks considered were cold weather operations, airport gating, composite material awareness, cabin crew and pilot training, and lithium batteries. In all, 54 potential hazards were raised and 75 high level potential risks were identified.

Mitigating actions included training and awareness programs, new Standard Operating Procedures, and meetings with other Star Alliance® 787 operators. Company officials also consulted Health and Safety Officers from Human Resources and Skills Development Canada and Transport Canada.

The end goal was to make the 787 as safe as it is comfortable to fly on.

SAFETY EVENT NOTIFICATION

In order to promote better reporting, the Safety Event notification system was expanded in 2014 to include incidents on the ground. Corporate Safety, in conjunction with operational branches, began rolling out a new safety notification process intended to increase the reporting of safety-related incidents, including both 'in operation' and 'not in operation' events. This new 'all hazards' approach to reporting safety events leverages existing processes but includes enhancements that enable a quick determination of the severity of an incident.

There are two main changes. The first is the reporting of ground events (i.e., not in operation) through branch safety notification reports. The second entails replacing letter categorization (i.e., Category F, G, etc.) with a five-level, colour-coded system to designate the severity of the incident. These range from code "red" for the most serious incidents, including loss of life or an aircraft, to the least serious, "white", involving incidents of an abnormal nature that do not have a significant impact on the operation.

SAFETY TRAINING

Safety training programs serve a double purpose in that they provide employees the skills and knowledge to perform their work safely and also serve to reinforce the safety culture at Air Canada. For this reason there is recurrent safety training in all areas of the company and, in 2014, existing programs were strengthened to offer additional capabilities.

For example, during the year, the Ground and Occupational Accident/Incident Investigation Training course was revamped to be more effective in capturing accurate information associated with an incident. The more accurate the information, the more likely it is that it will be possible to determine the root cause of incidents and, consequently,



implement more effective corrective actions. Human Factors Analysis and Classification System (HFACS) is a new program at Air Canada that is now being used to identify the various human and organizational causes of an incident or accident. The program was rolled out in late 2014 and is being delivered to both Front Line Management and Health and Safety Committee Members.

Another program, Pristine Condition™, was introduced in 2013 but expanded in 2014. This program aims to reduce injuries, particularly from lifting, by employing Olympic-style weight lifting techniques. While it reduced injuries 22 per cent, this fell short of the 30 per cent target set for 2014 with the shortfall attributable to the fact the program was not introduced as extensively as projected. It will be further expanded in 2015.

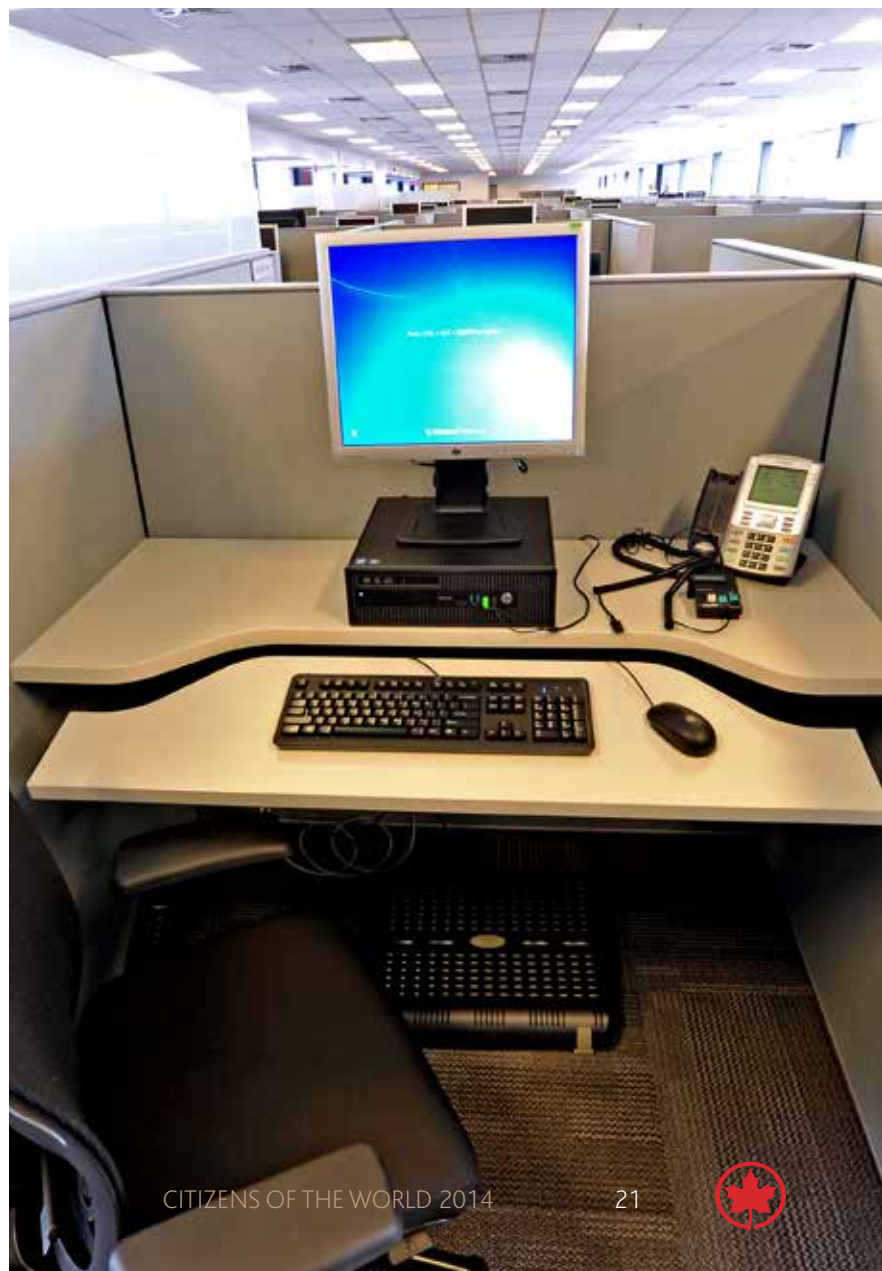
WORKPLACE MEASURES

An important initiative from prior years that was continued in 2014 was the installation of Automated External Defibrillators (AEDs). This is now a relatively mature program at Air Canada, having run for more than three years, and in 2014 eight new AED stations were commissioned. The AED program reflects Air Canada's commitment to safety across its workplaces, from the local office to our newest jets. Aside from AEDs, Air Canada is also examining additional employee safety initiatives to improve the quality of the workplace. A new \$5 million call centre, which opened in the Montreal headquarters during the year, is an example in that it incorporates a variety of ergonomic features to promote well-being and productivity, including sound absorption, controlled lighting, and ergonomic work stations, as well as comfortable common areas for breaks and rest.

Air Canada is also extremely proactive in introducing ad hoc safety programs in the face of emerging or transitory issues. In 2014, one such initiative was the company's response to the Ebola virus outbreak. Although Air Canada itself does not operate to any areas that were affected by the outbreak of this deadly disease, there were risks that certain passengers connecting onto Air Canada flights may

have been exposed to the virus. In order to prepare crews, Air Canada undertook an extensive education campaign and equipped employees with protective equipment.

Similarly, the Polar Vortex that sent temperatures plunging to record lows over an extended period in the winter of 2014 was a serious issue for Air Canada employees and resulted in 45 slip or trip accidents directly attributable to the frigid conditions. Air Canada repeatedly issued guidelines, tips and special equipment for outdoor workers in order that they could work safely. The company also worked with airports on initiatives to alleviate conditions, for example arranging for warming stations on the ramp in its major Toronto hub.



CARGO SAFETY CHAMPIONS

With safety as its bedrock value and an integral part of the airline's identity, in 2014 Air Canada Cargo launched Cargo Safety Champions, a new program in conjunction with NAOSH week.

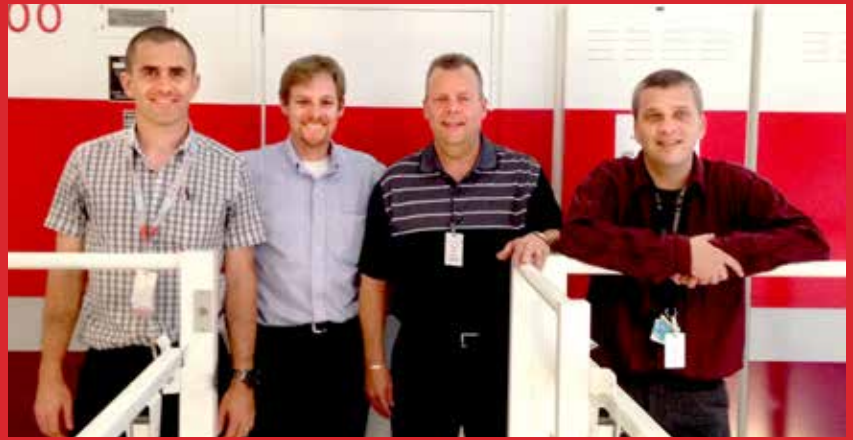
The program's goal is to recognize Cargo employees for contributions that make a difference to the health and safety of their workplace, their fellow colleagues and customers. It also raises awareness among employees about safety and safe practices in the workplace.

The Cargo management team were asked to submit candidates who met established criteria for being true safety champions, including that they:

- Have a focus on safety
- Provide positive feedback about working safely And recognize others for safety improvement efforts
- Continually educate themselves about safety procedures and the risks in any aspect of their work
- Promote problem-solving during safety observations and meetings
- Ask for suggestions on how to improve their own safety performance

Managers were also requested to list achievements and contributions and how they were accomplished, and to describe how the candidate's impact on health and safety management extends beyond their immediate responsibilities.

The contest resulted in 15 nominations within the Air Canada Cargo network, an impressive number for this new initiative. After internal review, which included conversations with senior management and local management, two winners were chosen to be the Cargo Safety Champions.



Trevor Howard – Manager Cargo Safety & Dangerous Goods Standards
Etienne Richer – Cargo Safety Programs Manager
Craig Winter – Station Attendant
Brian French – Warehouseman

EMPLOYEE INVOLVEMENT

Reflecting the belief that simply talking about safety is one of the most effective safety precautions, the company made extensive efforts to communicate its safety goals and raise awareness during the year. As noted, the company undertook a major Safety Pulse Survey in 2014 and one result was that the Corporate Safety Team used the findings as the basis for an extensive, cross-country series of safety town hall meetings through the year. These events were well-attended and gave the Safety Team an opportunity to discuss the survey results as well

as explain Air Canada's safety programs and educate employees about how to access them and report concerns.

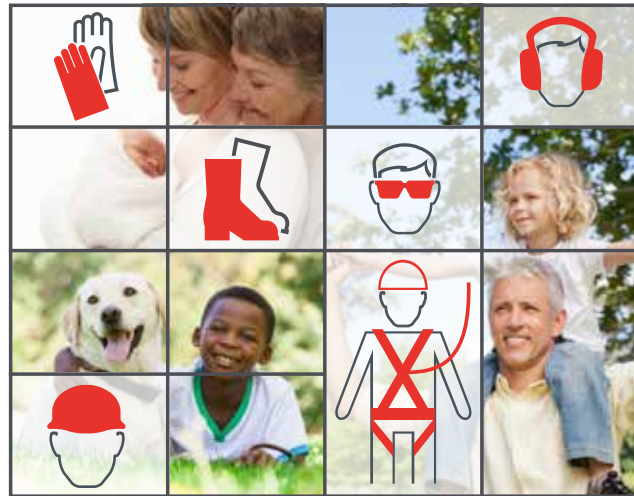
In order to further drive awareness and make the safety system accessible, Air Canada also launched a new CSEQ web page available through the employee intranet site. The page offers information to all employees concerning Air Canada's safety and reporting policies, explains how the safety system works, and discusses the protections offered to employees who submit safety reports. There is information about safety occurrences, trends and hazards, corporate safety priorities, industry information, as well as guidance on how to use the SIMS, including how to find feedback on safety reports.





NAOSH

Finally, as part of its efforts to reinforce safety, Air Canada also encourages its employees to take part in national awareness campaigns. For this reason, it actively participates in the North American Occupational Safety and Health week each May. NAOSH encourages employers, employees, the general public and the airline's partners to focus on preventing injury and illness whether in the workplace, at home or in the community. To mark the week, Air Canada introduced an enhanced smoke-free workplace policy and held events such as a ceremonial flag raising at its headquarters and a safety video competition to encourage employee participation. Additionally, for the first time ever, Air Canada took part in the Day of Mourning, a national event in April to commemorate workers killed on the job.



PROGRESS ON 2014 GOALS

- | | |
|--|--------------|
| • Finalize Transport Canada SMS corrective action plan | ACHIEVED |
| • Complete IOSA audit – aim for 0 findings | ACHIEVED |
| • Reduce Lost Time Injuries by 17 per cent | NOT ACHIEVED |
| • Achieve a reduction in costs and days lost | ACHIEVED |
| • Develop safety procedures for 787 aircraft | ACHIEVED |



GOALS FOR 2015

- Successful completion of the Transport Canada program validation inspection (PVI)
- Implement new safety strategies that address hazards and system deficiencies to reduce incidents, and injuries
- Enhance safety risk management associated with new international routes, and new initiatives
- Reduce Lost Time Injuries by eight per cent



REDUCING OUR ENVIRONMENTAL FOOTPRINT





Although sustainability entails modifying and managing behaviours on many levels, it is most closely associated with an organization's activities with respect to the environment. Certainly for Air Canada's stakeholders, environmental performance is a key concern. Energy consumption and emissions rank highly in the materiality assessment upon which this report is based, as do concerns about waste management and sustainable procurement practices.

In the airline industry, particular attention is paid to greenhouse gases (GHGs) that contribute to climate change. While it is currently estimated that the global aviation industry accounts for approximately two per cent of global carbon emissions, that amount is projected to reach five per cent by 2050 based on current trends. This obliges the industry to improve its environmental performance.

SAVING FUEL, SAVING MONEY

But whereas for many industries meeting environmental targets can be operationally and financially onerous, for airlines there is a strong positive correlation between reducing fuel burn and emissions and operating costs. Fuel is the single largest expense for an airline such as Air Canada and the company spent approximately \$3.7 billion on fuel in 2014. Therefore any savings on fuel burn (and its associated emissions) strengthens the company's economic performance and spending on new equipment and technology to achieve these ends is generally regarded as a sound investment. Even small changes can have a significant benefit as removing only one kilogram of weight fleet-wide translates into a savings of 24,500 litres of fuel, US\$19,000 in lower fuel costs, and 63 fewer tonnes of GHG emissions released over the course of a year.

Air Canada therefore has a triple incentive to continually improve its environmental performance. It is the right thing to do for the good of the planet. The company's stakeholders have expectations it will behave responsibly in this regard. And, it is good for business and the long-term sustainability of the company.



ENVIRONMENTAL MANAGEMENT

Air Canada is determined to mitigate its environmental impact and established an Environmental Management System based on ISO 14001 – one of the first airlines in North America to do so – to prescribe a systematic approach for monitoring, planning, implementing and continually improving its environmental performance. In 2014 a new cross-functional Fuel, Energy and Emissions Reduction Program was established to reduce the airline's "gate-to-gate" fuel and energy consumption and emissions. It reports to the Executive Vice President and Chief Operating Officer, thereby ensuring environmental considerations are factored into decision-making.

The Environmental Affairs department also provides quarterly reports to the Audit Committee of the Board of Directors and to the Corporate Environment Board, comprising senior levels of management.

Finally, the corporation's Code of Conduct¹, which managers are required to review and acknowledge each year, contains a specific provision outlining the company's commitment to comply with all applicable environmental laws. All employees are enjoined to conserve resources and reduce waste and emissions through recycling and energy conservation measures. The Code further states that employees have a responsibility to promptly report any known or suspected violations of environmental laws or any events that may result in a discharge or emission of hazardous materials. The Code also asks that employees remain alert to the storage, disposal and transportation of waste, and handling of toxic materials and emissions into the land, water or air.



GHG TARGETS

Air Canada has adopted the ambitious collective International Air Transport Association (IATA) reduction targets for GHGs that include:

- Improving fuel efficiency by an average of 1.5 per cent per year from 2009 to 2020;
- Capping aviation CO₂ emissions from 2020, or carbon-neutral growth;
- And reducing CO₂ emissions by 50 per cent by 2050 relative to 2005 levels.

Additionally, in 2005, as a then-member of the Air Transport Association of Canada, Air Canada supported the association's agreement with Transport Canada for the world's first voluntary agreement to reduce GHG emissions from aviation; a target that was exceeded several years ahead of schedule. Subsequently, Air Canada and the country's three other largest carriers formed a new industry association, the National Airlines Council of Canada (NACC), which in 2012 signed *Canada's Action Plan to Reduce GHG Emissions from Aviation* with the Federal Government and other key aviation stakeholders. This partnership sets an ambitious goal to reduce GHG emissions by improving fuel efficiency by an average rate of two per cent annually until 2020, measured against a 2005 baseline. This target is subject to a review in 2015.

¹ Air Canada Corporate Policy and Guidelines on Business Conduct, August 5, 2014, page 19



Air Canada is committed to these goals and has demonstrated continual progress in terms of its environmental performance. Between 1990 and 2014 Air Canada improved fleet fuel efficiency by 37 per cent and in 2014 alone its fuel efficiency initiatives are estimated to have saved more than 11,000 tonnes of fuel or 35,229 tonnes of CO₂e (equivalent).

TOTAL DIRECT AND INDIRECT GREENHOUSE GAS (GHG) EMISSIONS BY WEIGHT (TONNES CO₂e)

SCOPE 1 DIRECT GHG EMISSIONS	
2011	9,023,788
2012	9,123,918
2013	9,013,680
2014	9,462,587
SCOPE 2 INDIRECT GHG EMISSIONS	
2011	11,060
2012	9,922
2013	10,491
2014	8,242
SCOPE 3 OTHER INDIRECT GHG EMISSIONS (Including Jazz and Sky Regional)	
2011	1,084,445
2012	1,162,654
2013	*1,256,522
2014	*1,383,173

* Includes Jazz ground vehicles
 For greater detail and context see the GRI information can be found on aircanada.com>About Air Canada>Corporate Sustainability Reports>2014 Corporate Sustainability Report>2014 GRI

DE-ICING ON THE CAKE

The build-up of ice on wings and critical flight surfaces is an ever-present risk for carriers like Air Canada that operate in the cold. And few places are as cold as Calgary, making it an ideal place to try new de-icing technology.

The airline spent \$6.5 million to acquire eight state-of-the-art deicing trucks for the airport that bring substantial environmental benefits. Instead of using de-icing fluid stored in tanks at high concentrations to allow aircraft to be de-iced even in the worst weather, the eight new trucks have the built-in ability to "blend onboard" custom fluid of varying concentrations that can be adapted to existing conditions at the airport.

"Currently in Calgary and most of our stations, deicing fluid is blended in tanks at the start of the winter season. The tanks maintain a concentration that allows us to de-ice in all

conditions, including the coldest. In Calgary, that means the tanks are blended for -34°C to -39° Celsius. That is what we would use all winter, even on days that only go down to -5," said Klaus Goersch, Executive Vice-President and Chief Operating Officer.

"By operating deicing trucks with the option to blend on board so when it is only -5, we can use less glycol than when it is -35. This technology alone is expected to generate significant savings on glycol this year, which has a benefit to the environment and saves us money."

Taking the process a step further, Air Canada has also supported recovery companies that are exploring methods to capture and recycle used glycol.





AIR CANADA FEEDS PANDA-MONIUM

With panda bears being on the endangered species list, any opportunity to increase their number is eagerly sought and readily seized upon by zoos around the world.

So when Er Shun, a young female panda at the Toronto Zoo, went into heat for the first time in the spring of 2014, it prompted an international scramble in which Air Canada played a willing role.

The window for conception for pandas is about 24-72 hours and only happens once a year. Da Mao, her male panda companion at the zoo was too young to have any romantic inclinations and so to give Er Shun her first chance of motherhood, panda donor sperm was required.

An entire Air Canada team was enlisted to support the Canadian Giant Panda Conservation breeding program that aims to preserve this endangered species. Donor sperm was located in Beijing and the airline's station management in the Chinese capital worked with cargo experts and System Operations Control to ensure that the "special package" travelled to Toronto well within the urgent timeframe.

Unfortunately, despite the airline's best efforts, Er Shun did not conceive this time around, but Air Canada stands ready should its assistance be required again.

FOUR PILLARS TO CURB GHG EMISSIONS

To reach emission reduction targets, Air Canada has adopted the aviation industry's four pillar approach. The strategy entails the use of technology, operations, infrastructure and economic instruments. In 2014, significant progress was made in each of these areas.

TECHNOLOGY

The single most important factor in reducing GHG emissions has been the continuous improvement in aircraft and aircraft engine efficiency. According to IATA, since the 1960s fuel efficiency has improved by some 70 per cent per passenger kilometre, today's

aircraft are 75 per cent quieter than those manufactured 50 years ago, levels of carbon monoxide have come down by 50 per cent and unburned hydrocarbons and smoke by around 90 per cent¹.

Air Canada has kept pace with these developments with an ongoing fleet renewal program that took a major step forward in 2014 with the induction of the Boeing 787 Dreamliner into its fleet. The aircraft is expected to be 20 per cent more fuel efficient than the Boeing 767-300 aircraft it is replacing. Air Canada took delivery of six of a planned firm order of 37 Boeing 787 Dreamliners in 2014, with deliveries running until 2019. These aircraft represent a significant investment on the part of the company. As an indicative measure, the 787-8 has a list price of US\$218 million and the 787-9 version carries a list price of US\$257 million.

Preparations are also underway for a new narrow-body aircraft the company has ordered. Beginning in 2017, Air Canada will start taking delivery of the Boeing 737 Max, for which it has a firm order of

¹ <http://www.iata.org/whatwedo/environment/Pages/index.aspx>



61 aircraft in a combination of the 737-8 and 737-9 variants. These aircraft will replace Air Canada's current fleet of Airbus narrow-body aircraft that first entered the fleet in 1990. The 737 Max will feature the latest technology, CFM International LEAP engines and, according to the manufacturer, these aircraft will yield a 14 per cent fuel use improvement over today's most fuel-efficient, single-aisle aircraft. The Max-8 and Max-9 have a list price of US\$106 million and US\$113 million respectively, evidence of a further significant investment in technology by Air Canada.

Once complete, these new aircraft deliveries are expected to give Air Canada one of the youngest, most fuel efficient fleets in the world. In the meantime, Air Canada is also acting to improve the efficiency of existing aircraft by equipping its current Boeing 767-300 aircraft flying for Air Canada rouge® with blended winglets that reduce drag. In 2014, eight 767s were modified and it is estimated that yearly carbon dioxide emissions will be curbed by approximately 2,800 tonnes of CO₂e for every retrofitted aircraft.





EMPLOYEE RECYCLING DRIVES

As a company, Air Canada is committed to reducing and recycling waste from its operations, but for employees the effort does not stop there. In 2014, employees participated in two recycling drives, one to collect old uniforms and another for used electronics.

"It was an excellent opportunity for our employees to participate in a local act to protect our environment," said Penny Thompson, Manager, Environmental Sustainability, speaking after one of two uniform drives held in Toronto and Montreal.

The uniform and used clothing drive took place at the airports in Montreal and Toronto in conjunction with Environment Week and yielded 3,250 pounds of used textiles – enough to fill approximately 50 large garbage bags. Uniforms were safely and sustainably disposed of by being shredded and re-used. This saved significant amounts of water and energy as both resources are required for producing textiles from raw materials. Moreover, a donation was made to the Air Canada Foundation for each bag collected.

In a similar vein, Toronto airport employees participated in an electronic waste collection event.

Nearly 5,000 pounds of electronic waste were collected, including old computers, hard drives, TV, radios, printers, stereo and video equipment, monitors, cell phones and keyboards. The materials were then disassembled, shredded into small pieces of metal, plastic and glass; separated into reusable commodity streams; and were sent to be used to manufacture new materials.

No electronics were resold or sent either to a landfill or to developing countries.



BIOFUELS

Air Canada is also helping to foster the development of sustainable aviation biofuel in Canada. In partnership with Airbus, it commissioned a study through BiofuelNet – a network of Centres of Excellence that brings together the Canadian biofuel research community – to identify feedstocks and technologies with the most potential for commercial production of aviation biofuel in this country.

Following completion, Air Canada then volunteered the results of the BFN feedstock analysis to a broader research project funded under Transport Canada's Clean Transportation Initiative. The research is being undertaken by SkyNRG, Waterfall Group, BioFuelNet and Novo Energy, with Air Canada playing an advisory role. The research project will assess the feasibility of developing an aviation bio-fuel supply chain in Canada from a technological and economic perspective and include an analysis of the associated environmental and sustainability benefits. The results of the study are expected in 2015.

In 2014, Air Canada also joined the BiofuelNet Canada Aviation Task Force, which was formed that year. This forum provides an opportunity for ongoing collaboration between academic, industry, government and other stakeholders on aviation-related biofuel issues.

OPERATIONS

In order to maximize the benefit of modern, fuel-efficient aircraft, it is necessary that they be operated in a manner that optimizes their capabilities. To do this Air Canada continually refines its procedures not only in-flight, but also on the ground and in its maintenance activities.

For a number of years now Air Canada has used a variety of approaches to conserve fuel and has been expanding their use. In 2014, for example, single engine taxiing was implemented more widely across the fleet, saving approximately 10,088 tonnes of CO₂e during the year. Similarly, a program to coach fuel suppliers in order to limit over-fuelling yielded 1,247 tonnes of CO₂e savings in 2014 over the 2013



baseline. Also in 2014, the airline expanded efforts to better match the amount of potable water carried with approximate annual savings of 954 tonnes of CO₂e.

Another new program to reduce fuel use is Smart LOAD, a specialized weight and balance software tool developed by a third party vendor, Smart4Aviation, and adapted by Air Canada. It integrates varied information to enable a carrier to load cargo onto an aircraft more efficiently which in turn translates into meaningful savings in fuel burn and emissions.

OPTIMAL ROUTINGS

In 2014, Air Canada, under an agreement with Boeing, began testing *Direct Routes*, a program designed to enable pilots to save fuel by selecting the most efficient altitudes and routings. Fully implemented, this program could save significant amounts of fuel on long-haul flights operated by the carrier and result in significant emissions reductions. *Direct Routes* uses real time Air Traffic Control information to suggest shortcuts via datalink messages to flights over the continental U.S. As an added bonus, this program can reduce flight times to deliver customers to their destinations more quickly.

INFRASTRUCTURE

Properly-designed aviation infrastructure also contributes significantly to emission reductions. Air Canada has long advocated for improvements in this area and works with partners, such as air traffic control management system operators, on ongoing initiatives to make the shortest, most direct routes available to aircraft.

Air Canada supported NavCanada, Canada's air navigation provider, on the Alberta Airspace Redesign Project. This was undertaken in anticipation of air traffic management changes around Calgary and Edmonton arising from a new, extended length runway that opened in Calgary in June 2014. Air Canada has also taken part in a project for similar improvements to the heavily-travelled Windsor-Toronto-Montreal air corridor. As well, the company has been in consultation with NavCanada and community groups on new protocols to reduce noise in the area of Lester B. Pearson International Airport in the Toronto region.

SATELLITE TRACKING

Air Canada is collaborating with NavCanada on preliminary work for the Aireon LLC joint venture project. Aireon will employ low-earth level satellites to be launched starting in 2015 that will enable air traffic controllers to track aircraft anywhere in the world. Air Canada anticipates using the system in 2017 and it will help aircraft fly the most fuel efficient route possible using heightened surveillance in the North Atlantic and other remote areas currently lacking radar. It will also provide an added level of safety by extending the reach of aircraft surveillance into remote areas not covered by conventional radar.

MARKET-BASED MEASURES

The final pillar in the industry's emission reduction strategy is the use of market-based measures. Air Canada believes that any market-based measure applied to aviation must be global in scope to encourage fair competition and avoid the overwhelming administrative challenges that arise from complying with a patchwork of schemes in different jurisdictions.

For this reason, Air Canada supports ICAO as the entity to develop a global market-based measure. Air Canada is participating in the development of this measure through national and international industry associations and partnerships.



GROUND OPERATIONS

Although Air Canada's ground operations make up a small fraction of the company's overall emissions, it is adopting new technologies and innovative practices to reduce greenhouse gas emissions wherever feasible.

GROUND EQUIPMENT

Alternative energy is being used on the ground to power airport vehicles such as baggage carts. Since 2009, 850 or 30 per cent of such vehicles in Air Canada's ground fleet have been equipped to be powered by alternative means, including electricity or propane, with a 15 per cent reduction in emissions compared to conventional fuel. In 2014 the use of alternative fuels on ground equipment continued with the testing of an electric conversion kit that uses the latest lithium-ion battery technology. If this proves feasible for use in the airport environment, installing these kits on gas-powered vehicles could reduce emissions by another 20 per cent.

iRAMP

Augmenting these savings has been the adoption of a technology called iRamp, which uses wireless technology to determine if a vehicle has been idling too long and remotely shut it down when safe to do so to save unnecessary fuel burn and emissions. It also significantly reduces the dwell time of cargo delivery vehicles on the ramp and expedites deliveries for customers by making it easier to consolidate delivery and retrieval of shipments from aircraft to cargo facility. The iRamp program is ongoing with a further roll out across the fleet through 2015.

FACILITIES

Air Canada also continually reviews the operations of its extensive real estate holdings, both at airports and other facilities, to ensure they are operated in an energy efficient manner. In 2014, the carrier opened a new call center in Montreal that incorporated the latest technology in lighting and HVAC. Other renovations of buildings at the company headquarters also included upgrades to lighting, all of which promote energy savings.



Towbars
(Aerospecialties B787 tow bar)





OTHER GREEN INITIATIVES

In addition to efforts to mitigate emissions, Air Canada is also active in a number of other areas to reduce its environmental impact, notably with respect to minimizing the creation of waste and recycling.

In 2014, a committee called Air Canada Goes Paperless was created to identify ways to discourage unnecessary use of paper and promote paperless substitutes. Air Canada has already scored notable successes in this area, having been the first airline in North America to offer electronic boarding passes in 2007, the use of which has grown exponentially. Moreover, Air Canada Cargo has begun using electronic airway bills or e-AWB for freight documents. One e-AWB replaces an eight-copy form, and represents a potential annual reduction of 10 million sheets of paper when fully implemented.

RECYCLING

Recycling remains a primary area of focus, both onboard aircraft and in Air Canada's offices and facilities. In January 2014 internal recycling audits were conducted on domestic flights to calculate the quantity of recyclables distributed in each waste stream. At present, recycling occurs at eight out of nine major Canadian stations that Air Canada flies to, and the audits are intended to improve and expand

company recycling practices. At present, groomers collect materials from aircraft – such as old issues of in-flight magazines and soap containers – and employees in its facilities sort materials such as paper, cardboard, wood, glass, metal, and plastic, depending on what is recyclable in a particular municipality.

The recycling of onboard waste is complicated, however, by regulation that mandates how waste potentially containing food or organic material must be disposed of to avoid the spread of certain diseases. This can result in complex procedures and in some cases, recycling bans.

Air Canada is also working at airports to reduce waste and promote recycling of ethylene glycol, used as de-icing fluid. Air Canada participated in the development of glycol mitigation plans at airports across Canada in order to avoid possible violations of the federal 100 mg/L glycol standard.

SUPPLY CHAIN

To help it achieve its environmental goals and promote responsible behaviour, Air Canada works with suppliers. Air Canada has more than 5,500 individual suppliers and in 2014 it spent \$4.4 billion on Canadian products and suppliers alone, excluding fuel and labour, and its total supplier spending was \$10.4 billion.

Air Canada has developed a Supplier Code of Conduct (SCC) that among other requirements, such as respecting human rights and international labour standards, also stipulates that companies have due regard for the environment. This includes requesting that suppliers have an effective environmental management plan in place, that companies work to reduce their footprint and that they demonstrate and promote environmental stewardship. In 2014, as part of an effort to increase adoption of the SCC, the company included the SCC in standard Requests for Proposals and contracts. The number of contracts that are governed by the SCC has more than doubled over the year.

Despite the size of the supply chain, nearly three-quarters of expenditures go to the top one hundred suppliers. Several organizations within Air Canada are charged with managing these relationships but





Strategic Procurement, whose purview includes fuel purchases, accounts for the majority of these expenditures. Air Canada endeavours to source locally wherever commercially feasible. A substantial representative sampling of Air Canada's contracts indicated that more than 80 per cent are with suppliers in the region where the goods or services are delivered.

WORKING WITH OTHERS

Air Canada works with a number of multi-lateral organizations on climate change and other environment issues. Among the groups Air Canada participates in are the IATA Environment Committee, the NACC environment Sub-Committee, the Airlines for America (A4A) Environment Council and the International Noise and Emissions Committee (INEC), and the Commercial Aviation Alternative Fuel Initiative (CAAFI).

Air Canada has assisted Wildlife Media since 2012 with transportation for the making of a documentary film about the lives and threatened habitats of four

of the world's eight major bear species and the trailer for their upcoming film, *Beartrek*, was promoted on Air Canada's in-flight entertainment system in 2014.

As a member of Partners in Project Green – an initiative that helps businesses in the Pearson Eco-Business Zone advance a shared sustainability agenda – Air Canada participates in collective environment-related initiatives in and around its global hub airport. In 2014, it joined the Waste Management Committee and participated for the first time in the annual People Power Challenge.

Finally, Air Canada also encourages the travel industry and customers to become involved in environmental initiatives. Air Canada has sponsored the Responsible Travel and Tourism Forum (RTTF) since its inception. The RTTF keeps all sectors of the Canadian travel and tourism industry updated about relevant sustainability issues. In 2014, the airline donated the grand prize to the winner of the Leadership Award, presented to a Canadian travel and tourism organization that has demonstrated commitment to socially, economically,



and environmentally responsible practices. With RTTF partners, Air Canada also agreed to expand the awards for 2015 and actively contributed to that work.

Air Canada employees are often key drivers of environmental initiatives, both at work and in their communities. Air Canada sponsored a personal electronics waste day, during which employees were encouraged to bring in used electronics for safe disposal and recycling. Employees are also encouraged to participate in other environmental events, such as the annual recognition of Earth Day, including this year a tree planting drive, and to take part in programs such as the Great Canadian Shoreline Cleanup.

In 2014, in conjunction with Canadian Environment Week, Air Canada sponsored a uniform recycling drive at its Toronto and Montreal stations, with the Air Canada Foundation benefiting from a company donation based on the amount of material received.

CARBON OFFSETS

For customers seeking more information on Air Canada’s environmental programs, the company maintains a dedicated environmental page on its website, including an informative section called *leave/less*. It provides travel tips and advice on how customers can make their travels more environmentally friendly.

The site also links to Zerofootprint, with whom Air Canada has partnered to offer customers a carbon offset program whereby they can offset emissions from their flights online by supporting carbon sequestering and reduction projects. In 2014, Air Canada held a carbon offset contest for customers. During the contest, more than 400 tonnes of offsets were purchased, effectively making 2,900 Air Canada flights carbon neutral.

✓ PROGRESS ON 2014 GOALS

- | | |
|--|-------------|
| • Advance GHG emission reduction through the four pillar approach | IN PROGRESS |
| • Increase recycling on the ground and in the air | IN PROGRESS |
| • Continue to improve methods for measuring Air Canada’s environmental footprint | ACHIEVED |
| • Complete the sustainable aviation biofuel Canadian feedstock assessment | ACHIEVED |

↑ GOALS FOR 2015

- Advance GHG emission reductions including the retrofit of winglets on additional Boeing 767 aircraft and the launch of a new fuel optimization program for our fleet
- Reduce waste generation and increase re-use and recycling with a focus on Cargo facility at Pearson International Airport through its participation in the People Power Challenge
- Improve communications to stakeholders by redesigning the Leaveless website
- To support broader environmental sustainability initiatives, work with partners to expand the scope of the Responsible Travel and Tourism Forum’s annual Leadership Awards.



EMPLOYEES

OUR PEOPLE
ARE
OUR GREATEST ASSET





Although the airline industry is associated with large aircraft, cavernous terminals and crowds of travelers, it remains at its heart a service business driven by personal interactions. In fact, the sustainability of a carrier is directly related to how its customers feel they are treated as individuals and in turn how well the airline engages, trains and motivates its employees. Stakeholders concur, ranking labour relations and employee engagement highly among the issues of greatest importance in the materiality assessment upon which this report is based.

Maintaining a positive employee culture is therefore a crucial element of Air Canada's business strategy. This requires a significant investment of energy and resources on the part of the company as its approximately 28,000 employees¹ are located throughout Canada and across five continents. Moreover, with their schedules, the nature of their work, and even their cultural backgrounds varying greatly, it is incumbent upon Air Canada that it be empathetic and put effective support structures in place. Adding another dimension to the company's employee relationship management is the fact nearly 90 per cent are unionized.

EMPLOYEE MANAGEMENT

To manage its employee relationships, Air Canada has a Vice President responsible for Human Resources (HR) and a Managing Director of Labour Relations (LR). The HR branch has nine main areas – pensions, recruitment, engagement and organizational development, language and diversity, training, benefits, occupational health, disability management and total rewards.

LR is responsible for negotiating, implementing and monitoring collective agreements and the ongoing management of relations between the company and its unionized workforce. Air Canada has five unions representing its employees in Canada and eight unions representing employees based in stations outside Canada. In evaluating its management approach, with a goal of fostering positive relations, Air Canada endeavours to ensure collective agreements are consistently implemented in line with corporate priorities. As well, once implemented, any negotiated productivity improvements are measured against the initial value attributed to them via operational budget exercises.

¹ Includes employees at Air Canada, Air Canada rouge® and Air Canada Vacations®



SUCCESSFUL BARGAINING

During 2014, the company achieved a landmark agreement which establishes collective agreement terms for the next 10 years with its 3,000 pilots represented by the Air Canada Pilots Association. The new agreement provides greater stability and long-term cost certainty for Air Canada, creating a foundation for profitable future growth at both the mainline carrier and its leisure airline, Air Canada rouge®. Although the agreement is subject to certain openers and benchmarks over the 10-year period, its duration and the fact it was negotiated more than a year prior to the expiry of the previous pilot contract indicate the strength of the relationship Air Canada and its pilots enjoy.

Subsequent to the pilot agreement, Air Canada concluded two other agreements with the International Brotherhood of Teamsters (IBT) for the airline's U.S.-based workforce and UNITE, the union representing the airline's U.K.-based employees.¹ In 2015, Air Canada will also enter contract negotiations with two of its largest Canadian unions, UNIFOR representing airport and call centre employees and the Canadian Union of Public Employees representing flight attendants.

CROSS-BRANCH COOPERATION

The HR and LR branches work closely with other branches within the company including legal, commercial, corporate safety and environmental quality, employee communications and all the operational branches. This cross-functional approach encourages fair and consistent treatment of all employees and the sharing of best practices among branches in managing employee relations.

Air Canada's workforce is relatively mature, with an average age of 45 years. It consists of 12,362 female and 15,602 male employees², with almost all classed as permanent, full-time. Most are based in Canada but they are also found in 28 other countries. Moreover, Air Canada prides itself on fostering and celebrating diversity within its workforce and there is a diversity team within the HR branch that in 2014 developed and began implementing a new Employment Equity and Diversity Action Plan.

WORKING AT AIR CANADA

Air Canada employees are among the best compensated in the Canadian airline industry. All permanent employees are enrolled in a company pension plan, with the majority belonging to defined benefit plans – which is unique in the sector and increasingly rare in Canadian workplaces – and they are also provided with a full healthcare benefit plan. During 2014, Air Canada contributed \$445 million to its company pension plans.

For managers, Air Canada offers an Annual Incentive Program (AIP) which pays out when certain corporate targets are met. Payments are calculated based on a combination of individual, branch and company results with the aim of rewarding individual contributions while at the same time encouraging teamwork. There are other financial incentive plans designed to retain and engage employees discussed further below.

Throughout the year, Air Canada received a number of awards related to human resources. This included for the second year in a row being the only airline ranked among Canada's Top 100 Employers for 2015, for which Air Canada was chosen from an initial list of 75,000 employers across the country. It was chosen one of 30 Top Employers in Montreal for 2014. As well, Air Canada was named one of Canada's most attractive employers by the recruitment firm Randstad Canada, whose findings were based on a poll of 9,500 job seekers and workers.



¹ Both agreements were ratified in early 2015

² Includes employees at Air Canada, Air Canada rouge® and Air Canada Vacations®



FIRST 787 ARRIVES

More than 5,000 employees, family and friends greeted the arrival of Air Canada's first Boeing 787 Dreamliner.

Cheers and applause filled the air as flight AC7008, touched down in Toronto one sunny May afternoon with more than 100 employees on board, many of whom had won a contest to be on this historic flight. As the aircraft trundled through a water cannon salute, airport workers paused to wave at, photograph or simply gawk at the gleaming new plane.

Inside a hangar specially decorated for the event, employees who brought their family and friends to share in the occasion watched the aircraft land on a big screen monitor.

Air Canada is the only Canadian airline to fly the new aircraft which, with its long-range and unsurpassed fuel efficiency, will play a starring role in the airline's international expansion strategy. Air Canada has orders for 37 Boeing 787 aircraft.

In order to share the Dream, other employee events that drew thousands more were held in Vancouver, Calgary, Montreal and Halifax to show off the new aircraft.





RECRUITMENT

For any human construct to be successful, it is essential to begin with suitable raw materials and for a corporation this means it must recruit the most talented people. To some degree, as the Randstad survey illustrates, Air Canada's reputation as an attractive place to work makes it a popular destination for job seekers and it receives 110,000 visits each month to the employment page of its website. Historically, there are more than 100 applicants for each job filled.

Yet, with high demand for top talent in the workplace generally, Air Canada also recognizes that it must actively recruit in order to remain competitive. Moreover, once qualified candidates are identified and hired, it is necessary to provide them guidance and equip them with the skills and knowledge they need to succeed.

For new and recently-hired managers, Air Canada offers an Onboarding program. It is a resource tool that guides recruits through the first year and includes orientation, training programs, a buddy system to provide support, and the development and ongoing review of performance management targets.

WELCOMING NEW ARRIVALS

Onboarding includes Arrivals Connection, a day-long information and networking session that features presentations by senior executives. In 2014 Arrivals Connection was expanded to include managers with two-to-five years experience with the company. Two editions of this event were held in 2014 for a total of 240 participants, who reported a 98 per cent satisfaction rate with the presenters.

To ensure Air Canada's HR practices are effective and relevant, in 2014 14 focus groups were held with employees in order to gather their feedback. More than 300 people from Montreal, Toronto, Vancouver and Calgary took part in the initiative, which drew employees from Management and Senior Management and a cross-section of union groups. An additional 100 employees responded to the question: "What makes you tick at AC?" in the March *Horizons* survey. All the data from the Focus Group was compiled and analyzed by a third party research firm and the findings will be used to guide further employee engagement initiatives.





DIVERSITY

A key consideration at Air Canada is the promotion of gender equality, diversity and inclusiveness. Apart from doing so because it is appropriate in terms of social norms, workplaces that embrace these values are more attractive to prospective and current employees and thereby enriched.

To encourage gender balance at all levels of the company, in 2014, Air Canada's Board of Directors supported the company signing the Catalyst Accord, an undertaking sponsored by the internationally-recognized group, Catalyst, which is a leading non-profit organization whose mission is to expand opportunities for women in business worldwide. Under the Accord, Air Canada has committed to increase the number of women on its board to 25 per cent by 2017.¹ Already, approximately 30 per cent of senior managers, defined as vice-president level or higher, are female at Air Canada. Additionally, Air Canada actively works to recruit women and create opportunities for engagement such as the Women in Aviation networking events with the objective of increasing engagement of women in career development and leadership roles.

More broadly, Air Canada maintains partnerships with other organizations whose mandate is to promote diversity and inclusiveness including by belonging to the Canadian Centre for Diversity & Inclusion. It is a Canadian organization designed to help employers effectively address the full picture of diversity, equity and inclusion within the workplace.

Among its areas of activities, the airline is supportive of a number of aboriginal organizations. This includes the Aboriginal Human Resources Council, the Centre for Aboriginal Human Resource Development Inc. (CAHRD), the aboriginal job posting website AMIK and MAMU, an Aboriginal career event. Moreover, the company supports aboriginal cultural activities detailed in the Community Section of this report.

Air Canada also employs more than 250 individuals self-identified as disabled. It works together with organizations geared to advancing people with disabilities – such as the *Comité d'adaptation de la main-d'œuvre* (CAMO), the Canadian Council on Rehabilitation and Work (CCRW), the MAB-Mackay Rehabilitation Centre and the Moelle épinière et motricité Québec: (MEMO-Qc).

Finally, Air Canada provides a positive environment for employees regardless of sexual orientation and is a major sponsor of Pride events. It has partnered with Pride at Work Canada, which brings together leading Canadian employers aiming to fully actualize inclusive workplaces for their lesbian, gay, bisexual and trans-identified (LGBT) employees. During the year, several networking and social events for LGBT-identified employees and their allies were organized in Montreal, Toronto, Calgary and Vancouver under the theme "Inclusion Happens Here."



¹ As of May 2015, 18 per cent of Air Canada's 11-member Board of Directors is female.



NEW REVENUE MANAGEMENT TRAINING

One of the most complex aspects of running an airline is managing revenue in such a way to get the most revenue from each of the tens of millions of seats flown each year.

So when Air Canada began preparations to launch a new Revenue Management system in 2015, it required significant training in advance to get employees comfortable with the new approach.

In essence, rather than try and fill every seat regardless of the fare, the new objective is to fill seats with better quality of revenue. This is accomplished by looking at the entire network, rather than looking at one segment at a time. This paradigm shift is a big change for the entire revenue management team: a new philosophy, a new system and new opportunities for colleagues in Revenue Management to sharpen their analysis skills.

"The change management component of this project is certainly daunting. We'll be coaching our people through the transition as both the system and their roles change because this change is certainly the right thing to do," said Marie-Claude Roy, Senior Director, Revenue Optimization.

To prepare employees for the cutover, there were "Warm-up Sessions" beginning in the fall of 2014, where the company gave 130 employees from the revenue management group a total of 1,950 hours of training. This was followed by more intensive "End-User" training where employees got 40 hours of training each or a total of 5,200 hours. To support the training, extensive documentation also had to be prepared, including more than 3,000 power point slides.

But with expectations the new system could generate \$100 million or more in additional revenue per year, the investment in Air Canada's people is certainly worth it.



TRAINING

While identifying and recruiting individuals capable of being top performers is a necessary first step, in order for them to reach their potential and continue as high-level contributors it is essential to provide initial and recurrent training. This is particularly true in the airline industry, where training is required to reinforce safety and also where new products, services and technologies are continually being introduced to maintain competitiveness.

In 2014, Air Canada introduced a new Management Competency Model to support its leadership brand. It achieved this by standardizing processes impacting employees, including with respect to recruitment and performance management. Development and succession planning will be linked to this competency model as well. As part of the rollout, more than 60 sessions were offered, both in-person and through webinars, to inform and engage senior leaders, front-line managers and all levels of management.

THE ACWay

During the year, other management programs were also introduced, reflecting Air Canada's focus on developing leadership skills. *Change Management* training for senior management is intended to develop capabilities in managing the human side of change while a second program, *Managing the ACWay*, is designed to intersect with front-line employee customer service training, with a goal to enhance leadership and improve the customer's experience.



NUMBER OF EMPLOYEES TRAINED PER YEAR

NON MANAGEMENT TOTAL

2011	18,608
2012	19,325
2013	19,446
2014	20,480

MANAGEMENT AND ADMINISTRATIVE & TECHNICAL SUPPORT TOTAL

2011	1,827
2012	1,336
2013	1,324
2014	1,610

Additionally, to assist managers in further developing their direct reports, a new online course *e-learning Aid*, was launched to support year-end performance reviews. It is designed for management to deepen its understanding of Air Canada's new competency model and to help build confidence in attributing performance ratings.

There were also a number of new programs for non-management and front-line employees. After a successful type-trial in 2014, the *Ovation Program* that provided customer service training for flight attendants was rebranded as the *Applause Program*, and will be delivered to more front-line staff in 2015. The *LAT5 Program*, first introduced in 2013, was further expanded in 2014. It is a workshop on Coaching Skills offered to all ACM Line maintenance managers to equip them for their support role in the annual performance review of all Licensed Aircraft Technicians (LAT).

There were extensive training programs through all levels of the organization in anticipation of the delivery in May 2014 of a new aircraft type, the Boeing 787 Dreamliner. These programs will continue as more 787s arrive, including a larger 787-9 version of the aircraft in mid-2015.

Beyond this, a number of other programs, such as language training, continue to be offered by the company and for the first time in 2014 sign language was added as a new qualification option for

employees, further expanding Air Canada's linguistic offerings. In order to promote bilingualism among employees, the company has annual Dialogue Awards for those offering exemplary service in French and English.

CUSTOMER FOCUS

Many of Air Canada's training programs are designed to enhance customer service. In developing these, the company receives vital input from its Customer Service Council (CSC), which was formalized in 2014. Composed of senior managers from a cross-section of branches throughout the company, its mandate is to review existing policies – with input from employee focus groups – to make them more customer-centric and devise new policies, processes and procedures to improve the customer experience. This is important as customer engagement and customer experience are two issues identified as matters of concern to stakeholders in the materiality assessment.

As a result of the CSC's activities, a number of policies have been introduced or amended to better meet customer expectations. This includes more generous baggage allowance for members of the military, a relaxed policy on name changes to correct spelling errors and greater allowances for customers arriving late for flights due to extraordinary circumstances. In total, 56 initiatives that have customer impact were identified in 2014 and these are now under review, including the development of the necessary training to implement them successfully.

One major area of focus is On-time Performance (OTP), as customers depend upon the airline to maintain its schedule. OTP increased 17 per cent between 2011 and 2014 and several initiatives are underway to maintain this positive momentum. The company began by developing extensive metrics or "dashboards" to measure performance more accurately and isolate areas for improvement. These were then followed-up by extensive, cross-country Town Hall presentations by the Chief Operating Officer to explain to front-line employees the importance of achieving targets and the new SOPs for doing so.



ENGAGEMENT AND RETENTION

Training programs also serve an important ancillary function in that they are effective tools for engagement. Through training the company acknowledges the challenges employees face in their day-to-day work and is seen as trying to address these issues, making employees feel valued. The significance of this cannot be understated as maintaining a workforce once it is assembled and trained is an essential aspect of sustainability.

For this reason, Air Canada places a heavy emphasis on employee retention. Financial compensation is the chief means of achieving this and, as mentioned, Air Canada employees are among the best compensated in the Canadian airline industry. In addition to regular wages, the company maintains a profit sharing incentive program that for 2014 paid out a total of \$46 million to all employees below the senior management level – an increase of \$15 million from 2013. These same employees were also awarded shares in 2011 under an \$11 million Employee Recognition Award that granted each employee shares that fully vested in 2014.

EMPLOYEE SHAREHOLDERS

To further promote employee ownership, Air Canada offers an Employee Share Ownership Plan (ESOP). At the end of 2014, there were 3,568 employees enrolled in ESOP, holding 2,805,778 shares in total. This is 123 per cent more participants than the previous year, which is primarily due to the enhanced features in ESOP that were introduced in late 2013 under which Air Canada continued to match 33.33 per cent of an employee's total dollar contribution for their first 12 months of continuous participation. In addition, the company match will increase its contribution to 50 per cent starting with the 13th month of continuous and active participation.

Moreover, as of at December 31, 2014, Air Canada employees and their unions held under various programs in aggregate 23,056,408 shares or almost eight per cent of total issued and outstanding shares of Air Canada. This included 17,647,059 shares held under a trust arrangement in connection with pension arrangements concluded in 2009.





TRAVEL

Air Canada offers employees other privileges, notably space available or discounted airline tickets for themselves, family and friends. Air Canada's GoAC program provides employees more travel options for confirmed seating. Travel privileges are also used to acknowledge exceptional events or circumstances, for example following the severe winter weather brought about by the Polar Vortex in 2013-2014, each employee was granted a special high-priority pass for travel with a family member.

PROMOTING WELL-BEING

Beyond financial compensation and travel privileges, Air Canada also has other programs in place to promote the well-being of employees, especially with respect to their health. The airline offers tools, services and benefits to promote health and safety and maintains a number of programs, including a confidential counselling service, which in 2014 was expanded to cover those working at foreign stations. It is important for employees to know that their employer has regard for their personal well-being, which also includes privacy and as a result the company instituted a new Personal Health Information policy in 2014 to guarantee the confidentiality of health information.

Healthy employees are also more productive, which contributes to the company's sustainability. Recognizing this, Air Canada actively promotes good health, for example by making discounts on health club memberships available. It also supports intramural sports, such as badminton tournaments with the Air Canada Recreational Association. There are also education campaigns where workplace health and safety is emphasized through such events as flu shot clinics, NAOSH Week and the promotion of other healthful measures such as eating well and hand-washing.

As noted, Air Canada was named one of Canada's safest employers in 2014, but for those who are injured or need assistance the company has a disability management system. Air Canada monitors the incidence and duration of disability claims (both occupational and non-occupational) to help ensure that the appropriate safety and prevention measures are in place. Air Canada continually refines its health and wellness strategy to employ best practices to promote the early and safe return to work.





YAMMER

While scolding bosses will tell their employees to "quit yammering and get to work" Air Canada has found productivity can actually be increased by making it easier for employees to kibitz.

That's why in 2014 the airline expanded a tool called Yammer that allows employees to exchange with one another, collaborate on problems and share ideas and best practices. Initially available to flight attendants, Yammer was integrated for all employees during the year as part of the new employee portal. Since then the user group has doubled, with slightly over half of employees enrolled.

"The pool of collective knowledge of employees is virtually bottomless and Yammer gives us all way to tap into that reservoir. By making it easy for people to ask questions and provide answers or suggestions on virtually any topic, we have created a tremendous resource that is easily accessible to everyone," said Susan Kingsley, Director of Employee Communications.

The use of Yammer has evolved from a simple question and answer format to usage by Groups of employees to work on projects, problem solve, share files and even post photos of company events such as Skytrax Day and make available commendations to employees.

EMPLOYEE COMMUNICATIONS

Another crucial element of engagement is communicating with employees. People expect to be informed about events that affect them. Moreover, they feel valued if they are encouraged to provide input with some assurance their views will be taken into consideration. For this reason, Air Canada devotes considerable resources to employee communications, which resides within the Corporate Communications branch, and serves the dual role of

providing timely and consistent messaging and collecting employee feedback. One example of the company acting on employee feedback was the decision in 2014 to bring in-house certain HR functions that had earlier been outsourced.

The company speaks to employees through a number of channels, including an intranet site called the ACAeronet portal, which was completely revamped to make it more user-friendly in 2014, *The Daily* employee bulletin and a monthly magazine called *Horizons*. These are supplemented by messages and letters from the President and Chief Executive Officer, the President, Passenger Airlines, as well as a weekly operational overview sent to all employees from the Chief Operating Officer.





Formal town hall held in Montreal with senior executives (from left to right): Arielle Meloul-Wechsler, Vice President, Human Resources; Klaus Goersch, Executive Vice President & Chief Operating Officer; Calin Rovinescu, President and Chief Executive Officer; Mike Rousseau, Executive Vice President & Chief Financial Officer; and Benjamin M. Smith, President, Passenger Airlines

TOWN HALLS

In addition to these vehicles, there are quarterly management conference calls and meetings with key union officials to discuss financial results. During 2014, a number of formal town hall meetings were convened across the country where senior executives attended to explain strategy and take questions directly from employees and there were also focus groups, such as those conducted by the Customer Service Council (CSC). Within each branch, senior managers hold periodic meetings with employees, for example the President and CEO of Air Canada Vacations held 18 breakfast seminars with employees during 2014.

In terms of listening to employees, Air Canada undertook a major survey of employee attitudes in 2014 using a third party, independent market-research firm, The Strategic Counsel. The company performed similar telephone surveys for Air Canada in 2007, 2008 and 2010, giving it a substantial baseline of information to detect and measure trends. Approximately 1,500 randomly selected employees representing all groups across the company were called at home and asked for their

voluntary and anonymous participation in an in-depth telephone interview. Findings from the survey are being used to track the company's progress and determine steps to ensure Air Canada remains an employer of choice.

Employees can share their ideas through an online suggestion box called Creative Juices, and submissions to this forum have resulted in a number of product innovations and policy changes. People are also encouraged to share best practices with one another through such vehicles as Yammer, an online community originally available to flight attendants but expanded in 2014 to include all employees, including with the introduction of mobile yammer app. Another networking tool available within Air Canada Maintenance is i2I (Ideas to Implement) which solicits ideas from employees to improve maintenance procedures. In one instance, a group devised a fan blade repair procedure estimated to save the company nearly \$3 million a year.



AWARD OF EXCELLENCE

Recognizing and celebrating employee achievements is another key element of engagement. Air Canada's premier recognition program is the Excellence Awards, which in 2014 honoured 52 employees with the Award of Excellence at the 27th edition of the program. Recipients are chosen by their peers for demonstrating leadership, showing commitment and promoting the company's values. Those selected are featured internally in *Horizons* and on the ACaeronet site, and publicly in the Air Canada *enRoute*® magazine. They are also honoured during an event at a Caribbean getaway.



Employee accomplishments are marked throughout the year, with regular events to celebrate milestone service anniversaries, volunteer projects and awards, and contests won by employee groups. Each month, Air Canada *enRoute*® magazine's "Behind the Scenes" feature focuses on particular employees and their

responsibilities. Employees appreciate seeing their colleagues recognized for their daily contributions and it also heightens awareness among customers about how the airline functions and the efforts of those who work at Air Canada.

FAMILY EVENTS

In 2014, Air Canada hosted a series of Family Day gatherings in Toronto, and in conjunction with Dreamliner showcase events, in Vancouver, Calgary and Montreal. Together they attracted thousands of employees and their family members and also raised more than \$10,000 for the Air Canada Foundation. Air Canada *rouge*® also celebrated the anniversary of one year of operations with employee events and a memento for each employee of the Air Canada Leisure Group.

The most anticipated and celebrated event of 2014, however, was the arrival of the first Boeing 787 Dreamliner into Air Canada's fleet. More than 5,000 employees, family and friends greeted Air Canada's first Boeing 787 Dreamliner in Toronto.



PROGRESS ON 2014 GOALS

- | | |
|--|----------|
| • Undertake an employee satisfaction survey | ACHIEVED |
| • Hold focus groups around customer service | ACHIEVED |
| • Launch leading edge employee Portal | ACHIEVED |
| • Maintain focus on communication and teaming around customer service (notably through expansion of Yammer company-wide) | ACHIEVED |
| • Increase emphasis on diversity | ACHIEVED |



GOALS FOR 2015

- Increase front-line training by at least 50 per cent
- Increase Roadshows to frontline to better inform
- Negotiate new CUPE and UNIFOR contracts
- Launch a Leadership Development program called Leading the ACWAY, in line with our Talent Blueprint for Succession and Emerging Leaders Initiative



INVESTING
FOR
A HEALTHIER

COMMUNITY





Successful companies contribute to their communities. They do so out of a genuine altruistic desire and a sense of obligation; to help ensure their employees and other stakeholders have healthy places to live; and for reputational reasons to foster and retain customer loyalty. These are all important aspects of sustainability, and community involvement and socio-economic impact are among the top concerns identified in the materiality assessment forming the basis of this report.

Air Canada’s commitment to communities predates the advent of sustainability as a formalized concept, reaching back to the airline’s founding 77 years ago. Today, Air Canada’s community involvement ranges from programs devoted to basic health and well-being to those intended to support cultural enrichment, including through the arts, entertainment and sports. Benchmarking based on data collected by the Conference Board of Canada indicates Air Canada’s total community investment portfolio of \$6.5 million is above the average of 180 Canadian companies surveyed in 2011.

There are three main avenues by which Air Canada achieves these goals, the Air Canada Foundation, corporate community outreach initiatives, and through commercial and other sponsorships.



AIR CANADA FOUNDATION

By creating a distinct identity for Air Canada's community investment program it raises the profile of the Air Canada Foundation, builds awareness of the causes it supports and facilitates fundraising. The primary focus of Air Canada's community involvement is on the needs of children, particularly those who are ill or otherwise disadvantaged. Many of these activities are carried out with the help of Air Canada employees, who want to participate in their local community and contribute to other communities elsewhere in the world.

The Air Canada Foundation which was launched in 2012 is registered in Canada as a not-for-profit entity and provides assistance to Canadian registered charities. Its priorities are the health and well-being of children, connecting sick children to the medical care they need, wish fulfillment, and the alleviation of child poverty. Additionally, it supports other major health-related causes that have a broad impact on the lives of Canadians and, when the necessity arises, in communities throughout the world.

The Air Canada Foundation is governed by a stand-alone board of directors and an annual report of its activities is presented to the Air Canada Board of Directors by the responsible executive, the Chairperson of the Air Canada Foundation and Vice President of Corporate Communications.

The Air Canada Foundation fulfils its mandate by providing eligible registered charities with in-kind support (including promotional tickets) as well as donations of cash and Aeroplan® Miles.



FUNDING

Funding for the Air Canada Foundation comes from various sources and in 2014 it raised \$1.4 million, a 45 per cent increase from 2013. Most of the funding came from its signature fundraising event, the annual Air Canada Foundation Golf Tournament. These funds were augmented by customer and employee donations, including a voluntary employee payroll deduction plan. In 2014, an important fundraising development was the opening of an account with the CanadaHelps website, which enables the Air Canada Foundation to accept credit card donations on a monthly or one-time basis.

Customers are further encouraged to contribute through the Every Bit Counts™ program, which invites them to donate change of any denomination on-board aircraft or through branded airport receptacles. Customers also have the opportunity throughout the year to donate Aeroplan® miles, notably through a dedicated Aeroplan® Match Day promotion held each year. In 2014, the day yielded 1.6 million Aeroplan miles – a significant increase from the 525,000 Aeroplan miles collected in 2013. There are also miscellaneous activities through the year to raise funds.



DREAMS 25TH ANNIVERSARY

Dreams Take Flight first flew in 1990 after a group of Toronto Air Canada employees got a notion to take less-fortunate children to a local amusement park.

However, the idea swiftly morphed through their enthusiasm into an ambitious one-day journey to Disney®. Today, Dreams Take Flight is a registered national charity with chapters in Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Ottawa, Montreal and Halifax. Over 25 years it has whisked nearly 25,000 physically, mentally and socially challenged children off to Walt Disney World or Disneyland for a day of wish-fulfillment.

Each year, through the Air Canada Foundation, the airline supplies eight aircraft and crew to operate flights from Canada's major cities on a trip that is truly magical, enriched by the generosity of corporate, community and individual donors.

The day starts in a pre-dawn carnival atmosphere at the hangar where children board the aircraft, races through the exhilaration of what for many is their first flight, and peaks with non-stop VIP treatment at Disney. It peacefully ends with the (much quieter) homeward journey of the exhausted pilgrims.



dreamstakeflight.ca

BENEFICIARIES OF AIR CANADA FOUNDATION SUPPORT

The Air Canada Foundation carries out its charitable activities by providing various types of support including promotional tickets, financial grants, and donations of Aeroplan® miles. In 2014, the Air Canada Foundation donated 1,050 promotional tickets to charities, 10.6 million Aeroplan® miles to Canadian pediatric hospitals and \$534,000 in financial grants.

Highlights include:

Dream Take Flight (DTF) – The single largest recipient of the Air Canada Foundation's support. This employee-led charity celebrated its 25th anniversary in 2014. Each year, Air Canada donates through the Air Canada Foundation aircraft for eight Dreams Take Flight¹ trips to Disney® for thousands of children from major cities across Canada. These trips provide children, who would otherwise not have the opportunity, a fun-filled, all-expense-paid day at Disney where they receive VIP treatment. To ensure the continued success of DTF's work, the Air Canada

Foundation provides over 100 airline tickets to bring children from remote locations to a city hosting a flight; promotional tickets for fundraising and in 2014 the Air Canada Foundation made a cash grant of \$50,000 to Dreams Take Flight Canada to assist chapters in financial difficulty.

Hospital Transportation Program – An important role played by the Air Canada Foundation is facilitating the transport of young patients for treatment outside their communities. In 2014, nearly 10 million Aeroplan® miles were donated to pediatric hospitals across Canada through the Hospital Transportation Program. A further one million Aeroplan® miles were given to Hope Air, a registered national charity that provides free flights for both children and adults who cannot afford the cost of air travel to access medical expertise or specialized medical technologies unavailable locally.

Volunteer Involvement Program – The Air Canada Foundation runs an in-house Volunteer Involvement Program in support of employees who are actively involved in their community. Airline tickets are

¹ Dreams Take Flight is a not for profit charitable organisation





awarded in support of fundraising activities by charitable organizations for which employees are involved. Approximately 100 individual employees requested support through the program during the year for a wide range of causes, many of which were featured in employee communications vehicles to raise awareness. This program has the added benefit of promoting employee engagement.

CASH GRANTS

In 2014 major recipients of cash grants included Breakfast Club of Canada, Dreams Take Flight, the Children's Miracle Network's 14 member Canadian pediatric hospitals. Other beneficiaries were the Shriners Hospitals for Children™ – Canada, to which the Air Canada Foundation has committed \$50,000 per year for a five-year period. The Air Canada Foundation also made a three-year commitment of \$25,000 per year to Pathways to Education Canada towards the creation of a scholarship fund so youth from low-income communities can graduate from high school and enter into post-secondary education and training. Another beneficiary was War Child

Canada, a group that assists children and families in conflict areas such as Uganda, Afghanistan and the Democratic Republic of Congo.

On occasion, the Air Canada Foundation also serves as a mechanism for Air Canada to deliver support for exceptional events or causes. In recognition of the airline winning its fifth consecutive SkyTrax Award as Best Airline North America, the company donated \$5,000 each to five charities across Canada chosen by employees. Similarly, the Air Canada Foundation made a donation on behalf of employees taking part in the Ice Bucket Challenge to raise money for ALS research. In 2014 the Air Canada Foundation participated in Save the Children's "Make the World Better with a Sweater" campaign. Employees across the system embraced the initiative by purchasing a special button created by the Air Canada Foundation or wearing their holiday sweater. The Air Canada Foundation once again supported employees participating in the annual Enbridge Ride to Conquer Cancer. In 2014, company teams from Air Canada took part in the British Columbia, Ontario and



Quebec sections of this event, raising a total of more than \$155,000 towards cancer research.

In addition, Air Canada employees at Air Canada Vacations® also work to support the Montreal Children's Hospital, raising \$76,869 since 2010 through their participation in the Pedal for Kids fundraiser.

PROTECTING CHILDREN

The Air Canada Foundation helps children in other ways too; once again, in 2014 it was the Title Sponsor for the Beyond Borders ECPAT Canada Media Awards and Symposium to combat child sexual exploitation. The awards recognize Canadian journalists for exemplary work covering issues related to the sexual exploitation of children. Furthermore, in 2014 three short Public Service Announcements (PSAs) denouncing child abuse were created and introduced on-board all Air Canada flights.

Air Canada was the first airline in Canada and the second in North America to air on-board videos denouncing child sexual exploitation.

HELPING CHILDREN



The Montreal Sexual Assault Centre, established in 1980, is a non-profit organization that serves the needs of those who have been sexually assaulted, recently or in childhood. It also provides information and support for people close to the victims.

The Centre runs a bilingual volunteer crisis line, offers accompaniment to hospitals and courts, and provides counseling—to name just a few of their services. A volunteer at the Centre since 2009, Heather Watkins, a flight attendant based in Montreal, has been on the fundraising committee for the annual raffle for two years and worked the crisis line for sexual assault before that.

The raffle raises money towards the salaries of the Centre's psychosocial intervention workers.

"We have many great prizes, but none are as coveted as the first prize of the Air Canada tickets," said Heather.

"This year, with the support of the Air Canada Foundation, we were able to sell all 3,000 tickets for the event, raising \$15,000. This was a first for us and we have agreed to print and sell more tickets next year."

HELPING FAMILIES



Leanne Niewerth, an Air Canada flight attendant, has volunteered with Families for Children (FFC) for the past 30 years.

FFC is a non-sectarian organization that exists to fulfill the needs of children and young adults with physical or mental disabilities. By providing housing, education, special medical care and vocational

training, FFC gives children in India and Bangladesh the opportunity to reach their full potential and live with dignity.

"A work colleague of mine, Terry Twentyman, my sister Nancy and I decided three years ago that this cause was important to us and that we were going to organize a fundraiser for FFC. That is when we came up with our Bangla Bash Dance and the Air Canada Foundation is a very important part of our fundraiser," said Leanne.

"The two airline tickets are a money-maker for the event. This year we raised \$8,143 – enough to support 55 children for a year."





AC PARALYMPIC AMBASSADOR TO SOCHI

As part of Air Canada's sponsorship of the Olympics and Paralympics, the Air Canada Foundation was given the opportunity to take a Canadian wheelchair athlete to Sochi for the 2014 Paralympic Games.

A recommendation was submitted by the Shriners Children's hospital and 13-year-old Spencer Lambert of Winnipeg, Manitoba, was selected. Spencer was born with Spina Bifida and has required several operations over the years. He was an obvious choice for the trip; he loves sports and is an enthusiastic participant in sledge hockey, wheelchair basketball, rugby and tennis.

A huge sports fan and sledge hockey player, Spencer has two dreams. The first was to meet the world-renowned Canadian Sledge Hockey team. The second is to represent Canada one day at the Paralympic Games.

His first dream was realized thanks to Canadian Paralympic Committee and its sponsors. A sponsor-hosted reception provided Spencer with the opportunity to meet his hockey sledge heroes and to present them with a banner of encouragement signed by his entire Manitoba Sledge Hockey Team. Spencer's Sochi experience included access to alpine and cross-country skiing, sledge hockey and curling.

He was also there to witness the thrill of Canadian athletes winning Gold, Silver and Bronze medals in various ski events as well as sharing the experience of the medal presentations with other fans in the Canadian delegation.

COMMUNITY PRESENCE

In order to perform outreach and remain responsive to local communities, Air Canada devotes considerable resources to community relations and regional markets. Management of these community relations programs is the responsibility of the Vice President of Corporate Strategy, Industry and Government Affairs, and there are three regional director positions for government and community relations for Eastern, Central and Western Canada.

Additionally, Air Canada has a Senior Vice President, Regional Markets, with overall responsibility for strategic direction of Air Canada's regional operations, including direct involvement in

strengthening regional business and community relationships. As part of the outreach function, the senior vice president and our community relation teams visited many communities across the country and made public presentations to local stakeholders in 13 local communities during 2014.

This management structure underscores Air Canada's commitment to work in partnership with local political and business leaders with the objective of profitably meeting local demand and contributing to the development of Air Canada's global network. While these activities advance the airline's commercial interests, they nonetheless promote sustainable communities as it is well documented that air linkages stimulate business and economic activity.

This is demonstrated by the reception Air Canada received during the year from local communities such as Sydney, Nova Scotia, and Terrace, B.C. where service was enhanced during 2014. Even in larger centres, the importance of aviation is not overlooked,





and both Air Canada and Air Canada *rouge*® participated in events to mark the opening of a new runway in Calgary that attracted more than 17,000 visitors from the area.

Beyond this, Air Canada also partners with various levels of government to support trade missions by business and political leaders to foreign countries. This helps open the door to foreign markets for local manufacturers and can also raise awareness of investment opportunities in Canada from abroad. In 2014, the airline assisted with several trade missions, including to China by Canada's premiers through the Council of the Federation, the B.C. government's mission to India, China and the United Kingdom, along with our Star Alliance® airline partners, and a mission by the New Brunswick government to France and Belgium.

LOCAL JOBS

Sometimes, the impact is more direct. For example, the company expanded its call centre in New Brunswick creating welcome local jobs, prompting laudatory comments from civic officials and even the provincial premier. Another initiative was a program to participate in a national tourism promotion for Prince Edward Island. Other measures

to support communities are non-commercial, such as Air Canada's decision to provide flights at cost to Moncton for RCMP and other peace officers attending a funeral following the tragic shooting of five RCMP officers in the community. The airline also partnered with the True Patriot Love organization for the Day of Honour commemorating Canada's fallen soldiers in Ottawa.

Air Canada's community involvement extends to education – it operates a number of apprenticeship and work study programs – including ongoing support of the Centre for Labour Management Studies at Ryerson University and it is a supporter of the Trudeau Foundation and the Queen Elizabeth Jubilee Scholarship. It is also why Air Canada partners with Parks Canada and others to support the Canada's Coolest School Trip contest, which took

OUR MEN AND WOMEN RESPECTFULLY SALUTE YOURS.

PROUD TO SUPPORT THOSE WHO SERVE AND THE FAMILIES WHO STAND STRONG BEHIND THEM.

AIR CANADA  *Your world awaits.*

NOS HOMMES ET NOS FEMMES VOUS SALUENT AVEC RESPECT.

FIÈRE D'HONORER CEUX ET CELLES QUI NOUS ONT SERVIS AINSI QUE LEURS FAMILLES QUI LES ONT SOUTENUS ET ENCOURAGÉS.

AIR CANADA  *Tout un monde vous attend.*

TRUE PATRIOT LOVE



a winning class from Rivière-au-Renard in Quebec's Gaspé, to the Gulf Islands near Victoria, B.C. Other divisions within Air Canada support community programs too, for example Air Canada Cargo was involved in the shipment 50 skids of Ebola equipment to Africa and Air Canada Vacations® also maintains an active volunteer program, giving employees a paid day off each year to do volunteer work.

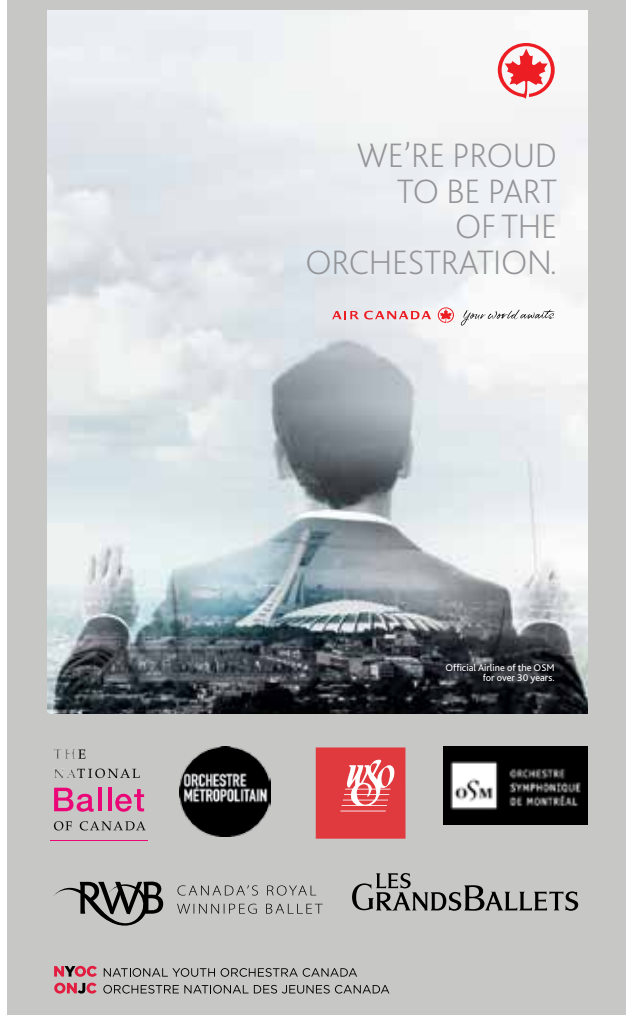
SPONSORSHIPS

A third area of community involvement for Air Canada is its sponsorship programs, nationally and at a regional and local levels. These are undertaken not only for commercial reasons but also on the understanding that beyond helping in essential areas such as health care and economic development, Air Canada can also play a vital cultural role in the communities it serves. This includes not only the arts, but also entertainment, sports and other areas that enrich life.

ARTS GROUPS

Air Canada sponsors a number of orchestras and ballets across the country. Among those who benefited from Air Canada's sponsorship were the Orchestre symphonique de Montréal, Orchestre Métropolitain, National Arts Centre Orchestra, Toronto Symphony Orchestra, Winnipeg Symphony Orchestra, Edmonton Symphony Orchestra, Vancouver Symphony Orchestra and the National Youth Orchestra of Canada, Les Grands Ballets Canadiens de Montréal, National Ballet of Canada and Royal Winnipeg Ballet.

The company also supports museums and cultural events, including the new Canadian Museum for Human Rights in Winnipeg and Air Canada Cargo was a sponsor of the popular Marco Polo travelling exhibit at the Montreal's Pointe-à-Callière Museum of Archeology and History. Other community events included WorldPride 2014 in



Toronto (it is also a partner with Travel Gay Canada), the Calgary Stampede and Vancouver's Walk with the Dragon.

CANADIAN FILM

In terms of the arts, Air Canada is actively committed to Canadian film and television. All mainline aircraft are equipped with personal seatback In-Flight Entertainment (IFE) systems that offer at no charge over 600 hundred hours of films and TV programs to its 38 million customers, effectively turning Air Canada into one of the country's largest exhibitors of audio-video content. The IFE has a Canadian film channel that gives domestic artists' productions broad international exposure. In 2014, Air Canada partnered with other major Canadian companies and organizations to promote National Canadian Film Day on April 29. Also as part of its Canadian content strategy, Air Canada also supported Canadian emerging filmmakers through its 8th annual Air Canada enRoute® Film Festival™ by making their films viewed by thousands of passengers. Complementing this, Air Canada has developed partnerships with important



Canadian content creators and distributors to make Canadian television programming available, exposing Canadian content to a worldwide audience. In 2014, the company renewed its association with the television show *The Amazing Race Canada*, one of the most watched series ever on Canadian television.

To appeal to a broader customer base and meet its obligations as the only Canadian airline governed by the *Official Languages Act*, Air Canada makes its services, including its entertainment, accessible to both a French and English audience. The IFE's Franco Cinema channel features Canadian programming produced in French in Canada and Air Canada also orders movie soundtracks dubbed in French Canadian for its most recent movies releases. Air Canada is also a partner of imagineNATIVE and Reel Asian Festival featuring respectively movies produced by Canadian aboriginal and Asian filmmakers. Further, Air Canada sponsors numerous French language cultural events across Canada including the national Rendez-vous de la francophonie and regional events including the Festival Franco-ontarien in Ottawa, the Franco-Fête de Toronto, the Festival du Voyageur in Winnipeg and the Festival d'été francophone de Vancouver.

NURTURING CANADIAN TALENT

Air Canada promotes the development of Canadian talent. It has built upon its position as a major Canadian film exhibitor and through the Air Canada *enRoute*® Film Festival encourages the development of Canadian student and emerging filmmakers. Short films selected by a prestigious jury drawn from the Canadian film industry are screened at high-profile events in Vancouver, Toronto and Montreal and also made available on the IFE system. One feature is the People's Choice award that encourages viewers to vote for their favourite film and it serves to generate further interest.

Canadian artists working in other media are also supported by Air Canada, whose in-flight magazine, *Air Canada enRoute*®, features work from Canadian writers, photographers and illustrators. Canadian subjects and destinations account for a large proportion of the magazine's content with the most popular edition of all being the annual food issue.

Through its Canada's Best New Restaurants feature, the magazine's list of the ten best new restaurants in Canada is extensively covered by national and local media, giving these establishments welcome exposure. And it's Hotel Design Award program also recognizes Canada's best hotel designers. Air Canada *enRoute*® also co-sponsors a literary prize and publishes the work of winners – both established and developing Canadian writers – in three editions each year.

Air Canada sponsors other awards too, notably The Indspire Awards to recognize indigenous professionals and youth with outstanding career achievements. Recipients are chosen to serve as role models for all indigenous peoples. Air Canada has been involved in these awards since their inception in 1993, presenting a lifetime achievement award. Deepening its involvement with native groups, the company in 2014 expanded its involvement in imagineNATIVE Film + Media Arts Festival, which programs film, video, radio and new media works made by Canadian and international indigenous media artists in key creative roles as producers, directors, and writers.

Another award popular among aviation enthusiasts is the Webster Memorial Trophy Competition. It is an event sponsored by the company for the top amateur pilot in Canada each year.

HUMAN RIGHTS

In 2014, Air Canada also sponsored the Equitas Awards for Human Rights. Equitas' programs provide front-line human rights defenders and educators, policy makers as well as children and youth with the knowledge, skills and attitudes required to promote human rights values and to combat inequality, exclusion and other forms of human rights abuse.

SPORTS

Sports are another important expression of Air Canada's commitment to communities as health and fitness are elements of sustainability. To this end, the company is a supporter of both amateur and professional sports.

Air Canada has been a sponsor of Canada's Olympic Team since 2006 and a sponsor of Canada's Paralympic Team since 2007, providing through these



partnerships special services and transportation for training and competitions. In 2014, Air Canada supported athletes travelling to the Sochi Winter Olympic Games and actively promoted our Canadian athletes through numerous marketing campaigns. The celebrations of the athletes' achievements including the award for Air Canada's Athlete of the Year were also important elements of employee engagement initiatives. In 2012, the company inaugurated the annual Air Canada Athlete of the Year Award in partnership with the Canadian Olympic Committee. It recognizes one exceptional Canadian athlete who demonstrates a drive for excellence, leadership and integrity. In 2013, the award's appeal was broadened by asking Canadians to vote on-line for their favourite athlete, further increasing the profile of the candidates and Olympic athletes in general. The 2014 winner was freestyle skier Alex Bilodeau, the moguls gold medalist at Sochi.

Air Canada also maintains commercial sponsorships with Canada's National Hockey League Teams and the Toronto Raptors basketball team, as well as the Toronto Marlies and St. John's IceCaps of the American Hockey League. It is the official airline of



Skier Alex Bilodeau receiving his Athlete of the Year award presented by Craig Landry, Vice President Marketing

**ATHLETE
OF THE YEAR**



Hockey Canada and supports the country's elite under-18 hockey talent with transportation to a number of domestic and international hockey events.



PROGRESS ON 2014 GOALS

- Meet fundraising target of \$750,000 for 3rd annual edition of Air Canada Foundation Golf Tournament
- Increase financial grant to charities by 25 per cent
- Incorporate the Air Canada Foundation in Air Canada's Brand Marketing Initiatives
- Apply new livery on Air Canada A320 aircraft to serve as flying billboards to provide the Air Canada Foundation visibility throughout and outside Canada
- Increase Air Canada's presence in regional communities through senior executive speaking engagements and ongoing dialogue with community leaders

ACHIEVED
NOT ACHIEVED

ONGOING

PROJECT
CANCELLED

ACHIEVED



GOALS FOR 2015

- Incorporate the Air Canada Foundation in Air Canada's Brand Marketing Initiatives including video content
- Achieve fundraising target of \$1 million for 4th annual edition of Air Canada Foundation Golf Tournament
- Increase financial grants to charities by 25 per cent over previous year
- Expand our presence in local communities by increasing management presence in local events and management dialogue with local stakeholders



AIR CANADA 

A STAR ALLIANCE MEMBER 