



FAQ – Update on Share Trust

October 2023

General

Why is it taking so long before you can make payments from the share trust?

Because some conditions that must be met are very complex, especially tax-related matters. We are dependent on and working with regulatory authorities to obtain all required approvals and certainty that the proposed expanded purpose of the share trust will not attract an unfavorable tax treatment.

What will happen if all conditions to be able to pay VSPs and lump sums to pensioners cannot be met?

The parties will need to meet and evaluate next steps to see whether another solution for repurposing the share trust can be found.

Voluntary Separation Packages

When will you offer the first round of VSPs?

Under the letter of intent, the first round of VSPs would be offered in 2024. However, all conditions must first be met before any VSP can be offered. Since we do not expect that all conditions will be met before at least the third quarter of 2024, we anticipate that VSPs will not be offered before the end of 2024 at the earliest. Since we do not control the timing for satisfying all conditions, it remains possible that there could be further delays beyond that.

How many VSPs will be offered?

VSPs will only be offered if all conditions in the letter of intent are met. The maximum number of unionized employees who will be able to leave with a VSP under the first round represents approximately 1.5% (475 employees) of unionized employees (in the aggregate). The number of shares allocated for VSPs will be divided by group of employees based on the below percentages resulting in the following split for the first amount of \$46M, assuming that the value of shares allocated to VSPs has at least a value of \$46M at that time:

	Percentage allocation of shares by group	Amount by group for the first VSP round assuming value of shares allocated is at least \$46M
IAMAW	31.77%	\$14.6M
CUPE	17.12%	\$7.8M
Unifor	11.11%	\$5.1M
ALPA	27.96%	\$12.9M
CALDA	0.38%	\$0.2M
Non-unionized	11.66%	\$5.4M
Total	100%	\$46M

For non-executive management and AT&S employees, although a portion of the shares will be allocated to that group, there is no obligation for the company to offer any VSPs to this group before 2037.

For the initial and all future rounds, the number of VSPs available will depend on the value of the shares allocated to VSPs and on that employee population at the time.

What will be offered under the VSPs?

For unionized employees, the VSP will consist of 2 weeks of wages per completed year of continuous Company service, up to a maximum of 52 weeks of wages.

For non-executive management and AT&S employees, the terms and conditions will be determined by Air Canada at its discretion.



Will my VSP payment be subject to tax?

Yes. Applicable taxes will be deducted at source.

Can I apply now for a VSP?

No. The application window will be communicated at a later date, once all conditions in the letter of intent are met.

Can you tell me if I have any chance to be eligible for a VSP based on the current seniority list?

No. Air Canada will not provide individual information on VSPs at this point. Also, between now and the time VSPs may be offered, some employees will retire and some will leave the Company. Therefore, your seniority based on today's population may be different than it might be when the VSPs are offered.

Lump Sum Payments to Pensioners

When will I receive my first lump sum payment?

Under the letter of intent, the first lump sum payment will be made as soon as administratively possible after all conditions have been met. Since we do not expect that all conditions will be met before at least the third quarter of 2024, lump sum payments will not be made before the end of 2024 at the earliest. Since we do not control the timing for satisfying all conditions, there could also be further delays beyond that.

How will the first payment of \$100M be allocated among pensioners?

Eligible pensioners will receive a lump sum payment equal to a percentage of their annual pension payable from the Canadian pension plan at the time of payment. The percentage will represent a portion of the Consumer Price Index (CPI) increase between 2009 (or year of retirement if later) and the year preceding the year of payment.

If the payment had been made in 2023, all pensioners who retired in 2009 or before would have received 14.74% of their annual pension. All other eligible pensioners would have received the following percentage of their annual pension depending on their year of retirement:

Year of retirement	% of gross annual lifetime pension to be paid as a lump sum
2022	3.21%
2021	4.60%
2020	5.08%
2019	6.05%
2018	7.25%
2017	8.05%
2016	8.83%

Year of retirement	% of gross annual lifetime pension to be paid as a lump sum
2015	9.46%
2014	10.45%
2013	10.95%
2012	11.97%
2011	13.59%
2010	14.52%
2009 and before	14.74%

Please note the following regarding the above percentages:

- They assume that the shares allocated to make lump sum payments to pensioners will be at least equal to \$100M at the time the first payment is made. Should the value of the shares be less than \$100M, percentages will be lower. This situation could happen if the share price deteriorates significantly.
- They provide pensioners with an idea of the amount they would have received if payments had been made in 2023. Since the first payment will not be made in 2023, the actual percentages will differ since an additional year(s) of CPI increase will be considered and that new pensioners will qualify for the lump sum.



If a pensioner is in receipt of a higher pension payable before age 65, the additional amount before age 65 will be excluded from the pension to calculate the lump sum.

The year of retirement above represents the year of pension commencement. For the surviving spouse of a retiree, it represents the year of retirement of the retiree.

Assuming the first payment is made in 2024, all Canadian based employees who retired before January 1, 2024 will receive a lump sum payment in 2024. Employees who retire in 2024 will not receive that first payment but will be eligible for future payments, if any.

Can you give me a few examples to help me understand how much I may be expecting to receive for the first lump sum payment?

The examples below are shown for illustrative purposes only, assuming the payments had been made in 2023 and assuming the value of Air Canada shares in trust did not significantly deteriorate. They are meant to give you a rough idea of the amount you can expect to receive. Actual amounts will be determined at the time of payment.

1. A pensioner retired in 1997. They are in receipt of a gross pension of \$24,000 per annum. They would have received a lump sum payment of \$3,538 representing $14.74\% \times \$24,000$.
2. A pensioner retired in 2004. They are in receipt of a gross pension of \$36,000 per annum. They would have received a lump sum payment of \$5,306 representing $14.74\% \times \$36,000$.
3. An employee left the company in 2005 and started to receive their pension in 2017. They are in receipt of a gross pension of \$12,000 per annum. They would have received a lump sum payment of \$966 representing $8.05\% \times \$12,000$.
4. A pensioner retired in 2023. They are in receipt of a gross pension of \$42,000 per annum. They would not receive any lump sum payment. They would however be eligible for the next lump sum payment, if any. In this example, only pensioners who retired before January 1, 2023 would have received a payment in 2023.
5. A pensioner retired in 2020 at age 55 and elected to receive a gross pension of \$42,000 per annum until age 65 and \$36,000 per annum after age 65. They would have received a lump sum payment of \$1,829 representing $5.08\% \times \$36,000$.
6. A pensioner retired in 2005 and passed away in 2015. The surviving spouse is in receipt of a gross pension of \$12,000 per annum. The surviving spouse would have received a lump sum payment of \$1,769 representing $14.74\% \times \$12,000$.

Why will all pensioners who retired before 2010 receive the same percentage?

Pensioners who have been retired for a longer time will receive a higher percentage of their gross pension, as they were more impacted by CPI increases than recently retired employees. However, since the share trust was established in 2009, it was agreed by the parties that pensioners who retired in 2009 and before would all be entitled to the same percentage of their gross pension.

Will my lump sum payment be subject to tax?

Yes. Applicable taxes will be deducted at source.

How will future lump sum payments be calculated?

For subsequent payments in 2025, 2028, 2031, 2034 and 2037, pensioners will also receive a percentage of the CPI increase but based only on the CPI increase since the last lump sum payment (or January 1 following retirement if later). Therefore, assuming the first payment is made in 2024, the 2025 payment will only reflect a percentage of the CPI increase in 2024.

For subsequent payments in 2025, 2028, 2031, 2034 and 2037, the total lump sum amounts will depend on the number of shares remaining and the value of such shares at the time of each payment. For example, in 2025, 20% of the remaining shares initially allocated for payments to pensioners will be used.



You will find below the table of the distribution of the remaining shares, based on the pool of shares at the time of the distribution:

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

It should also be noted that the total shares reserved to make lump sum payments to pensioners will be allocated to each employee group under the same percentages as for the shares allocated to the VSPs. Further to the initial distribution of \$100M which will be based on the above-described methodology, the remaining number of shares by union will vary. Therefore, the percentage of CPI paid as a lump sum after the initial payment will vary by employee group, depending on the number of shares remaining for each group and the demographics of the groups.

If I am a management, executive employee or a pilot in receipt of a pension from a supplemental plan, will my supplemental pension be taken into account in the calculation of the lump sum payment?

No. Only the pension paid from the Canadian registered pension plan will be taken into account.