

Citizens of the World

CORPORATE SUSTAINABILITY REPORT 2012

AIR CANADA 





AT A GLANCE

In recognition of its corporate social responsibilities, Air Canada issued its first Corporate Sustainability Report in 2011; the current report, *Citizens of the World, 2012*, approved by the Board of Directors' Governance Committee, provides an update. The report is structured around four broad areas – safety, environment, employees and community – which cover sustainability topics that were identified using a materiality matrix developed following broad stakeholder consultations.

The report is consistent with the principles set forth by the Global Reporting Initiative (GRI), which provides an internationally recognized standard for reporting on an organization's economic, environmental and social performance. Responsibility for the report rests with a 14-member steering committee composed of senior managers drawn from all branches of the company.

It is chaired by the Vice President of Corporate Communications. Air Canada declares its 2012 report compliant with the GRI G3.1 Application Level B.





Contents

SUSTAINABILITY PERFORMANCE HIGHLIGHTS 4

INTRODUCTORY LETTER FROM CALIN ROVINESCU 5

FINANCIAL PERFORMANCE 6

INTRODUCTION 7



SAFETY 12



ENVIRONMENT 18



EMPLOYEES 30



COMMUNITY 40

ANNEX 51

Sustainability performance highlights

Key achievements 2012

Key goals for 2013

Safety

Air Canada successfully completed its biennial IATA Operational Safety Audit (IOSA) and implemented its employee Safety Information Management System.

Successful completion of the Transport Canada Safety Management System audit.

Environment

Air Canada operated two biofuel flights, including a "Perfect Flight", which employed the best operational and environmental practices available with a resulting 42 per cent reduction in emissions compared with a regular flight on the same route.

Continued support for the development of alternative, environmentally-friendly fuels.

Employees

Air Canada concluded labour agreements with its main Canadian unionized employees, launched its HR Connex intranet portal and implemented a new management talent development program under the AC Way banner.

Conclude labour agreements for Air Canada *rouge*TM, further roll out elements of the AC Way and complete restructuring of employee communications.

Community


The Air Canada Foundation was created to better manage and deliver the company's community investment programs.

Promote the Air Canada Foundation and increase its fundraising abilities through greater awareness and visibility for the Foundation.



Introductory letter from Calin Rovinescu



 By the virtue of making it easier for people and goods to get from place to place, airlines effectively make the world smaller. And there are other beneficial forces shrinking the world too, including a growing realization that any of our actions can affect everyone so we must behave responsibly and ensure our activities are sustainable. This heightened awareness of our interconnectedness applies not only to individuals but also to corporations.

At Air Canada we have long embraced this notion and since our founding more than 75 years ago we have strived to balance economic, environmental and social considerations in all that we do. We believe that by incorporating these elements into

our decision-making we can continue to meet society's expectations and that our actions will strengthen the communities where we operate and where we all live.

In order that people might more readily measure our sustainability performance, we are pleased to present *Citizens of the World, Air Canada's 2012 Corporate Sustainability Report*. This is our second sustainability report and it improves upon the first edition in a number of ways, including the fact it is based on a materiality assessment developed from an extensive survey we undertook to identify the sustainability issues of most concern to our stakeholders. The 2012 report also offers heightened disclosure, more quantitative data and a fuller narrative description of our programs with respect to sustainability.

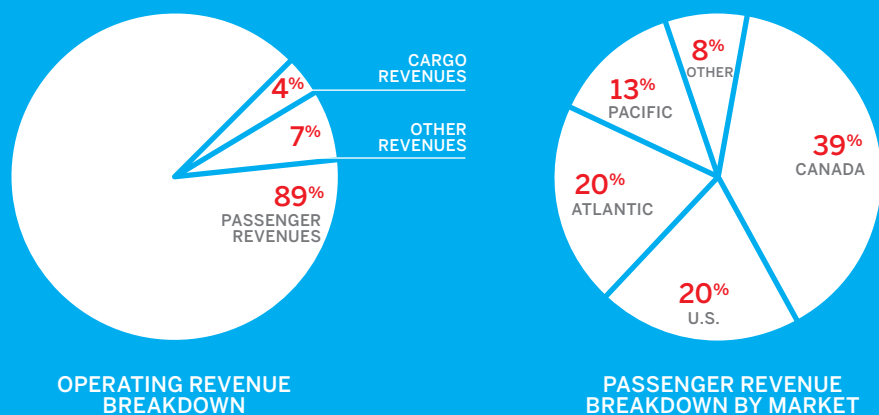
Beyond detailing these activities, the 2012 report serves a second important function by committing Air Canada to further improvement in the area of social responsibility. It does this by evaluating how successful we were in achieving our goals from the prior year and it sets new goals for the coming year that we will duly report upon and stand accountable for.

Finally, the simple act of preparing a sustainability report is also valuable in raising awareness within our company of our social responsibilities. By involving all parts of the airline in a critical self-assessment on a regular basis, we create an opportunity to renew our commitment to these shared goals. It is a way we can challenge ourselves and the company to do more.

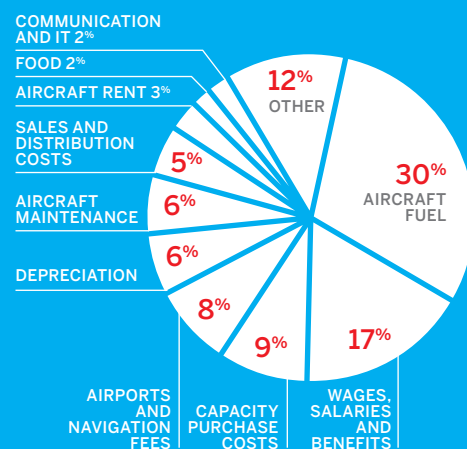
I am very proud of our improved sustainability in 2012 and I can tell you that we are committed to further progress. Your feedback and suggestions, both on this report and our sustainability programs generally, are welcome and can be provided through sustainability.developpement_durable@aircanada.ca.

Sincerely,

2012 Revenue Breakdown



2012 Expense Breakdown



Financial Performance

Reflecting strong passenger demand, a disciplined approach to capacity management and an ongoing focus on cost transformation, Air Canada reported solid improvements in its financial performance in 2012 with adjusted net income of \$53 million, a \$175 million improvement over 2011 results. Earnings before interest, taxes, depreciation, amortization and aircraft rent ("EBITDAR") of \$1,451 million increased \$209 million from 2011. Taken together, these results confirm that Air Canada is making progress in achieving its goal of sustained profitability.

Canadian dollars in millions, except per share figures

	2012	2011
Operating revenues	12,120	11,612
Operating income	437	179
Non-operating expense	(250)	(429)
Net income (loss)	131	(249)
Adjusted net income (loss) ¹	53	(122)
EBITDAR	1,451	1,242
Cash, cash equivalents and short-term investments	2,026	2,099
Free cash flow	187	356
Adjusted net debt	4,281	4,576
Net income (loss) per share – Diluted	\$ 0.45	\$ (0.92)
Adjusted net income (loss) per share – Diluted ¹	\$ 0.19	\$ (0.44)

¹ Adjusted net income (loss) is a measure of profitability used by Air Canada and excludes foreign exchange gains (losses) and other non-operating and unusual items

Key Figures

178
DIRECT
DESTINATIONS

15th
LARGEST
AIRLINE IN THE
WORLD

1,500
AVERAGE
DAILY
FLIGHTS

59
CANADIAN
DESTINATIONS

55
U.S.
DESTINATIONS


64
INTERNATIONAL
DESTINATIONS

35M
PASSENGERS

351
AIRCRAFT









Introduction







 Air Canada is Canada's biggest airline and the largest provider of scheduled passenger services in Canada, in the Canada-U.S. transborder market and in the international market flying to and from Canada.

In 2012, Air Canada together with its Air Canada Express™ regional partners operated a fleet of 351 aircraft and carried close to 35 million passengers, providing direct passenger service to more than 175 destinations on five continents. Air Canada is a founding member of Star Alliance, making it part of the world's most comprehensive air transportation network serving more than 1,300 airports worldwide.







Air Canada is the 15th largest commercial airline in the world by traffic. In 2012, it had revenues of \$12.1 billion (all figures in Canadian dollars) making it one of the 100 largest corporations in Canada. With its corporate headquarters located in Montreal, it employs approximately 27,000 people in Canada and 29 other countries throughout the world. With operating expenditures of nearly \$11.7 billion, Air Canada has a significant economic footprint, including annual salaries, wages and benefits in excess of \$2 billion. As a result of multiplier effects, the total economic







Total number of employees as of December 31, 2012

TOTAL				
AGE				
<30		1,143		1,349
30-50		6,189		8,669
>50		4,125		5,751
27,226				

CANADA				
AGE				
<30		1,054		1,263
30-50		5,735		8,180
>50		3,794		5,430

UNITED KINGDOM				
AGE				
<30		25		43
30-50		131		209
>50		93		158

U.S.				
AGE				
<30		41		28
30-50		160		136
>50		156		110

REST OF WORLD				
AGE				
<30		23		15
30-50		163		144
>50		82		53

impact of the Canadian air transportation industry is estimated at approximately \$35 billion in GDP.¹ Air Canada's own contribution is estimated at slightly more than 50 percent of all aviation activity in Canada, including that of foreign airlines operating here.

Originally named Trans-Canada Air Lines when it was created by the Government of Canada in 1937 to provide passenger and cargo services for Canadians, the company was renamed Air Canada in 1965. It was fully privatized in 1989 and today its shares (AC.a; AC.b) are publicly traded on the Toronto Stock Exchange (TSX).

Air Canada made significant financial progress toward its goal of achieving long-term, financial sustainability in 2012 which, along with other significant corporate developments described in this report, made it a transitional year for the company. It earned a full-year net profit of \$131 million or \$0.45 per diluted share, compared to a net loss of \$249 million or \$0.92 per diluted share in 2011, a bottom line turnaround of \$380 million. This was the first year since 2007 it reported annual net income and reflects the company's focus on four key goals: establishing itself as an international powerhouse; transforming its cost structure; re-engaging customers; and effecting culture change among employees.

Air Canada ended 2012 with cash and investments exceeding \$2 billion, or 17 per cent of annual operating revenue, and reduced its adjusted net debt over the year by \$295 million. Moreover, it finalized labour agreements with the last of its major Canadian unions, putting in place long-term contracts to enhance Air Canada's sustainability through more flexible work rules and new pension arrangements that preserve these benefits while helping address a pension solvency deficit that was \$3.7 billion on January 1, 2013.² Finally, it announced the establishment of a wholly-owned leisure carrier, Air Canada *rouge*, designed to enable the company to more effectively compete in leisure markets and offer customers more choice.

Air Canada is governed by a 10-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 protecting the interests of stakeholders, maximizing the value they receive from their investment in the corporation and ensuring ethical business practices.

¹ Source: National Airlines Council of Canada

² Based on actuarial valuations as of January 1, 2012, changes to Air Canada's defined benefit pension plans for unionized and non-unionized employees (some of which remain subject to regulatory approval) would result in a \$1.1 billion reduction in the solvency deficit of these plans. In addition, based on the agreement reached with the Government of Canada in the first half of 2013, new regulations are expected to be adopted in respect of solvency deficit payments under Air Canada's defined benefit plans applicable to the period between 2014 to 2020 inclusive under which Air Canada will be required to make payments of at least \$150 million annually with an average of \$200 million per year, to contribute an aggregate minimum of \$1.4 billion over seven years in solvency deficit payments (in addition to its pension current service payments).

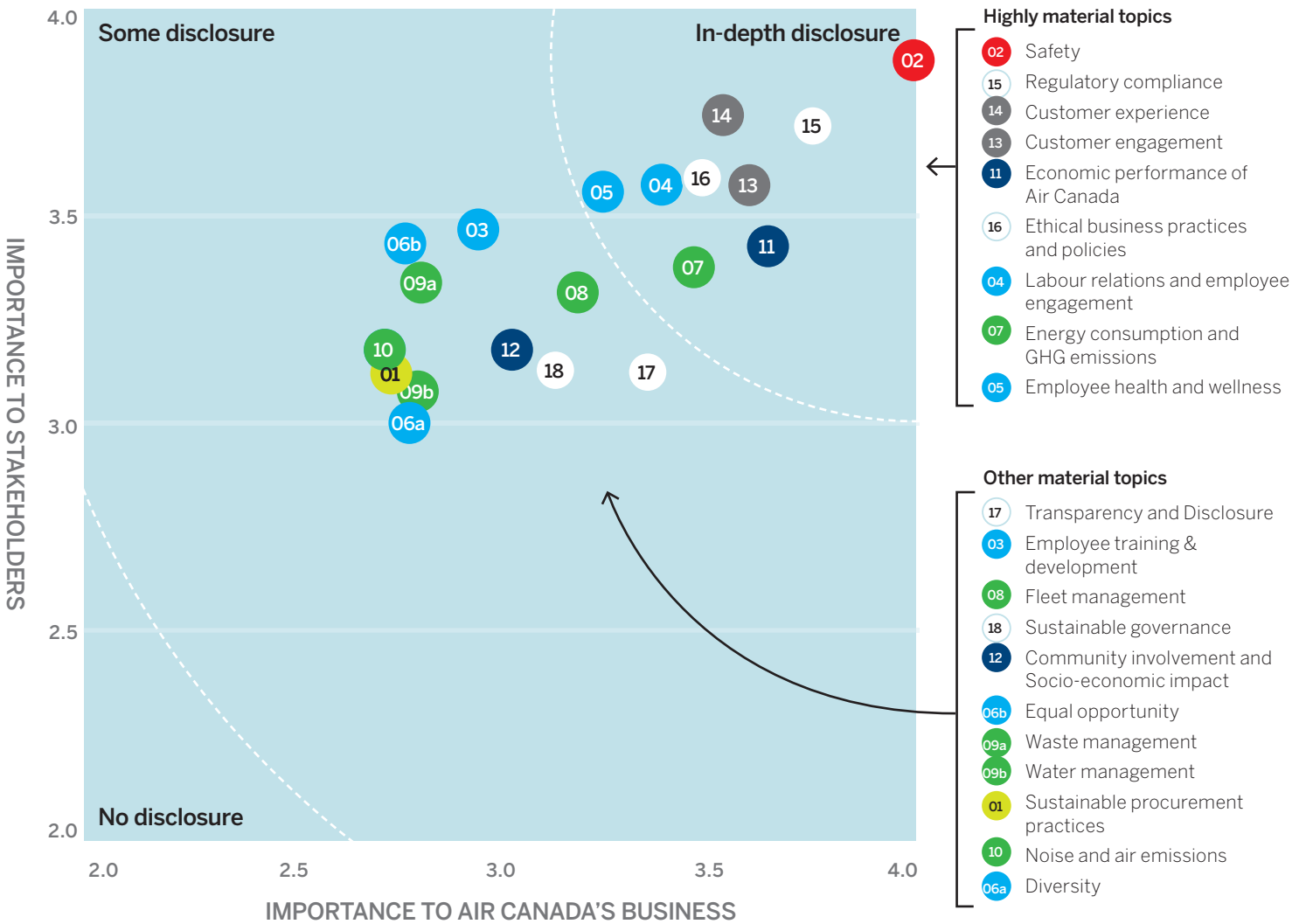
In order to comply with the applicable corporate governance standards and achieve best practices, Air Canada has adopted a Corporate Policy and Guidelines on Business Conduct as described in the *Air Canada Code of Business Conduct*.³ Among other things, the code addresses: compliance with laws, rules and regulations; employment policies; fair dealing with other people and organizations; and reporting suspected non-compliance. All managers are required to acknowledge that they have reviewed the company's code of employee conduct annually.

In 2012, the Board extensively reviewed the corporation's governance practices and concluded that it complies with or exceeds the requirements of National Instrument 58-101, *Disclosure of Corporate Governance Practices*. Air Canada regularly reviews its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices if need be.

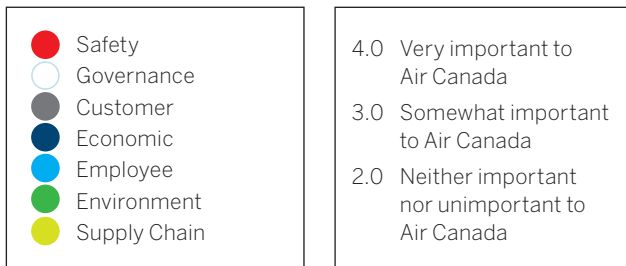
³ A complete copy of this document can be obtained on SEDAR at www.sedar.com or on the Corporation's website at www.aircanada.com.

Results of Stakeholder Analysis

Air Canada's materiality matrix



LEGEND



- Importance to Air Canada's business: evaluated through internal interviews and workshops
- 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



Three questions for Priscille LeBlanc, Vice President Corporate Communications, on Air Canada's Corporate Sustainability Report.

1. What were your goals for the 2012 Corporate Sustainability report?

With this report we want to increase awareness among Air Canada's stakeholders that we recognize the company's environmental, social and economic obligations and demonstrate our determination to fulfill them. With this objective, the report focuses on key sustainability issues that matter to stakeholders and to our business and explains how we are addressing them. In line with our commitment to disclosure and continuous improvement, we targeted a Global Reporting Initiative (GRI) G3.1 Application Level B¹ compliance for this second report with a goal of applying the new GRI G4 guidelines for the next report.

2. How did you determine what sustainability issues (i.e. material issues), were most relevant to Air Canada and its stakeholders in order to define key topics to be covered in this report?

Externally, we conducted surveys with customers and suppliers and, internally, we surveyed a broad employee base and consulted subject matter experts on sustainability issues as well as members of Executive Management. Through these consultations, we sought to understand our stakeholders' perception of Air Canada's sustainability performance and their expectations. This approach ensures that our sustainability reporting covers the topics of greatest relevance to our stakeholders.

3. What did you learn from your consultation with stakeholders and how will it shape future reports?

We learned that most stakeholders (internal and external) are aware of Air Canada's sustainability initiatives and that the key pillars of our 2011 corporate sustainability report remain relevant. Our stakeholders also told us that the 2012 report should provide more information on issues such as employee relations and engagement, energy consumption and greenhouse gas emissions, economic performance, customer experience and engagement, regulatory performance and ethics. We approached this report with the objective of meeting these expectations. All stakeholders expect Air Canada to improve its sustainability performance and reporting. It's a goal we share and we will work hard not to disappoint.

¹ Can be found on www.aircanada.com>About Air Canada>Corporate Sustainability Reports>2012 Corporate Sustainability Report>2012 GRI



**SAFETY IS THE KEYSTONE
VALUE OF AIR CANADA.
IT IS THE PRIMARY
CONSIDERATION IN
DECISION-MAKING AT ALL
LEVELS OF OUR COMPANY
AND A DEEP REGARD FOR
SAFETY IS INSTILLED IN
EVERY EMPLOYEE.**



SAFETY

✈ Safety is the keystone value of Air Canada. It is the primary consideration in decision-making at all levels of our company and a deep regard for safety is instilled in every employee. Apart from being an ethical and operational imperative, safety is also vital to Air Canada's sustainability, as reputational value is essential to the success of any airline. Safety was the highest-ranked topic in the materiality assessment upon which this report is based.

The centrality of safety to our organization is evident in the primacy of place it is given within the corporate structure. Air Canada has an approved Safety Management System (SMS) in accordance with the Canadian Aviation Regulations. 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 the implementation of the SMS on behalf of the chief executive. Air Canada's corporate safety board, chaired by the chief executive, meets quarterly.

Over our 75-year history, Air Canada has established itself as one of the world's safest airlines in an industry that is empirically the safest mode of transport. In 2012, Air Canada improved on its already strong safety record as measured by key metrics – notably reduced Lost Time Injuries – the achievement of important safety milestones and the introduction of new processes. Safety is dynamic and while our commitment to safety is unwavering, the way we pursue safety has evolved over time as the understanding of human factors has grown, technology has advanced, and our ability to capture and utilize data has expanded.

The ability to gather, share and act upon information is therefore an elemental aspect of safety. To this end, in 2012 Air Canada took the significant step of launching its Safety Information Management System (SIMS).

Previously, each branch had its own system for collecting, assessing and acting upon safety reports relevant to its own operations, and while branches did coordinate and work together on safety issues, the existence of separate systems added a layer of complexity. With SIMS, the multiple reporting systems were replaced by a unified system that is easy for all employees to use as they can file electronic reports on-line through Air Canada's employee intranet Portal. Once filed, the reports are dealt with by integrated safety teams whose joint work is already yielding significant operational improvements.

The adoption of SIMS introduced new reports, capabilities, demands and processes but at the same time led Air Canada to revisit how it can coordinate activity better to address safety events, occurrences, risks and threats. It is generating more information that we can use to uncover risks, for example by enabling us to link seemingly unrelated events to identify patterns early-on and then intervene with appropriate measures. In addition, it encourages all employees to take greater responsibility for safety and fosters a reporting culture, which is the foundation of an effective SMS.

To maintain awareness of safety among our employees, Air Canada puts great emphasis on communication throughout the year. This includes regular items in corporate daily and monthly newsletters, frequent branch communications, safety-oriented contests and events and a company-wide celebration of North American Occupational Safety and Health (NAOSH) Week. Reinforcing these efforts is our Safety Pulse Survey, which invites employees to complete a short, on-line survey covering reporting, culture, learning, questioning and flexibility. More than a third of employees participated in the 2012 survey and the results will allow us to assess the state of our safety culture and set priorities for the coming year.

Further reinforcing safety awareness are corporate safety road shows for employees, extensive training programs, e-learning, and testing for qualifications followed by regular re-qualification exams. Ninety-two per cent of employees are represented in formal joint management-worker health and safety committees. There are 92 such committees that meet at least four times a year, with some meeting monthly. We also partner with industry groups in areas of common interest, for example in 2012 developing through the National Airlines Council of Canada (NACC) scientifically-based recommendations on pilot fatigue to improve Flight Risk Management Systems as part of a Transport Canada review.

The company also has programs to improve health and safety infrastructure both in existing workplaces and new facilities. Through 2012 we continued the installation of Automated External Defibrillators (AEDs) in sites across the company, with 38 AEDs installed as of the end of the year. When building new facilities we first undertake a complete risk assessment, as we did at our new Air Canada Operational Centre in Brampton, Ontario. Apart from excluding potential hazards such as proximity to flight paths, other factors were also considered in the site selection. The location was chosen because it shortens the commute for 70 per cent of the people who work at the current operations centre. As well, to increase overall employee comfort, the building will have customized sit-stand workstations endorsed by ergonomists at positions staffed round-the-clock and noise abatement and sound-masking fixtures on the sometimes hectic operational floor.

To ensure preparedness, the company conducts regular emergency response drills, both as tabletop exercises or in full scale scenarios by partnering with airports and first responders. In 2012, more than 200 employees participated in an exercise held in conjunction with the Greater Toronto Airport Authority using an actual Air Canada aircraft to more realistically simulate an incident. During the year, Air Canada also completed the restructuring of its emergency response organization, which consolidated the Emergency Response Centre and its functions in its Montreal headquarters to facilitate a more rapid and effective response.

Another aspect of a robust safety culture is external auditing as it provides exposure to best practices and objective, third-party evaluation. As a matter of course, Air Canada cooperates



Rates of injury

	2012	2011
Injury rate for total workforce	2.349	2.393
Lost time rate for total workforce	1.053	1.957

The injury rate in the 2011 Corporate Sustainability Report was an actual quantity. These injury rates statistics are based on the total workforce which is industry standard. The lost time rate for 2011 is a floating rate based on pending and approved claims. The injury rate is calculated on injuries per 100 employees.

with its primary regulator Transport Canada and others to ensure the integrity of its SMS. A major goal of 2013 is completing a full SMS assessment originally scheduled for 2012 but deferred by the regulator.

Air Canada validates its systems in other ways too. For example, in 2012 Air Canada for the first time collaborated with the Workers Compensation Board–Alberta in the Partnerships in Injury Reduction (PIR) program, leading to a Certificate of Recognition. The audit examined eight areas including leadership, hazard control, training and emergency response, and the successful completion of the audit confirmed that we have effective workplace health, safety and disability management systems. The results will be used to develop new, system-wide strategies and tactics in future safety development initiatives.

More comprehensive is the biennial IATA Operational Safety Audit (IOSA). Air Canada successfully completed its fifth such audit in 2012 with a result of “no findings; six observations” – the company’s second consecutive audit with no findings. Passing the IOSA entails meeting more than 900 standards and recommended practices that are reviewed using a structured audit methodology, including standardized checklists. Among other things, the IOSA reviews: management accountability, systems and commitment; the allocation of responsibility and authority; and training and qualifications in all operational areas. Passing the IOSA is vital to the sustainability of Air Canada as it is a mandatory requirement to maintain IATA registration, Star Alliance membership and codeshare agreements. It also helps fulfill Transport Canada’s SMS requirements.

The IOSA result places Air Canada among the top two per cent in the industry, however as stated at the outset, safety is not static; it is a process that is ever-evolving, directed by new experiences, increased knowledge and innovation. Today, unlike in past decades, there is an increasing emphasis on initiating change rather than simply reacting to events. This proactive approach is at the heart of Air Canada’s commitment to safety.

LIST OF GOALS FOR 2013

Successful completion of Transport Canada SMS Audit

Develop and implement safety strategies and practices

Enhance management of Safety Risks associated with new initiatives and projects

12% Reduction in injuries

20% decrease in the average duration (days lost) of injuries

Improve Safety communication

Improve Standard Operating Procedure and Policy Compliance

Improve supervision and safety leadership



Three questions for Samuel Elfassy,

Senior Director Corporate Safety, Environment and Quality, about Air Canada's safety vision.

1. Can you describe Air Canada's conceptual approach to safety?

Our view is that accidents are organizationally-based, so to prevent them, the Air Canada Safety Management System integrates technical and operational systems with financial and human resource management. Underpinning these elements is a Human Factors Framework. It recognizes that almost all incidents or accidents involve human error, but it goes further by emphasizing underlying causal factors including organizational or local workplace conditions, that may harbour potential hazards or system deficiencies.

2. How do you implement this day-to-day?

We focus on "People" in the delivery of high standards of safety and airworthiness. Whatever elaborate "Processes and Paper" requirements are in place, it is people who ultimately have to ensure they think first, take care, pay attention and carry out the right procedures. Safety is delivered by people, not paper.

Second, I'm a great believer in simplicity. Whether you are designing regulatory structures, processes or rules, they must be as simple as possible so that everyone can understand them. Organizational complexity, fragmentation of duties and responsibilities, and obscurity of regulations, are recipes for failure. Complexity is normally the enemy of Safety and the friend of Danger.

3. What is the key to a successful safety program?

I see it as directly attributable to two things: personally committed leadership, and a disciplined approach to risk management at the field level. Being a safety leader means caring about people and getting personally involved in the safety mission through "visible, felt leadership". You cannot succeed by sending safety messages from your office. We are in the field, interacting with people, walking around, coaching, checking compliance, and asking questions. Our words and actions communicate the sense of urgency around safety, as well as the vulnerability that exists around the work being done.

We introduced The Power of ONE last year and have branded all our material with it. The Power of ONE is a forceful, motivating and focused message, reminding us how one thing can make a tremendous difference, whether it is a vote in a national election or a candle in the darkness. Similarly, one report can reveal a hazard and one question can uncover a mistaken assumption or, conversely, one person's unspoken belief can lead to an accident and one failure to follow a Standard Operating Procedure can result in injury or death.



Three questions for Danielle Canonico, Manager Corporate Quality Services, about the IATA Operational Safety Audit.

1. What is the IATA Operational Safety Audit (IOSA) and why is it important?

The IOSA is an internationally-recognized safety audit designed to assess the operational management and control systems of an airline. The audit identifies safety hazards and ensures that corresponding remedial action is implemented when necessary to maintain the highest levels of safety. It also provides for ongoing monitoring to assess how well Air Canada complies with internationally-recognized safety standards. Another benefit is that it supports a culture of continuous improvement in the overall level of safety through compliance to these standards and the adoption of industry best practices.

2. How does the audit work?

An accredited Audit Organization (AO) is selected to conduct the audit on behalf of IATA. A team of auditors specializing in each operational area is on site for five days spending time with the applicable branches of the airline. In the course of its work, the team assesses Air Canada's conformance to more than 900 IOSA Standards and Recommended Practices (ISARPs).

3. How does Air Canada prepare for the IOSA?

The Corporate Safety, Environment and Quality branch utilizes our team of qualified auditors to conduct ongoing internal audits of all operational branches. To do this they use the IATA ISARPs and audit checklists that include Safety Management System principles as part of our internal Corporate Quality Assurance program. Air Canada's next IOSA renewal audit is scheduled to take place in the first quarter of 2014 prior to our registration expiry date on May 21, 2014.



**TO MANAGE
ONGOING, LONG-TERM
ENVIRONMENTAL ISSUES
WE HAVE ESTABLISHED
AN ENVIRONMENTAL
MANAGEMENT SYSTEM
BASED ON ISO 14001,
WHICH SPECIFIES A
SYSTEMATIC APPROACH FOR
PLANNING, IMPLEMENTING,
MONITORING AND
CONTINUALLY IMPROVING
OUR ENVIRONMENTAL
PERFORMANCE.**



ENVIRONMENT

✈ In any review of sustainability, the airline industry is most heavily scrutinized with respect to its environmental record. But any such analysis requires proper context and balance, including an understanding that the aviation industry accounts for approximately two per cent of global carbon emissions.¹ Nonetheless, with its share of emissions currently projected to increase to five per cent by 2050, there is an onus on the industry to continually strive to improve its environmental performance.

Air Canada acknowledges these obligations and is determined to do its part to fulfill them. To manage ongoing, long-term environmental issues we have established an Environmental Management System based on ISO 14001, which specifies a systematic approach for planning, implementing, monitoring and continually improving our environmental performance. Within the company, there is a designated unit devoted exclusively to the environment and the Senior Director, Corporate Safety, Environment and Quality reports directly to the Executive Vice President and Chief Operating Officer, ensuring environmental impacts inform operational decision-making.

Apart from contributing to a healthier planet, our efforts to limit our environmental effects also bring economic benefits. Mitigation arises primarily from more efficient fuel consumption and fuel is Air Canada's single largest expense, costing nearly \$3.6 billion in 2012. Moreover, there are considerations of public expectations as concerns about energy consumption and GHG emissions rated highly in the stakeholder materiality matrix. There are multiple incentives driving environmental stewardship at Air Canada.

This is not a recent revelation. Since 1990 Air Canada has achieved a 33 per cent improvement in average fuel efficiency. From 2006 to 2011, the effect of our fuel efficiency program contributed to a cumulative reduction of 318,000 tonnes of CO₂ emissions. The introduction of new aircraft contributed to our fuel efficiency as, on average, aircraft entering service today are 70 per cent more fuel efficient than 40 years ago. Still, with advances in the science and understanding of climate change and new means to combat it, we continually seek opportunities to do more, guided by a four-pillar strategy specifically targeted to mitigate our environmental impact. The pillars are Technology, Operations, Infrastructure Improvements and Economic Instruments.

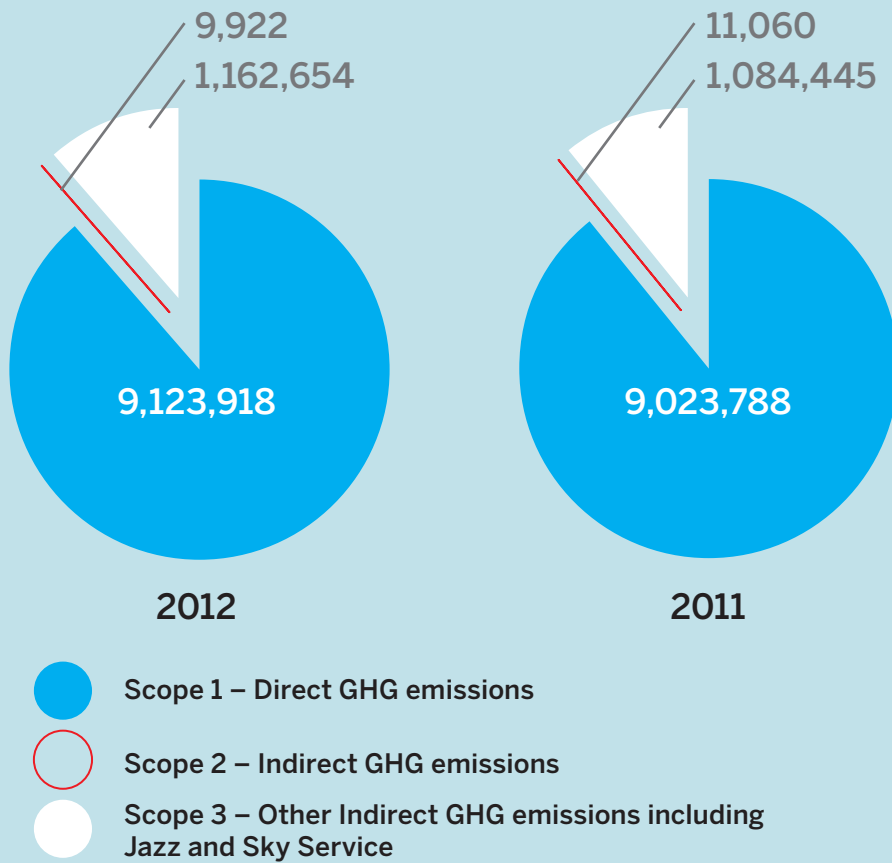
¹ Refer to Intergovernmental Panel on Climate Change (IPCC)



Air Canada already operates one of the youngest fleets among mainline North American air carriers but fleet renewal is an ongoing process. In 2012, Air Canada firmed up orders for five Boeing 777 aircraft to enter its fleet between June 2013 and February 2014 that will be configured in a higher density seating arrangement to further capture efficiencies. At present, we operate 18 B777s, which use 15 per cent less fuel per available seat mile on a Toronto to Hong Kong flight than the older aircraft they replaced. Beginning in 2014, Air Canada will begin taking delivery of the first of 37 new Boeing 787 aircraft whose revolutionary design features, such as composite construction, are expected to yield 20 per cent greater fuel-efficiency than comparable aircraft. Together, these two orders represent a combined investment of CAD\$5.5 billion in modern, fuel-efficient aircraft.

Another area where technology is being enlisted to reduce emissions is with respect to alternative fuel. Air Canada has established an Alternative Fuels Working Group with the goal of advocating and actively supporting the advancement of lower carbon, alternative fuels as a way to reduce CO₂ emissions. In 2012 Air Canada operated two revenue flights using biofuel.

Total direct and indirect greenhouse gas emissions by weight (T CO₂ eq)





A special team has been established for our operations pillar. Its goal is to reduce fuel burn by implementing the most efficient flying techniques and reducing aircraft weight.

Among other things it monitors potable water usage onboard aircraft to ensure that we carry enough to meet customers' requirements without excess. Other examples of weight savings include restricting fuelling of the aircraft to an amount consistent with the safe operation of each flight and adopting a new lighter paint process for our aircraft. In the latter instance, the new process requires fewer layers resulting in less weight that will eliminate approximately 760 tonnes of CO₂ emissions annually from each aircraft – the equivalent to removing almost 200 vehicles from the road for a year.

Two other key drivers of emissions savings are the ability to fly aircraft in an efficient manner and to do so along optimal routings. To this end, Air Canada has cooperated with air navigation system providers to permit greater use of a continuous descent approach for landing. This entails the aircraft descending at a steady and efficient idle setting rather than with a more traditional "step-down" approach, which requires added fuel burn for frequent leveling-off of the aircraft.

Further, to determine the most fuel-efficient routings for its flights in the Pacific region, Air Canada uses Lufthansa Integrated Dispatch Operation's (LIDO) FreeFlight planning module, which calculates the optimum aircraft trajectory based on a detailed grid, and it has also engaged in a leading edge project using advanced computer technology to further refine fuelling decisions.





Closely connected with these efforts are activities carried out under the third pillar of infrastructure improvements working with outside agencies. For example, developing more efficient flight routings requires the cooperation of air traffic control, and improving ground operations is largely dependent on airport infrastructure.

For the past two years we have participated in ENGAGE, a joint-program with the Canadian air traffic controller Nav Canada, its United Kingdom counterpart NATS, and Air France, to test more efficient routings dubbed “green corridors” over the North Atlantic. To coincide with World Environment Day in June 2012, Air Canada operated a Toronto-Frankfurt return flight using a test routing with the result that 2,200 fewer kilograms of CO₂ were released than normal. Already, Air Canada, along with other Canadian airlines, has worked with Nav Canada to put such measures into practical effect in Canada by more efficiently using air space and air traffic control in the heavily-travelled Windsor-Toronto-Montreal corridor.

In 2012, the National Airlines Council of Canada (NACC), of which Air Canada is the largest member, signed a memorandum of understanding with the Federal Government and other key aviation stakeholders in Canada to work together to reduce greenhouse gas emissions. Entitled *Canada’s Action Plan to Reduce GHG Emissions from Aviation* this partnership sets emissions reductions targets for all parties – fuel efficiency targets for the airlines and infrastructure efficiency targets for Nav Canada.



INFRASTRUCTURE IMPROVEMENTS



The final pillar is the development of appropriate economic instruments, particularly with respect to market-based measures. While recognizing the potential role of market instruments in managing GHG emissions, Air Canada believes a global sectoral approach is the appropriate means to implement them. Through its membership in NACC and the International Air Transport Association (IATA), and working in conjunction with the Canadian government, Air Canada is actively supporting a global solution like that advocated by both the International Civil Aviation Organization (ICAO) and IATA. In the interim, however, we are adhering to the applicable monitoring, reporting and verification requirements of the currently-suspended European Union Emissions Trading Scheme.



ECONOMIC INSTRUMENTS

During 2012, the potential of Air Canada's four pillar strategy was demonstrated with a showcase "Perfect Flight" – organized in conjunction with Airbus and ICAO for the Rio +20 United Nations Conference on Sustainable Development. The flight, our first biofuel flight, operated as a revenue flight from Toronto to Mexico City and incorporated biofuel to achieve a 42 per cent reduction in emissions compared with a regular flight on this route.²

To augment the emission reductions derived from using a cooking oil-based biofuel, Air Canada also implemented technological, operational and infrastructure-related measures to maximize the efficiency of this flight. This included a pre-flight fuselage and engine compressor wash, the use of an electronic "flight bag" as opposed to paper flight documents by pilots, the installation of lightweight carpet and curtains, minimal use of the auxiliary power unit (APU), reduced take-off thrust, recalibrated air conditioners, optimized cruise speed and altitude, and special taxiing and gating procedures. Following the Perfect Flight, Air Canada operated a second biofuel flight from Montreal to London carrying Canadian athletes to the London Summer Olympic Games.

Although Air Canada's environmental efforts are primarily focused on efficient operation of our aircraft to reduce emissions, significant effort is also expended for realizing savings on the ground. A five-year Corporate Real Estate Master plan has been developed that includes programs to promote energy conservation throughout the company's extensive real estate holdings. Projects in 2012 included upgrading lighting at its Vancouver Airport hangar, installing an infrared heating system in its Calgary hangar, switching to energy-efficient chillers and cooling towers in the Montreal headquarters and converting to gas-fueled from oil-fueled boilers in the Halifax maintenance hangar. A series of energy audits has also been undertaken at high-use Air Canada stations to uncover further savings.



² A regular flight uses conventional jet fuel under normal operational procedures.



Other significant gains have been achieved through the introduction of more electric and natural gas powered vehicles on the ramp and in other facilities. Throughout 2012, we continued to implement iRamp™, an electronic system that optimizes the use of vehicles in ramp and maintenance operations.

In addition to limiting emissions, Air Canada is pursuing other environmental strategies, including noise abatement and recycling. While our relatively young fleet means our aircraft are state-of-the-art in terms of quiet operation, efforts are made to fly aircraft during take-off and landing phases in a manner that minimizes noise. We also follow airport authorities' operating procedures and actively engage with airport-community groups to appropriately address noise concerns that may arise.

Recycling is encouraged throughout the company and takes many forms ranging from the traditional office blue box to more innovative programs. In 2012, at Air Canada's corporate headquarters in Montreal, an office refurbishment was undertaken using recycled work stations and carpet made from recycled materials. At Ottawa Macdonald-Cartier International Airport, Air Canada continues its participation in pilot projects involving the recycling of aircraft de-icing glycol and the recycling of onboard waste from international flights, which is currently permitted for domestic flights but prohibited for international flights by health and safety regulations.

Air Canada's commitment to sustainability extends beyond its own operations. We encourage responsible behaviour by suppliers through our Supplier Code of Conduct, which accords preference to those suppliers who comply with it. Where it is appropriate and practical to do so, we look for environmental and other sustainable attributes during the procurement process, such as the availability of healthy options in food for customers as in our NutriCuisine on-board offerings, and even local sourcing of products, as with Canadian wines. Another example of local sourcing was our Request for Proposals for new maintenance suppliers in 2012. Air Canada explicitly stated preference would be given to qualified bidders having or willing to establish some portion of their operation in Montreal, Winnipeg, Vancouver and Toronto and employ Canadian aviation technicians.

Employees are often key drivers of environmental initiatives at Air Canada and many suggestions submitted to the Creative Juices on-line suggestion box relate to reducing waste and expenditure. They are eager participants in environmental community events during the year, such as Earth Hour – which Air Canada participated in for the sixth time in 2012. Employees were also encouraged to participate in events like the Great Canadian Shoreline Cleanup that took place in Montreal and Vancouver. In Halifax, employees in the cargo division have arranged with caterer Gate Gourmet to collect empty wine bottles and soft drink cans for recycling in a program that now recovers thousands of drink containers and generates on average \$300 every week for local charities.

Customers too have opportunities to join in our environmental efforts. Air Canada maintains an interactive Leaveless³ website with information about the company's various environmental programs and also offers environmentally-friendly travel tips, for example by promoting lighter packing. It also encourages the use of electronic boarding passes to cut down paper consumption by customers – more than 2.5 million customers used e-boarding cards in 2012 – and the development of new apps should further encourage e-card use by making them more convenient. During the year, Air Canada Cargo, in keeping with the IATA e-freight initiative, used electronic instead of paper messaging when moving 12 per cent of the freight on applicable lanes. This is expected to yield a further significant reduction of paper use as industry data show an average air cargo shipment generates as many as 30 paper documents.

Through the Leaveless site, customers can also access Air Canada's carbon offset program and since 2007 Air Canada customers have offset nearly 19,000 tonnes of CO₂ eq. The site also links to the Carbon Disclosure Project (CDP). The CDP is an international, not-for-profit organization that provides a global system for companies and cities to measure, disclose, manage and share environmental information. Air Canada has been publicly responding to the CDP since 2008. Other bodies with which Air Canada works to advance sustainability in aviation are environmental standing committees and ad hoc



AIR CANADA 
leaveless
MEASURES FOR A GREENER WORLD



3 Found at http://www.aircanada.com/en/environment/index_flash.html?src=hp_q1

working groups of the NACC, IATA, and the U.S. airline industry group, Airlines for America (A4A).

Moreover, through its ongoing participation and sponsorship in the Star Alliance Biosphere Connections and the Responsible Travel and Tourism Forum's Leadership Award, Air Canada seeks to promote biodiversity and sustainable use of resources. As well, Air Canada directly supported events through the year to raise awareness of such issues. One initiative was support for the U.S.-based nonprofit conservation organization Wildlife Media to assist them with travel to Churchill, Manitoba to prepare a documentary on bears. In another instance, we provided a flight for the reunion of an Ontario police constable with a polar bear he had rescued for an event to promote the Cochrane Polar Bear Habitat conservation centre. Air Canada also consulted with animal rights groups to amend its tariff in 2012 to prohibit the transport of non-human primates for scientific research.

LIST OF GOALS FOR 2013

Continued participation and advancement of greenhouse gas emission reduction through:

- Advancing Air Canada's contribution to Canada's Action Plan for GHG reductions
- Support for the Development of sustainable aviation biofuels in Canada
- As Canada's flagship carrier, provide Canadian leadership in the effort to advance a global sector approach for aviation GHG emission reduction
- Continue to work toward the International Air Transport Association (IATA) collective targets:
 - Improve fuel efficiency by an average of 1.5%/year to 2020
 - Carbon neutral growth from 2020
 - Reduce CO₂ emissions by 50% by 2050 relative to 2005 levels

Focus improvement of waste management on recycling programs for ground facilities and onboard flights.

Continue to improve methods for measuring our footprint by:

- Establishing benchmarks for certain key performance indicators.



Three questions for Claude Saint-Martin, Director Corporate Fuel Efficiency, on Air Canada's Fuel Efficiency Group.

1. What does the Fuel Efficiency Group do?

The Fuel Efficiency Group is composed of subject matter experts in the four areas which have the most impact on fuel consumption, namely: Dispatch, Flight Operations, Ground Operations and Maintenance. They are dedicated people who are passionate about fuel efficiency. They bring focus to the implementation of our initiatives and are always on the lookout for new opportunities.

2. Why is this work important?

Our fuel efficiency targets are ambitious and challenging, the welfare of our environment and of our industry depend on a continuous reduction of fuel consumption and Greenhouse gas emissions. By having a dedicated team, Air Canada has ensured that the pressures of the day-to-day operations will not distract us from our environmental and efficiency goals.

3. What success have you had and what are your goals for the future?

I would say that our major success was the change in culture across all our employee groups. We can see from the results of our programs and from the suggestions we receive that our people are genuinely concerned. In particular, we have now adjusted our schedules to fly at slower, more efficient speeds and our pilots are carefully following the flight planned numbers. On the ramp we have seen a significant reduction in the use of high fuel consumption Auxiliary Power Units in favor of environmentally-friendly Ground Power Units because our agents are quick at configuring the aircraft. Finally at the management level, when operational decisions are made, the fuel efficiency aspect is always considered. I believe that as a whole, Air Canada is a very responsible airline and our goal is to continue being a world leader in fuel efficiency.



Three questions for Darren Ridings, General Manager Ground Support Equipment (GSE), on the iRamp™ program.

1. What is the iRamp program?

The name iRamp is short for Intelligent Ramp. It is a system developed to ensure our ground vehicles servicing aircraft at airports are operated in an efficient way allowing us to remotely monitor their activity and collect important information. We started installing it in late 2011 and throughout 2012 and we plan to use it at major stations in Toronto, Montreal, Vancouver and Calgary where the size of our operation justifies the investment. By the end of 2013 we will have put iRamp on 1,200 vehicles.

2. How does it work?

We install a GPS device on each vehicle that wirelessly sends telemetric information back to a central data base. The information it can tell us includes the vehicle's speed, position in or around the airport property, fuel levels/fuel efficiency and hours of operation known as utilization. Another valuable feature is that it can identify if a vehicle has been idling too long and remotely shut it down when safe to do so, saving unnecessary fuel burn. The operator can perform a "Daily Inspection" at the vehicle using the iRamp keypad in which the data is wirelessly sent to the GSE maintenance program allowing the operator to interface directly with GSE which in the past has been a challenge given the size of today's modern airports.


3. What are the benefits of this program?

We have a large fleet of ground support vehicles and with our near 24/7 operating schedule they are very nearly always moving so anything we can do to deploy them more efficiently is beneficial. First off, it is more environmentally-friendly if we run our vehicles more "intelligently" creating fewer emissions and burning less fuel. But there are other savings too, for example it has eliminated the need for paper-based log books with our tow trucks, which reduces paper and enhances the efficiency of the tow truck operators. In addition, we can better schedule maintenance to prolong the life of the vehicle and maintain it at less busy time periods of the schedule. Lastly, security is increased due to our being able to monitor our equipment and only allow authorized Air Canada staff to drive the unit.

**AN ENGAGED WORKFORCE
IS ESSENTIAL TO THE
SUSTAINABILITY OF ANY
COMPANY BUT THIS IS
PARTICULARLY TRUE FOR
AN AIRLINE,
WHERE HIGH STANDARDS
OF CUSTOMER SERVICE
ARE A PRIORITY.**



EMPLOYEES

 In 2012 the company concluded the last of its collective agreements with its Canadian unions. This ended a difficult period brought about by the significant changes required in our labour contracts to set Air Canada on the path to financial sustainability.

Subsequent to this, concerted efforts to restore the relationship were undertaken during the year and Air Canada's 75th anniversary celebrations provided one such opportunity. Employees across the company eagerly took part in the year-long celebrations that saw them model for vintage fashion shows, patiently line-up to tour a Boeing 787 Dreamliner making its first visit to Canada and partake in a host of other well-attended commemorative events.

The completion of negotiations has allowed the company to focus on relationship building and re-engaging employees. This task is made all the more challenging by the size and geographic dispersal of the Air Canada workforce, which, at the end of December 2012, consisted of approximately 27,000 employees located across Canada and throughout the world. Approximately 90 per cent of employees are unionized and it is also a mature workforce with an average age of 44 years.¹

Within Air Canada, responsibility for employees lies with the Senior Vice President of Employee Relations. The branch is structured in four main divisions – pensions, human resources, total rewards and labour relations – and it coordinates its activities closely with other branches. For example, labour relations works directly with operational branches in managing the negotiating of contracts and ongoing relations with unionized employees, while in the area of employee health and wellness, occupational health and disability management are under human resources and it works with such groups as legal, corporate safety and environmental quality. Additionally, employee communication activities are conducted through the corporate communications branch. This cross-functional approach ensures fair and consistent treatment of all employees as well as fostering best practices for managing employee relations.

Air Canada's employees are among the best compensated in the airline industry. All employees are enrolled in a company pension plan with the vast majority belonging to defined benefit plans, making Air Canada the only major airline in Canada – and one of the increasingly few Canadian corporations – that maintains final salary pension plans. Air Canada contributed \$433 million toward these plans in 2012 along with providing a generous benefit plan. The company also maintains a profit sharing program and \$11 million in shares were given to all employees under a 2011 Employee Recognition Award that will fully vest at the end of 2014.

Managers benefit from an Annual Incentive Program (AIP) which emphasizes a pay for performance culture whereby benefits pay out proportionally to the company's and individual's performance. The AIP was revised in 2012 to better align it to our financial performance targets. In 2012, we also undertook a Management Total Rewards Alignment

¹ For additional employee data please refer to the Annex on pages 55-57.



Survey to ensure that expenditures on components of compensation are consistent with employee preferences. Over 60 per cent of management participated in the survey and the feedback will be implemented in 2013.

In addition to providing competitive total rewards packages, Air Canada recognizes that for employees to be fully engaged and committed to serving customers they must also feel informed, sense value in the work they are assigned, have career advancement opportunities and trust their personal well-being is of importance to their employer. Key to creating these conditions is an open and respectful dialogue in the workplace.

Consequently, Air Canada places great emphasis on employee engagement and communication and along with conventional vehicles continually experiments with new approaches to promote such dialogue. This takes the form of daily and monthly corporate newsletters, an on-line suggestion box called Creative Juices, individual branch communications, senior management letters and messages – including starting in 2012 a weekly operational bulletin from the Chief Operating Officer – and regular conference calls and road shows that feature open question and answer sessions. All employees are eligible for the prestigious, peer-nominated Award of Excellence, given to at least 50 outstanding employees in each edition.

Air Canada is also a ready adapter of new media, including in the past YouTube and, beginning in 2012, the online discussion group Yammer. Yammer provides a social media platform for employees to pose questions and make suggestions. In 2012, this vehicle was introduced to in-flight crews with plans to roll it out company-wide in the future. The evolution of employee communications will continue in 2013, including through a major cross-branch restructuring intended to bring all company communicators together in a single branch to make communications simpler, consistent and more efficient.





The sky is calling



Air Canada and Air Georgian are looking for the next generation of pilots.

This is not a career path for underachievers. We're looking for applicants who want to train with the best, and pursue a career with an industry leader in commercial aviation.

Through our training and development program we offer young people a fast track to becoming a commercial pilot. In just 50 weeks we can put you in the cockpit of an Air Georgian airplane, a member of the Air Canada Express family, with future progression to a position with Air Canada.

If you're a high school graduate or a college or university student with an excellent academic record, a history of community involvement, and a desire to take on new challenges, we invite you to contact us and learn more about joining our team.




**NEXT GENERATION OF
Pilots Wanted**



www.ClearedForTakeoff.ca






Go to AC aeronet > HR Connex

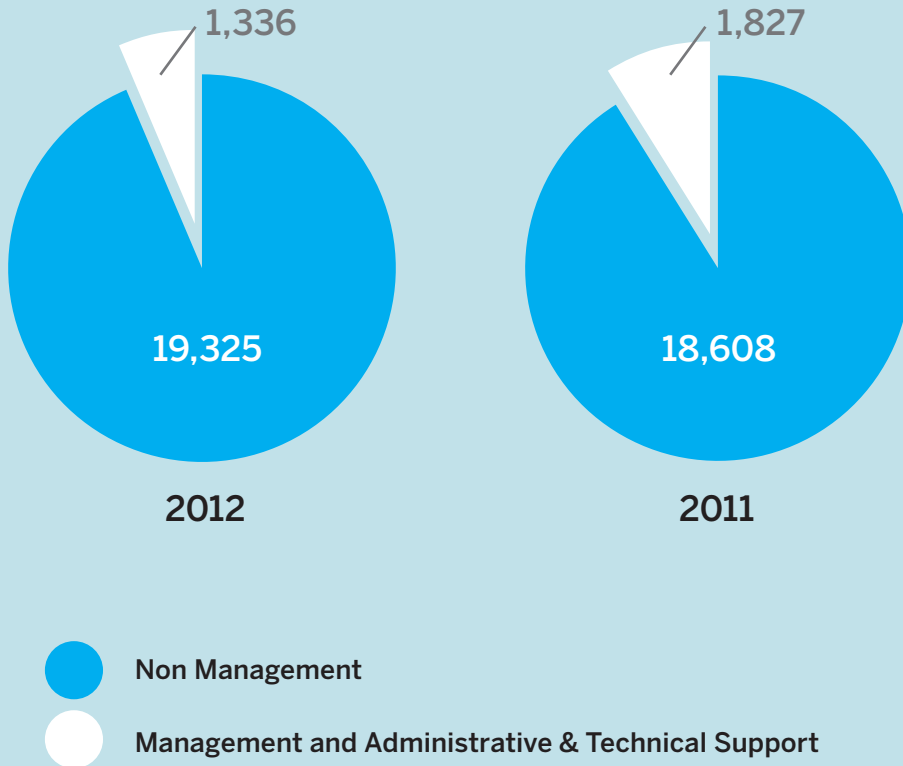
For Air Canada, where many employees are based throughout the world, work varying shifts or travel extensively, the internet has become an essential communication tool. Our intranet Portal provides a vast wealth of information on virtually every aspect of the company. It also serves to foster cohesion and a sense of community among employees by giving them access to the same information anywhere in the world on a 24/7 basis in a standardized format.

In 2012, the employee Portal was extensively redesigned under the HR Connex banner in order to make human resources programs and policies more transparent, accessible and, through expanded self-service capabilities, easier to use. The result has been the creation of a one-stop HR site where employees can conduct a range of transactions such as request forms for work, obtain safety information or file safety reports, amend their benefit profile for life events like births and marriage, get retirement planning information, or even access employee discounts with third-party retailers. The site's contact centre makes real-time support available via chat, email or telephone.

The creation of HR Connex dovetails with other recent HR initiatives intended to develop Air Canada's existing talent pool, which enhances career opportunities for employees and thereby promotes engagement and retention. In 2012, certain recruitment functions related to management were brought "in-house", with all new positions posted internally.

Identifying talent, however, is only a preliminary step. Follow-up development is also essential and for this reason Air Canada formalized its training programs during the year under the AC Way banner, a three-year blueprint for robust talent attraction and development. In 2012, we started to build the program and delivered online and live courses including "Management 101" and "Effective Feedback" workshops. Changes were made for unionized employees too, for example in technical training, where a "demographic-less" classroom learning environment has been developed. It incorporates more interactive and "hands-

Total number of employees trained per year



The total number of employees trained in the 2012 Corporate Sustainability Report follows the GRI G3.1 protocol. Therefore, the 2011 average has been adjusted to reflect this protocol.



on” learning supported by additional coaching and performance development opportunities. In 2012, 20,661 employees received formalized training averaging more than 25 hours each.

During the year, Air Canada also established an innovative pilot recruiting program with its regional partner Air Georgian. Under the program, cadets hired at Air Georgian are given a conditional offer of employment at Air Canada provided they meet certain requirements and serve a minimum of four years at the regional carrier.

Given the complexity of Air Canada, in addition to orientation for new hires during technical training, an “Onboarding” program has been devised to give new management hires a broader introduction to the company. It provides mentoring and guidance beginning with the post-offer, pre-employment period through the first year using management guides, the assignment of “buddies” and HR support.



The program includes a live, full-day session designed to share the company mission, vision and values and afford new recruits an opportunity to network with peers and company leaders.

Providing new hires this broader perspective meets the additional training goal of breaking down "silos" within the organization to promote cross-branch cooperation and teamwork. Largely this is based on a realization that most issues are multi-faceted and require global solutions, but this approach has the ancillary benefit of encouraging engagement through teamwork and goal-setting.

One example is the creation of the Centre of Excellence Team in 2012 tasked with achieving operational improvements, particularly in regard to On Time Performance (OTP). Starting by identifying contributing factors to flight delays using data mining, case studies and field visits, the team drew upon nine operational branches of the company to

develop an Integrated OTP Improvement Plan. The resulting company-wide focus on improving OTP, bolstered by encouraging initial results, has heightened engagement. Customers are benefitting from our better performance and the company is realizing savings from a reduction in costs associated with delays.

Another component of engagement is fostering a culture where employees trust that the company has due regard for their interests, particularly in the area of health and wellness. To this end, Air Canada actively promotes health education, flu clinics, NAOSH week, a confidential Employee Assistance Program for those experiencing personal problems, and a robust safety reporting system. In 2012, the company streamlined its Return to Work program to better facilitate workplace re-entry for sick and injured employees and it is working with its unions to develop a joint program to integrate employees with disabilities.

Closely tied to employee well-being is workplace harmony. This includes employment equity and respect for diversity in the workplace. During 2012, the recruitment team received training on diversity hiring practices. Additionally, Air Canada actively recruits among First Nations people in Canada and has 249 Aboriginal employees, including 32 pilots. In total, Air Canada's workforce is composed of individuals from a wide range of nationalities and this diversity, with the cultural and linguistic enrichment it provides, is highly-prized in a company that operates globally. Women account for 42 per cent of the Air Canada workforce.

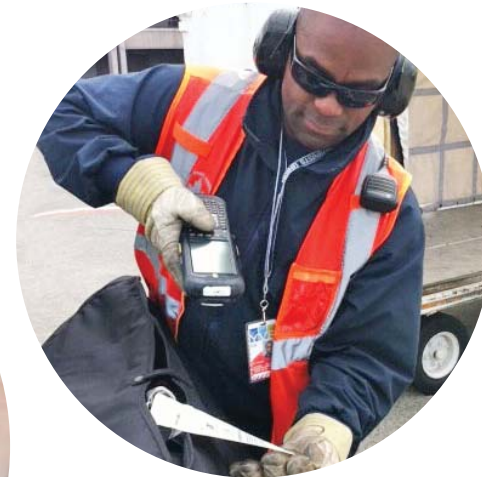
An engaged workforce is essential to the sustainability of any company but this is particularly true for an airline, where high standards of customer service are a priority. Although Air Canada remains in transition, the evidence that its employees are engaged is found in the number and importance of customer service awards won by the company in 2012 including, for the third consecutive year, Best International Airline





The Best International Airline in North America three years in a row now has four stars.

in North America in the well-regarded Skytrax World Airline Awards. We were also the favorite airline of nearly 80 per cent of respondents in the annual Ipsos Reid survey of Canadian business travelers – the fourth year in a row our rating increased in this survey. And, subsequent to the year-end, in early 2013 Air Canada was granted four-star status in the Skytrax Airline Star Ranking – the only North American network carrier to earn this distinction.



LIST OF GOALS FOR 2013

Begin laying groundwork for next round of labour negotiations

Finalize labour agreements for Air Canada *rouge*

Further develop employee communications (reorganize communicators in Communications Branch, Yammer)

Continue to develop best practices for modified return to work program

Roll-out aspects of the three-year AC Way, talent development programs

Implement employee diversity and equity initiatives



Three questions for Arielle Meloul-Wechsler, Senior Director Human Resources, about Air Canada's Onboarding program.

1. What is the Onboarding Program and how does it work?

The Onboarding Program is an initiative we launched in 2012 to provide orientation and ongoing guidance both for new management hires and those employees we are promoting into management from within the company. It incorporates existing training but also introduces new elements, such as an orientation day called "Arrivals Connection" where management recruits are given broad exposure to all elements of the company through such things as senior management presentations, exercises and networking opportunities. Onboarding starts in the post-offer, pre-employment period and continues through the first year and beyond with mentoring and follow-up reviews to monitor progress.

2. Why did you implement it?

The overall aim is to ensure smooth integration for new employees into their positions and Air Canada's culture. We want employees to learn the ropes not just of the job they were hired to do, but also to understand how Air Canada functions, where they fit in and how they can contribute to its success. Such knowledge will also make it possible for them to move about and progress within the company. It also ties in with our corporate priority of culture change and our desire to promote a performance-based culture. Managers will be responsible for driving this change so we have to be sure new managers understand how the company works, know where to go for assistance and develop relationships and networks with their fellow managers so everyone works collaboratively.

3. How does it advance sustainability at Air Canada?

I like to say our two greatest assets are our aircraft and our people. With our fleet, we have fantastic aircraft that we are careful to maintain but also from time to time we introduce new aircraft as part of an ongoing renewal process. Similarly with people, we have tremendous talent here that we work hard to support and develop but we also supplement that talent with new hires. By ensuring new managers get the right training from the start we can connect them to our vision, people, culture and the corporate priorities we have identified as essential to the sustainability of Air Canada.



Three questions for Rick Allen, Managing Director Flight Operations, on the Cleared for Take-Off pilot training program.

1. Can you describe what Cleared for Take-Off is?

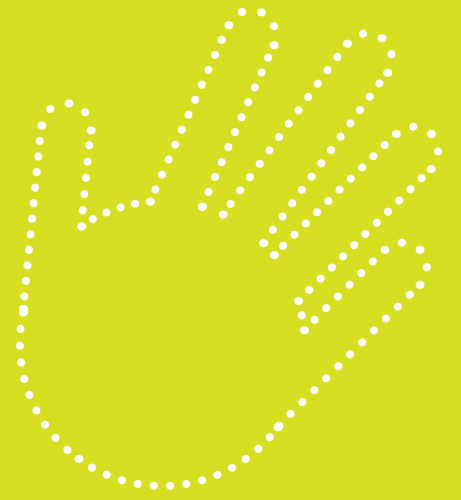
Cleared for Take-Off is a pilot cadet program established as a joint initiative between Air Canada and Air Georgian, which is a connector airline that does some of Air Canada's regional flying. The program will assist in supplying both Air Georgian and Air Canada with a future stream of high quality pilots. The goal is to attract recent high school or post-secondary graduates who are driven to be professional pilots. The program seeks applicants who are well-rounded from an academic and community perspective. They need to be self-motivated and display the right attitude.

2. How does the program work?

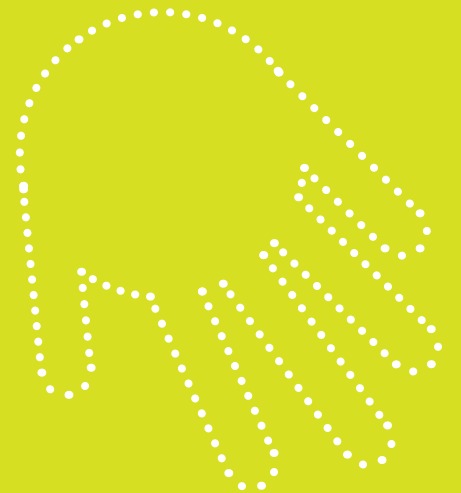
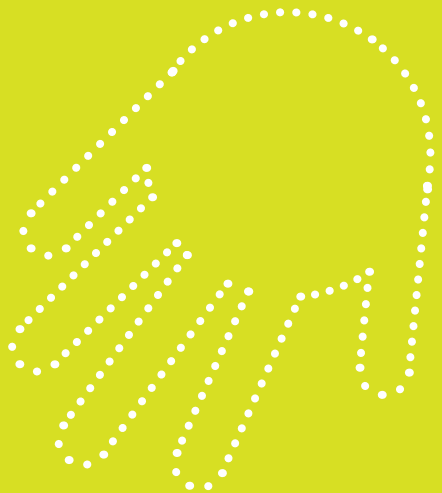
Air Canada is excited about this program as it provides an opportunity for the best candidates to get an early start in their careers as professional pilots. First, they undergo a rigorous training program at the Flight Safety Academy in Vero Beach, Florida. This facility provides a very structured and disciplined approach to flight training. Next, the new pilots get high quality multi-crew experience in one of our exceptional connector airlines. After a minimum of four years at Air Georgian, candidates who are qualified will be eligible to fly for Air Canada. This ensures Air Canada will receive a future sustainable supply of high quality pilots while at the same time assisting in retention at our feeder partner.

3. How does this improve training and safety at Air Canada?

The combination of Flight Safety Academy Training and the airline environment experience at Air Georgian makes available to Air Canada a source of highly competent and safe pilots. During their time at Air Georgian, those in the program will have the incentive and the opportunity to demonstrate over a number of years that they have the aptitude, skills and ability to fly for Air Canada. These qualities will ensure this group of pilots will succeed as the future leaders in the airline profession.



**AIR CANADA HAS
LONG RECOGNIZED ITS
OBLIGATIONS TO GIVE BACK
TO THE COMMUNITIES
WHERE WE OPERATE
AND WHERE OUR
EMPLOYEES LIVE.**





COMMUNITY

✈ Sustainability initiatives can take many forms. These include protecting the environment, assisting the less fortunate, creating opportunities for people to realize their potential and generally enriching life through the arts, sports and other cultural activities. Ultimately, though, the overarching goal of any such undertaking is to allow our communities to thrive and prosper.

Air Canada has long recognized its obligations to give back to the communities where we operate and where our employees live. We have historically supported a wide range of community organizations through two main types of activities. The first, managed by our Community Investment group, involves charitable programs, particularly those related to the health and well-being of children, while the second is more broadly directed toward community enrichment to strengthen the social fabric.

Throughout 2012, Air Canada's community investment program raised a total of \$540,000 from fundraisers and donations. It also gave 13 million Aeroplan Miles to pediatric hospitals across Canada to assist with patient transport and donated 1,000 return trip tickets to charitable organizations, chiefly for their use for fundraising purposes. During the year we provided support valued at close to \$4 million in the form of Aeroplan Miles, aircraft for Dreams Take Flight trips, cash donations as well as promotional tickets.

In 2012, Air Canada took a decisive step to improve delivery of its charitable programs by creating The Air Canada Foundation, a registered not-for-profit entity to manage the company's community investment portfolio, including assuming the responsibilities of Air Canada's Kids' Horizons program. The Foundation has its own board of directors and an annual report of its activities is submitted to the Air Canada board of directors by the responsible executive, the Vice President of Corporate Communications. In addition to increasing both the accountability and autonomy of our charitable programs, the Foundation structure is also designed to better focus Air Canada's activities to create new opportunities for giving and to raise the profile of causes supported.

Funding for the Foundation comes from a variety of sources in addition to direct corporate contributions. In 2012, the first edition of a planned annual golf tournament for the Foundation raised \$268,000 and more than 300,000 Aeroplan miles. Among employees, the Foundation is a major beneficiary of proceeds from one-time appeals and local fundraising events held regularly across the company. Air Canada plans to establish an employee payroll deduction plan to support the Foundation in 2013.

Customers are also encouraged to participate. They are invited to donate Aeroplan Miles and money, including through Every Bit Counts, where they can give loose change of any denomination while onboard our aircraft or through airport collection containers. Funds collected are used to supplement our travel programs with financial and other assistance.



Our employees are engaged in a range of other charitable activities, often with support from the Foundation. The annual Ride to Conquer Cancer is one such event that involves employees across Canada, with Air Canada entering teams in 2012 in each of the B.C., Ontario and Quebec sections of this major, national fundraiser. Our employees generated more than \$278,000 for cancer research and we are looking to expand our participation in 2013.

Another important initiative is Air Canada's effort to combat sex tourism and human trafficking. We have instituted programs to raise awareness among our employees and vendors about the exploitation of children, including introducing reporting requirements for employees witnessing suspicious behaviour. In 2013, we intend to raise awareness further by codifying a zero tolerance policy to prohibit such activities in Air Canada Vacations hotel vendor agreements.

Sometimes, opportunities to perform humanitarian deeds arise unexpectedly. In October 2012, an Air Canada flight beginning its approach to Sydney, Australia, was requested to divert and assist in the search for a lost yacht in a remote section of the ocean 200 nautical miles off the Australian coast. With help from many of the 270 customers aboard looking out the aircraft's windows, the yacht was soon located and the sailor later rescued.

Even in the course of regular business, Air Canada contributes in a direct way to the health and well-being of Canadians. Air Canada Cargo, in conjunction with our partner airlines, regularly carries



emergency medical supplies, particularly to remote communities, as well as live human organs including hearts, eyes and umbilical cords for transplant.

Beyond ensuring its members are healthy and safe, a successful community should also enable people to develop their full potential as human beings. For this reason, Air Canada's investment in the community extends to such cultural fields as the arts and sports, providing exposure to these activities and encouraging participation in them. As part of its 75th anniversary celebrations, for example, Air Canada sponsored an exhibit based on its extensive photographic archives at the Canada Aviation and Space Museum in Ottawa.

A central focus of our ongoing programs is the promotion of Canadian film. This commitment derives from the fact that our seatback In-Flight Entertainment system (IFE) shows hundreds of films each year to our 35 million customers, making Air Canada one of the largest movie exhibitors in the country. Since 2007, we have leveraged our unique position to give Canadian student and emerging filmmakers unprecedented exposure through the *enRoute* Film Festival. In 2012, having grown in size, influence and prestige since its inception, the festival was expanded beyond its Toronto base to include simultaneous screenings in Vancouver and Montreal, making it a truly pan-Canadian event.

The Air Canada *enRoute* Film Festival is one of several ways that Air Canada promotes Canadian arts and culture to international audiences. One of Air Canada's main in-flight entertainment strategies

 A promotional poster for the 2012 Air Canada *enRoute* Film Festival. The background is a vibrant red with a large, stylized white number '2012' on the right side. A man in a black suit, white shirt, and black tie is walking towards the left, holding a camera. The text on the poster includes:

- THE AIR CANADA ENROUTE FILM FESTIVAL**
- LE FESTIVAL DU FILM ENROUTE D'AIR CANADA**
- TAKING FILMMAKERS TO NEW HEIGHTS
LA DÙ LES CINÉASTES PRENNENT LEUR ENVOL
- Canadian short films on Air Canada. Watch for this year's films coming this summer to your personal seatback entertainment system. enRouteFilm.com
- Des courts-métrages canadiens sur les ailes d'Air Canada. La sélection de 2012 arrive cet été sur votre système de divertissement à bord. filmenRoute.com

 At the bottom, there are logos for CINEPLEX, spafax, MOVIEOLA, SDCC, and ALLIANCE, followed by the **enRoute AIR CANADA** logo.



is to offer Canadian content. The Canadian Movies channel, where the Festival's shortlisted films are showcased, highlights the best of Canadian content on a monthly basis, featuring two new Canadian feature films each month, as well as several Canadian short films from local filmmakers and industry partners.

Air Canada has developed partnerships with important Canadian content creators and distributors to advance Canadian film and television and provide a platform for Canadian content to reach audiences worldwide. These partners include Moviola, imageNATIVE, National Film Board, CBC branded TV channels, family content from YTV/Treehouse and lifestyle content from the W Network.

Canadian programming is also found on our IFE's Franco Cinema channel, which features French-language programming produced in Canada and abroad. Air Canada is a sponsor of the Cinéfranco festival, whose goal is to make French cinema accessible to audiences in Toronto. These programs reflect Air Canada's strong commitment to bilingualism, as part of which we also support the national Rendez-vous de la francophonie and a number of regional events including the Festival Franco-Ontarien in Ottawa, the Festival du Voyageur in Winnipeg, and in Vancouver both the Festival d'été Francophone de Vancouver and the Coup de Cœur Francophone.

Another effective medium for promoting Canadian culture is our in-flight *enRoute* magazine. In 2012, *enRoute* received the imprimatur of the Canadian magazine industry through numerous citations at the 2012 National Magazine Awards. Although its stories cover topics and destinations the world over, Canadian subjects and destinations account for a significant proportion of the content. The well-respected annual food guide issue is treated as a news event by media in communities across Canada because its list of the top ten new restaurants in Canada gives these establishments instant national cachet. *EnRoute* is also partnered with the CBC Literary Prizes and publishes the work of winners, both established and developing Canadian writers, in three editions each year.



Air Canada sponsors other awards as well, notably The Indspire Awards, formerly the National Aboriginal Achievement Awards, to recognize indigenous professionals and youth with outstanding career achievements. Recipients are chosen on the basis of their ability to motivate and 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. Another award popular among aviation enthusiasts is the Webster Memorial Trophy Competition sponsored by the company for the top amateur pilot in Canada each year.

Sports are an integral aspect of cultural life in Canada, particularly ice hockey. Air Canada maintains commercial sponsorships with Canada's National Hockey League teams. It is the official airline of Hockey Canada and supports our country's elite under-18 hockey talent with transportation to a number of domestic and international hockey events.

HONOURING A TEACHER AND PIONEER.

Air Canada is proud to pay tribute to Mr. Alex Van Bibber for his dedication to teaching, passing down his indigenous knowledge and the preservation of his community's heritage. Mr. Van Bibber's contributions make him a worthy recipient of the 2012 Indspire Award for Lifetime Achievement.

As one of the founding members of both the Yukon Outfitters Association and the Yukon Fish and Game Association, as the first member of the Assembly of First Nations Veterans Roundtable as the Yukon representative and as a recipient of the Order of Canada, Mr. Van Bibber has received prestigious recognition for his work. But for him, receiving the Clay Pugh Memorial Award for Sportman of the Year from the Yukon Fish and Game Association in recognition of his work with the youth of the Yukon still stands as his greatest achievement.

Air Canada wishes to congratulate Mr. Alex Van Bibber for being the recipient of this highly deserved award.

HOMMAGE À UN ENSEIGNANT ET UN PIONNIER.

Air Canada est fière de rendre hommage à M. Alex Van Bibber pour son dévouement en éducation, dans la transmission de son savoir autochtone, et à la préservation du patrimoine de sa communauté. L'ensemble de ses réalisations font de lui le digne récipiendaire du prix Indspire pour les accomplissements d'une vie.

En tant que membre fondateur de la Yukon Outfitters Association et de la Yukon Fish and Game Association, premier membre de la table ronde des anciens combattants à l'Assemblée des Premières Nations, représentant du Yukon, et récipiendaire de l'Ordre du Canada, M. Van Bibber a reçu plusieurs reconnaissances prestigieuses. Sa plus grande fierté est toutefois d'avoir reçu le Prix commémoratif Clay Pugh en tant que « sportman de l'année », qui lui a été remis par la Yukon Fish and Game Association en reconnaissance de son travail auprès des jeunes du Yukon.

Air Canada souhaite féliciter M. Alex Van Bibber d'être le récipiendaire de ce prix grandement mérité.

The table below highlights some of the metrics that Air Canada tracked for its charitable giving in 2012:

	2012	2011
Number of tickets donated to charitable organizations	1,000	1,000
Number of aircraft donated for Dreams Take Flight Trips to Disney	8*	8*
Number of Aeroplan Miles donated	16,398,535	16,022,023
Amount of money raised by the Air Canada Foundation	\$380,000 **	-
Amount of money donated through Our Every Bit Counts initiative	\$101,500	\$119,957

In 2012 we provided support valued at close to \$4 million in the form of Aeroplan Miles, aircraft for Dreams Take Flights, promotional tickets and cash donations

**Approximate cost of \$265,000*

*** June- December 2012*

In 2012, the world juniors were held in Calgary and Edmonton and the Alberta tournament generated attendance records.

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 arrangements special services and transport for training and competitions. In 2012, we renewed our support for Canada's Olympic and Paralympic Teams until 2016.

During the year, the company inaugurated the annual Air Canada Athlete of the Year Award with the selection of Canadian women's soccer star Christine Sinclair. Beginning in fall 2013, Air Canada customers will be invited to vote for the recipient of this new award. The aim is to identify role models for young Canadians by recognizing inspirational athletes who demonstrate skill, leadership and a commitment to excellence in their chosen sport.



Sponsorships

Air Canada supports a wide range of activities in the areas of business, sports, arts & culture and community. These events and programs allow us to be active in the communities we serve and provide integrated marketing support for key strategic initiatives.

PROFESSIONAL SPORTS

Hockey – NHL

- Canada
- Calgary Flames
- Edmonton Oilers
- Montreal Canadiens
- Ottawa Senators
- Toronto Maple Leafs
- Vancouver Canucks
- Winnipeg Jets

USA

- Anaheim Ducks
- Carolina Hurricanes
- Nashville Predators
- New Jersey Devils
- Washington Capitals

Hockey – AHL

- Hamilton Bulldogs
- Toronto Marlies
- St. John's Ice Caps

Basketball

- Toronto Raptors
- NBA Canada series Montreal
- NBA Canada series Winnipeg

Soccer

- Montreal Impact
- Toronto FC
- Vancouver Whitecaps

AMATEUR SPORTS

- Canadian Olympic Committee
- Canadian Paralympic Committee
- Hockey Canada

ARTS AND CULTURE

National

- Indspire Awards
- One Drop Foundation
- Rendez-vous de la francophonie
- National Youth Orchestra of Canada

Atlantic Provinces

- Festival of Flight
- Jack Frost Festival

Québec

- DiversCité
- Festival des films du Monde
- Festival Opéra de Québec
- Fondation CMA
- Fondation du Collège Édouard Montpetit
- Grands Ballets Canadiens de Montréal
- Juste pour rire/Just for Laughs
- Marché Casse-Noisette
- Montréal Passion Vin
- Musée des Beaux Arts de Montréal
- Orchestre symphonique de Montréal
- Orchestre Métropolitain
- The QCGN Sheila and Victor Goldbloom Distinguished Community Service Award

Ontario

- Fashion Cares
- Festival Franco-ontarien
- JFL42
- National Ballet of Canada

LIST OF GOALS FOR 2013

Increase visibility and awareness for the new Air Canada Foundation through social media, print material, branded aircraft and sponsored events across Canada

Increase financial grants to charities by 50%

Increase revenue from the annual Air Canada Foundation golf tournament by 25%

Increase Aeroplan mileage donations through better awareness of matching opportunities

Introduce employee payroll deduction for the Air Canada Foundation

- Toronto International Film Festival
- Toronto Symphony Orchestra
- True Patriot Love Dinner Gala

- Winnipeg Symphony Orchestra
- Winnipeg Art Gallery

British Columbia

- Coup de cœur francophone
- Festival d'été francophone de Vancouver
- S.U.C.C.E.S.S. Gala
- Vancouver Symphony Orchestra
- Walk with the Dragon

Prairies

- Canadian Museum for Human Rights
- Edmonton Symphony Orchestra
- Festival du Voyageur
- Royal Winnipeg Ballet



**Adriana Schuurman,
Flight Attendant, explains
how the Air Canada VIP
helped build a school
in Haiti**

Toronto-based Flight attendant Adriana Schuurman has supported the Joy of Hope of Haiti annual dinner for several years running with assistance from Air Canada's Volunteer Involvement Program (VIP).

"We would not be able to fill a room like this unless corporations like Air Canada step up to the plate and offer something to entice people to purchase tickets. The raffle for Air Canada tickets was definitely a highlight of the evening," says Adriana. "This year, approximately 700 guests enjoyed themselves at the dinner and purchased raffle tickets for a chance to win."

"I have personally travelled to Haiti and have seen with my own eyes the positive difference proper school buildings are making in the lives of thousands of Haitian children, and I have returned with a passion to help these children," says Adriana. "The many children benefiting from the funds live in the north of Haiti and had no idea this event was taking place. When they step into their new schoolhouse for the first time they will come to know just how big a difference an event like our Joy and Hope of Haiti auction, held thousands of miles away, can make."



**Catherine Scrimgeour,
Communications Manager,
Air Canada System
Operations Control,
discusses her involvement
in the VIP**

have been involved with the Friends of We Care Foundation for six years.

The foundation raises funds to send children with physical disabilities to specialized summer camps. These camps allow the kids to achieve goals they could never have imagined, giving them the chance to play sports, have adventures, learn life skills and make friends.

I was encouraged to volunteer at some of their local events by a friend who worked in the hospitality industry and once I met the children who benefit from this wonderful cause, I was hooked.

On May 5, 2012 the Friends of We Care Foundation held a gala with the theme 'the world at your table.' There were chef stations featuring culinary delights from around the globe and all the volunteers, like me, dressed as flight attendants (anything for the kids!).

Through its VIP program Air Canada generously donated two Air Canada tickets to anywhere in North America for our raffle. This generated an incredible \$23,000 and will provide 115 days at camp! My favourite aspect of the gala evening is when the children and families share their stories of how days at camp have changed their lives. There is never a dry eye in the house and I cannot help but be grateful to Air Canada and the hospitality industry for stepping up in such a big way.

In the words of one child at camp: "I get to go on a two-week holiday where I can go swimming as much as I want and hang out with new friends who are like me."



Three questions for Craig Landry, Vice President Marketing, about Air Canada's cultural support programs.

1. What does the idea of community mean to Air Canada?

As a global airline flying all over the world, we are active in many different types of communities. This includes not only the conventional geographic notions of community like cities or towns, but also other types of communities where people share a common heritage or common interests. Our support of the aboriginal community is an example of this, as is our support of the Olympics and Paralympics, professional hockey teams, and symphony orchestras across Canada, to name a few. We consider communities to be any place people act together to help one another, better themselves, or just have fun enjoying something in common.

2. How does Air Canada contribute to community enrichment?

We do this in a number of ways both directly and indirectly, including by donating travel to community groups to raise money or by sponsoring Canadian athletes through the Olympics and Paralympics or Hockey Canada. We also leverage our position as Canada's largest airline, for example using our In-Flight Entertainment system – which reaches 35 million people a year – to promote Canadian movies and artists. We also work to lend visibility to cultural events, notably the Air Canada *enRoute* Film Festival or various Francophone festivals, heightening awareness of these events within the communities where they occur.

3. Why does Air Canada do this?

Of course there are sound business reasons to support communities, however that really is only part of it. Like people everywhere, the people who work at Air Canada want to contribute to our society and be a part of something bigger than ourselves. We believe in the communities we support, and want to help them build towards a dynamic and bright future. We also believe in our role as a corporate citizen, and our contribution and investment in the fabric and the sustainability of the communities we serve reflects this commitment.





Annex

GARDER LEVE
ESSAIS

CLEAR
RAFT RUN UP

Other GRI Indicators – SAFETY

GRI Indicator			Units	2012	2011
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Employees represented in formal joint management-worker H&S committees.	% people	92%	>88%
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	% of security personnel who have received formal training in AC's policies on, or specific procedures for, human rights issues and their application to security.	% people	100%	100%

GRI Indicator			Units	2012	2011	2013 Target	2013 Reduction %	
AC	Specific Safety KPIs	Occupational Health and Safety	Fatalities	# people	0	0	0	0%
			Injury rate for total workforce	per 100 employees	2.349	2.393	2.067	-12%
			Lost time rate for total workforce	per 100 employees	1.053	1.957	0.927	-12%
			Lost time injuries	# people	1300	1504	1144	-12%
			Total lost time injury days	# of days	36,062	50,980	28,850	-20%
				Units	Actual	Target	2013	
	Safety Programs	Automated External Defibrillators Installation	#	38	29	65		
		Emergency response exercises	#	7	Once every 3 years			
		Business continuity plans	#	11	11			
				Units	Actual	Target	2013 Targets	2013 Reduction %
	Safety of Flight Achievements	Accidents	#	0	0	0	0%	
		High and severe incidents	#	0	0	0	0%	
		Traffic Collision Avoidance System – Resolution Advisory	#	82	91	82	0%	
	Audit	IATA (IOSA) operational audit	Amount of findings	0	0	N/A		
		IATA potable water audit	Amount of findings	0	0	N/A		
		Health Canada potable water audit	Amount of findings	0	0	N/A		
		Partners in Injury Reduction Occupational Safety and Health	%	87%	80%	80%		

Other GRI Indicators – ENVIRONMENT

GRI Indicator				Unit	2012	2011	Variation (%)	
EN3	Direct energy consumption by primary energy source.	Direct non-renewable energy sources	Air Operations	Aircraft fleet fuel	GJ	128,387,510	126,883,989	1%
				Aircraft fleet biofuel	GJ	847	0	0%
		Ground operations	Diesel / gasoline	GJ	244,340	259,193	-6%	
			Propane	GJ	27,877	26,445	5%	
			Natural Gas	GJ	640,454	750,530	-15%	
		Total energy consumption				GJ	129,301,028	127,920,157

For Ground operations, diesel/gasoline/propane numbers pertain to Canada only.

For Natural Gas, the numbers are for Canada as well as certain locations in the US (Los Angeles, Chicago).

EN4	Indirect energy consumption by primary source.	Purchased electricity	GJ	473,403	533,363*	-11%
		Corresponding primary energy	GJ	173,334	195,288	-11%

Canadian locations only. The corresponding primary energy was calculated based on specific electricity intensity factors.

EN5	Energy saved due to conservation and efficiency improvements.	Total energy saved by efforts to reduce energy use and increase energy efficiency from year to year	GJ	1,981,789	-1,264,487.68
			Million of litres	54.87	-35.01
			revenue tonne km	36.28	36.84

				Unit	2012	2011	Variation (%)
EN16	Total direct and indirect greenhouse gas emissions by weight.	Direct GHG emissions (scope 1)	a) Aircraft fleet emissions	T CO ₂ eq	9,069,761	8,963,547	1%
			b) Emissions from stationary combustion	T CO ₂ eq	32,964	38,737*	-15%
			c) Emissions from GSEs	T CO ₂ eq	20,345	21,006	-3%
			d) Emissions from halo-carbon releases	T CO ₂ eq	848	498	70%
		Indirect GHG emissions (scope 2)	a) Electricity emissions	T CO ₂ eq	9,922	11,060*	-10%
		Total GHG emissions (Scope 1 and 2)				T CO₂ eq	9,133,840
EN17	Other relevant indirect greenhouse gas emissions by weight.	Indirect GHG emissions (scope 3)	a) Emissions from Jazz and Sky regional fleet	T CO ₂ eq	1,160,299	1,081,964	7%
			b) Emissions from Jazz facility operations	T CO ₂ eq	2,355	2,481*	-5%

The difference in emissions relate to a change in scope boundary. Sky Regional signed a capacity purchase agreement in 2012 with Air Canada. Therefore, the total Air Canada indirect emissions include Sky Regional as well as Jazz

EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	CO ₂ efficiency	kg CO ₂ /100T km	92.58	93.99
		CO ₂ avoidance year over year	tonnes of CO ₂	141,026.34	-89,968

* The difference in the 2011 numbers from the previous Corporate Sustainability Report are due to improved calculation methods.

GRI Indicator		Unit	2012		2011		Variation (%)				
			hazardous	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous			
EN22	Total weight of waste by type and disposal method.	The total amount of waste (hazardous & non-hazardous)	By type for recycling	a) Paper	Tonnes		275	0	366		-25%
				b) Cardboard	Tonnes		154	0	220		-30%
				c) Wood	Tonnes		162	0	124		31%
				d) Metal	Tonnes		392	0	853		-54%
				e) Recyclable mix	Tonnes		51	0	37		37%
				f) Used as alternative fuel	%	36		41		-12%	
			By type for landfill	a) Total	Tonnes	0	1,949	0	2,881		-32%
			Waste diverted by landfill	%		35%		36%		-1%	
			By type for recycling	Tonnes		1,033		1,600		-35%	
			By type for incineration (or use as fuel)	Tonnes	192		239		-20%		
			By type for landfill	Tonnes		1,949		2,881		-32%	
			By type for other (td by organization)	Tonnes	338		339		-0%		

The waste data is for Canadian facilities only. The non-hazardous waste data was gathered by contacting the new single vendor and then contacting the remaining vendors not covered under that contract.

		Unit	2012	2011	Variation (%)	
EN23	Total number and volume of significant spills.	Number of significant spills	#	126	79	59%
		Number of jettisons	#	5	2	150%

Similar to 2011, the majority of significant spills in 2012 were related to lavatories which have a very low quantitative threshold for reporting. The majority of all spills occurred on hard surfaces such as tarmac or concrete and were contained, resulting in minimal environmental impact. No spills were material enough to be reported in Air Canada's financial statements.

EN19	Emissions of ozone-depleting substances by weight.	Emissions of specific ozone-depleting substances	# of	15	13	15%
			T	0.63	0.38	66%
			T CO ₂ eq	848	498	70%
EN1	Materials used by weight or volume.	a) Fuel consumption	MT	2,879,289	2,845,571	1%
		b) Glycol consumption	MT	2,157	2,789	-23%
		The total weight or volume of direct materials used		2,881,446	2,848,360	1%
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Report quantitatively the extent to which environment impacts of products and services have been mitigated during the reporting period.	kg of recycled glycol	404,278	566,316	29%

Other GRI Indicators – EMPLOYEES

GRI Indicator		Status	Units	2012			2011						
				Female	Male	Female	Male						
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	Permanent	# people	11,337	15,699	11,377	15,826						
		Temporary	# people	120	70	74	78						
		Total workforce	# people	11,457	15,769	11,451	15,904						
		Level		2012					2011				
				< 25 yrs	25-34 yrs	35-44 yrs	45-54 yrs	55+ yrs	< 25 yrs	25-34 yrs	35-44 yrs	45-54 yrs	55+ yrs
		Executive	# people			5	10	10			5	8	8
		Senior A	# people			8	31	13			10	29	13
		Senior B	# people		4	27	51	24		5	26	48	17
		Middle management	# people	1	85	257	333	141		90	235	311	118
		Management 2 nd Level	# people	13	249	371	398	180	23	252	337	369	153
		Management 1 st Level	# people	6	49	90	92	55	3	34	90	75	38
		Non Management	# people	860	3,400	6,256	8,709	5,498	851	3,500	6,528	9,073	5,106
		Total workforce	# people	880	3,787	7,014	9,624	5,921	877	3,881	7,231	9,913	5,453
				2012			2011						
				Female	Male	Female	Male						
	Breakdown by employee status	Full Time	# people	10,192	14,415	10,148	14,542						
		Part Time	# people	1,265	1,354	1,303	1,362						
		Total workforce	# people	11,457	15,769	11,451	15,904						
	Geographical breakdown	Antigua			1		1						
		Argentina		9	3	9	3						
		Australia		11	3	11	2						
		Bahamas			1		1						
		Barbados			5		5						
		Belgium		4	1	1	1						
		Bermuda		7	4	7	4						
		Brasil		29	39	27	40						
		Canada		10,583	14,873	10,581	15,008						
		Chile		1	2	1	2						
		China		25	14	2	1						
		Colombia		1		1							
		Denmark			1		1						
		Dominican Republic		1		1							
		France		36	20	36	22						
		Germany		80	74	82	67						
		Guadeloupe		1	2		2						
		Hong Kong				24	13						
		India			1		1						
		Israel		11	2	11	2						
		Italy		4	3	5	2						
		Jamaica		13	5	12	6						
		Japan		17	18	16	18						
	Korea			1		1							
	Mexico		9	4	9	5							
	Peru			1									
	Saint Lucia		1		1								
	Switzerland		8	7	5	6							
	United Kingdom		249	410	247	410							
	United States		357	274	362	280							
	Total workforce		11,457	15,769	11,451	15,904							

GRI Indicator	Units	2012		2011	
		Female	Male	Female	Male
LA12 Percentage of employees receiving regular performance and career development reviews by gender.	% employees	9.5%	11.0%	8.7%	10.6%

Air Canada only provides formalized Performance Reviews to non-union employees.

GRI Indicator	Employees per age group	Canada				United States				United Kingdom				Rest of the world				Total				
		Female		Male		Female		Male		Female		Male		Female		Male		Female		Male		
		People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	People	Rate (%)	
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Employee hires as of 31/12/12																					
	<30 years old	596	57%	614	49%	27	66%	14	50%	12	48%	17	40%	10	43%	8	53%	645	56%	653	48%	
	30-50 years old	317	6%	594	7%	18	11%	14	10%	2	2%	6	3%	14	9%	14	10%	351	6%	628	7%	
	>50 years old	103	3%	96	2%	8	5%	7	6%	5	5%	1	1%	3	4%	1	2%	119	3%	105	2%	
	Employees leaving employment as of 31/12/12																					
	<30 years old	303	29%	390	31%	17	41%	10	36%	4	16%	10	23%	4	17%	6	40%	328	29%	416	31%	
	30-50 years old	309	5%	393	5%	21	13%	16	12%	4	3%	6	3%	10	6%	9	6%	344	6%	424	5%	
>50 years old	372	10%	611	11%	13	8%	13	12%	5	5%	9	6%	7	9%	7	13%	397	10%	640	11%		

GRI Indicator	Units	2012		2011		
		Female	Male	Female	Male	
LA15 Return to work and retention rates after parental leave, by gender.	Return from parental leave to active status	# employees	71	69	352	230
	Remaining on leave	# employees	194	49	191	80
	Terminated	# employees	1	1	1	0
			266	119	544	310

GRI Indicator	Employee Category	Labour Description	2012				2011			
			Female (avg. hrs)	Male (avg. hrs)	# Employee Trained	Total Employee	Female (avg. hrs)	Male (avg. hrs)	# Employee Trained	Total Employee
LA10 Average hours of training	Non Management	ACPA Pilots	25.9	25.0	3,111	3,111	26.4	20.2	3,070	3,073
		CALDA Flight Dispatch	29.5	29.7	65	66	26.0	62.0	72	74
		CAW Cust. Serv. Agents	32.0	30.8	3,381	3,868	27.7	23.1	3,363	3,977
		- Flight Ops Crew Sched	27.0	47.6	43	46	0.3		42	45
		- IFS Crew Sched	0.5	9.2	6	78	0.3		1	79
		CUPE	31.4	31.8	6,262	6,704	25.7	25.1	6,186	6,581
		IAM Ground and Tech. Workers	11.3	32.2	6,291	9,127	8.0	27.4	5,715	9,427
		IBT	1.7	1.9	106	541	2.4	3.4	115	552
		International	0.1	10.4	29	326	0.6	4.0	15	318
		MSF		41.1	24	35		36.8	26	36
	TGW		0.6	7	567		0.1	3	566	
	Non Management Total		27.0	29.1	19,325	24,469	22.5	24.2	18,608	24,728
	Management	ATS	2.9	2.1	53	251	16.3	9.9	157	279
	Management	13.9	14.1	1,283	2,506	30.6	27.5	1,670	2,322	
Management Total		12.3	13.6	1,336	2,757	28.1	26.6	1,827	2,601	
Overall		25.4	27.6	20,661	27,226	23.1	24.4	20,435	27,329	

GRI Indicator		Age	Units	2012				2011									
				Female		Male		Female		Male							
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Employees in governance bodies per age group*	35-44 yrs	# people	0	5	0	5									
			45-54 yrs	# people	3	7	2	6									
			55+ yrs	# people	4	6	3	5									
						2012				2011							
						First nations		Minorities		Disabled		First nations		Minorities		Disabled	
						Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
		Employees in governance bodies per minority group*	35-44 yrs	# people	0	0	0	0	0	0	0	0	0	0	1	0	0
			45-54 yrs	# people	0	0	0	0	0	0	0	0	0	0	0	0	0
			55+ yrs	# people	0	0	0	0	0	0	0	0	0	0	0	0	0
					2012				2011								
					Female		Male		Female		Male						
	Employees per age group	< 25 yrs	# people	399	481	334	543										
		25-34 yrs	# people	1,716	2,071	1,760	2,121										
		35-44 yrs	# people	2,973	4,041	3,070	4,161										
		45-54 yrs	# people	3,792	5,832	3,957	5,956										
		55+ yrs	# people	2,577	3,344	2,330	3,123										
				2012				2011									
				First nations		Minorities		Disabled		First nations		Minorities		Disabled			
				Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male		
Employees per minority	< 25 yrs	# people	3	7	91	139	2	3	3	6	79	155	2	4			
	25-34 yrs	# people	16	18	554	604	7	14	20	15	538	611	7	16			
	35-44 yrs	# people	46	32	700	805	15	32	42	38	701	741	17	34			
	45-54 yrs	# people	46	67	483	708	53	84	49	65	445	673	55	95			
	55+ yrs	# people	24	29	218	418	58	87	17	25	185	369	69	84			

* Executive management

In 2012 we were judged the “Best International Airline in North America” at the Skytrax World Airline Awards for the third consecutive year. Global Traveler named Air Canada Best Airline in North America and the readers of Business Traveler deemed us Best North American Airline for International Travel and Best North American Airline In-Flight Experience. These and other industry awards (listed below) confirm that we remain an industry leader in customer service and that our employees continue to be engaged in delivering on our product.

Skytrax, 2012 World Airline Awards
(Third consecutive year)

Business Traveler
(Fifth consecutive year)

Global Traveler

Ipsos Reid

Business Traveller Survey

2012 Business Traveller Awards

Executive Travel magazine's 2012
Leading Edge Awards
(Fifth consecutive year)

Baxter Travel Media's Agents'
Choice Awards

Premier Traveler

Forwarders Choice Awards – Western,
Eastern and Central regions

Webbies Awards



AIR CANADA 

A STAR ALLIANCE MEMBER 