



FAQ – Update on Share Trust

April 2026

We are pleased to share that all necessary approvals have been obtained, and all conditions have been met to be able to offer voluntary separation packages (VSPs) to eligible employees and make lump sum payments to pensioners using proceeds from the Share Trust. Please find below some information relating to the Share Trust and next steps.

General

What is the Share Trust?

In 2009, Air Canada and its employees faced a nearly \$3 billion solvency deficit in its defined benefit Canadian pension plans. At that time, Air Canada, the Air Canada Pionairs and Air Canada's Canadian unions, namely CALDA, CAW-Canada (now Unifor), the IAMAW, ACPA (since replaced by ALPA) and CUPE worked together to protect the plans and Air Canada. As a result, 17,647,059 Air Canada shares were issued to a Share Trust allocated amongst these unions, with the sole purpose of providing funds to reduce or eliminate fund pension solvency deficits in the Canadian pension plans if the need arose.

However, since 2009, Air Canada's Canadian pension plans have gone from an almost \$3 billion deficit to a \$4.4 billion surplus as of January 1, 2025. Since the plans are in a significant surplus position, Air Canada and the unions, with the support of the Pionairs, entered into a letter of intent (LOI) in 2022 to expand the purpose of the Share Trust, subject to the satisfaction of certain conditions, including the execution of definitive documentation and certain regulatory approvals. All of these conditions have now been met.

How is the purpose of the Share Trust being extended?

There are two main ways in which employees and pensioners may directly benefit from this:

- 1) Some of the shares in trust will be used to pay VSPs to eligible employees who would like to retire or leave Air Canada, and
- 2) Another part of the shares in trust will be used to make lump sum payments to pensioners and survivors (unionized and non-unionized).

How will the shares in trust be split?

In accordance with the LOI, the shares have been allocated as follows for the three different uses:

Use	Number of shares allocated	Initial value of allocated shares
Potential future solvency deficits in the Canadian defined benefit pension plans	1,290,979	\$24,352,950
VSPs for unionized and non-unionized employees	7,315,276*	\$138,000,000*
Lump sum payments to Canadian unionized and non-unionized pensioners and survivors of the defined benefit pension plans	9,040,510	\$170,539,638
Total	17,646,765*	\$332,892,588

* There were originally 17,647,059 shares in the Share Trust. However, ALPA sold 294 shares in 2017. The proceeds of those shares in the amount of \$5,072 (included in the \$138,000,000) are still in the Share Trust and will be used for ALPA VSPs.

Although we provide share values in the above table and throughout this FAQ, the actual amounts that will be



available for each use will depend on Air Canada's share price at the time shares are sold for that specific purpose.

Furthermore, VSPs and lump sum payments depend on completing share sales, which can only be initiated when permitted under securities rules. Payment dates may need to be adjusted due to these restrictions.

How are the shares allocated by employee group?

The shares allocated to the VSPs and to lump sum payments for pensioners are split among employee groups using the following percentages which were agreed upon when the parties entered the LOI:

	Percentage allocation of shares by group	Shares allocated for VSPs	Shares allocated for lump sum payments to pensioners
IAMAW	31.77%	2,324,149	2,872,170
CUPE	17.12%	1,252,421	1,547,735
Unifor	11.11%	812,757	1,004,401
ALPA	27.96%	2,045,157*	2,527,727
CALDA	0.38%	27,799	34,354
Non-unionized	11.66%	852,993	1,054,123
Total	100%	7,315,276	9,040,510

* In addition, the proceeds of the 294 shares sold in 2017 in the amount of \$5,072 will also be allocated to the ALPA VSPs.

In accordance with the LOI, certain proceeds from the sale of shares that will be used to pay VSPs and lump sum payments for pensioners will be used to reimburse costs incurred by the trust and Air Canada for its implementation.

Have all the shares in trust been sold already?

No. Shares will only be sold at the time the money is required to pay VSPs, for lump sum payments to pensioners, costs or for solvency deficits (if any).

Voluntary Separation Packages

Who will VSPs be offered to and when can we expect the first round of VSPs?

Three rounds of VSPs are contemplated for eligible unionized employees:

- First round in 2026.
- Second round in 2028 or 2029 (but at least 24 months following the first round). For example, if the first round becomes available in October 2026, the second round cannot be offered before October 2028.
- Third round between 2030 and 2037 (but at least 24 months following the second round).

Non-executive management and AT&S employees will not be eligible for these rounds.



How many VSPs will be offered in 2026?

In accordance with the LOI, shares having a value up to \$40.6M can be sold for the first round of VSPs for unionized employees (i.e., excluding the portion of \$5.4M for non-executive management and AT&S employees). This first round will be divided by group of employees, as follows:

	Percentage allocation of shares by group	Amount by group for the first VSP round*
IAMAW	31.77%	\$14.6M
CUPE	17.12%	\$7.8M
Unifor	11.11%	\$5.1M
ALPA	27.96%	\$12.9M
CALDA	0.38%	\$0.2M
Non-unionized	11.66%	No immediate VSP
Total	100%	\$40.6M
* These amounts assume the maximum of \$46M is available.		

We estimate that as many as 400 unionized employees will be able to choose to leave with a VSP under the first round in 2026.

Although some of the shares will be allocated for VSPs to non-executive management and AT&S employees, the VSPs for that group will be offered by Air Canada at the times it chooses in its discretion before December 31, 2037.

The number of VSPs available will depend on the value of the shares allocated to VSPs and circumstances of the employees who apply for a VSP at the time. Up to \$138M can be used in total for VSPs. It should be noted that costs incurred for the administration of the VSP payments will reduce the amount available for VSPs.

When will VSPs be offered in 2026?

The program is expected to open in June 2026 for all unionized employee groups. More details will be provided with the opening of the program.

Will there be one date only to choose when to take the VSP?

There will be only one date to choose from. We are targeting an effective VSP date of October 1, 2026, for all eligible unionized employees.

How will the VSP award be calculated?

For unionized employees, VSPs will consist of 2 weeks of average weekly wages per year of company service, up to a maximum of 52 weeks of wages. For employees on unpaid leave during all or part of the 52 weeks immediately preceding the VSP application period, average weekly wages shall be calculated for the leave period in accordance with a separate formula. For these purposes:

- “wages” are defined as all remuneration paid to an employee applying for a VSP for work performed, including overtime, except for (i) amounts paid pursuant to the Annual Incentive Plan and the Profit Sharing Plans and (ii) any amounts paid which are not remuneration, such as disability benefits, expense reimbursements, and per diems.
- “average weekly wages” shall mean the average of the wages, as defined above, calculated as the total of the wages paid to the employee (and/or derived earnings calculated in accordance with a separate formula



for employees on unpaid leave) in the 52 weeks immediately preceding the date on which Air Canada opens the application period for VSPs, divided by 52.

- “*company service*” is defined in the company’s service dates policy, i.e. the date marking the start of the employee’s continuous employment with the Company.

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

Who will be eligible to apply for a VSP?

VSPs will be offered only to eligible unionized employees who (i) have a minimum of 10 years of company service at the time they are offered and (ii) are either actively employed or on unpaid leave.

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

Is there already a list of employees who will be eligible for VSPs and when will it be available to us so we can prepare for this important decision?

No list of eligible employees has been drafted. VSPs will be granted in accordance with seniority within each union group and will also be based on the amount of Share Trust assets allocated, the number of employees and the wages and company service of employees applying and accepted within each union group.

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

No. Air Canada cannot determine at this time whether an individual will receive a VSP. This is because between now and the time VSPs may be offered, some employees will retire and some will leave Air Canada and no employees are required to apply for a VSP (that means some employees more senior than you may not apply).

Can I apply now for a VSP?

No. The application window, including more details on the program, will be communicated at a later date.

Will VSPs be paid out in a lump sum, monthly or bi-weekly?

VSPs will be paid as a lump sum.

Will VSPs be treated as a severance package or salary because that could have different income tax implications for employees?

VSP awards will be subject to applicable income taxes at a lump sum tax rate, based on province of residence of the employee, as follows:

Quebec residents	Lump sum tax rate
Up to \$5,000	5% federal plus 14% provincial
From \$5,001 to \$15,000	10% federal plus 19% provincial
Over \$15,000	15% federal plus 19% provincial



All other provinces	Lum sum tax rate
Up to \$5,000	10% federal and provincial combined
From \$5,001 to \$15,000	20% federal and provincial combined
Over \$15,000	30% federal and provincial combined

Lump sum tax rates are likely to be less than marginal tax rate applicable to total taxable earnings of the employee in the year they receive the VSP award. Therefore, they may be responsible for payment of additional income taxes when filing their tax return for the year in which they receive the VSP award.

Can my VSP award be paid directly into my RRSP?

No.

Lump Sum Payments to Pensioners

How much will be paid to the pensioners?

There will be a first payment of \$100M, less applicable costs, made in 2026 and five other payments in the following years: 2027, 2028, 2031, 2034 and 2037. The amount of the five other payments will depend on the number and value of shares allocated to the pensioners at the time of each payment.

When will pensioners receive their first and second lump sum payment?

It is expected that the first lump sum payment will be made during the fall of 2026, and the second lump sum payment during the summer of 2027.

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

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

All pensioners who retired in 2009 or before will receive the same percentage of their annual pension. All other eligible pensioners will receive a percentage of their annual pension which will vary based on their year of retirement.

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

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

When will I know how much I will receive?

The lump sums cannot be calculated in advance since the amounts will depend on the population eligible for the payment. The calculations will be performed in the coming weeks. Before the payments are issued, eligible pensioners will receive a personalized statement with the amount payable.



Will my lump sum payment be subject to tax?

Yes. Applicable taxes will be deducted at source.

How will future lump sum payments be calculated?

For the payment in 2027 and subsequent payments in 2028, 2031, 2034 and 2037, pensioners will also receive a percentage of the CPI increase but based only on the CPI increase since the last lump sum payment (or January 1 following retirement if later). Therefore, the payment made in 2027 will only reflect a percentage of the CPI increase in 2026. Pensioners who retired before January 1, 2027, will be eligible to receive a portion of that payment. Employees who will retire in 2027 will be eligible for the subsequent payments to be made from 2028 to 2037.

For payments after the initial \$100M, the total lump sum amounts will depend on the number of shares remaining and the value of such shares at the time of each payment. For example, in 2027, 20% of the remaining shares initially allocated for payments to pensioners will be used.

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

Year of Payment	Portion of remaining shares used for lump sum payments
2027	20%
2028	25%
2031	33.33%
2034	50%
2037	100%

We note that the total shares reserved to make lump sum payments to pensioners will be allocated to each employee group according to the same percentages as for the shares allocated to the VSPs. After the initial distribution of \$100M, which will be based on the methodology we describe above, the remaining number of shares by union will vary. Therefore, the percentage of CPI paid as a lump sum after the initial payment will vary by employee group, depending on the number of shares remaining for each group and the demographics of the groups.

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

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

Additional information

Where can I find additional information?

You will find more information in the various communications and FAQs posted on Aeronet since 2021 through the following link: [Share Trust](#).