NAV CANADA

2016 ANNUAL INFORMATION FORM 51-102F2

Year Ended August 31, 2016

October 27, 2016

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NAV CANADA

2016 ANNUAL INFORMATION FORM

ON FORM 51-102F2

CAUTION CONCERNING FORWARD-LOOKING INFORMATION

This annual information form (AIF) contains certain statements about our future expectations. These statements are generally identified by words like "anticipate", "plan", "believe", "intend", "expect", "estimate", "approximate" and the like, as well as future or conditional verbs such as "will", "should", "would" and "could", or negative versions thereof. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. Examples include geopolitical unrest, terrorist attacks and the threat of terrorist attacks, war, epidemics or pandemics, natural disasters, weather patterns, environmental concerns, cyber security attacks, labour negotiations, arbitrations, workforce recruitment, training and retention, general aviation industry conditions, air traffic levels, the use of telecommunications and ground transportation as alternatives to air travel, capital market and economic conditions, the ability to collect customer service charges and reduce operating costs, the satisfaction of criteria for the remaining Aireon LLC (Aireon) investment tranches such as the successful deployment of the Aireon system, the success of our investment in space-based aircraft surveillance through Aireon, credit losses on investments, changes in interest rates, changes in laws, tax changes, adverse regulatory developments or proceedings and lawsuits. Some of these risks and uncertainties are explained under "Risk Factors" in this AIF. The forward-looking statements contained in this AIF represent our expectations as of October 27, 2016 and are subject to change after this date. Readers of this AIF are cautioned not to place undue reliance on any forward-looking statement. We disclaim any intention or obligation to update or revise any forward-looking statements included in this document whether as a result of new information, future events or for any other reason, except as required by applicable securities legislation.

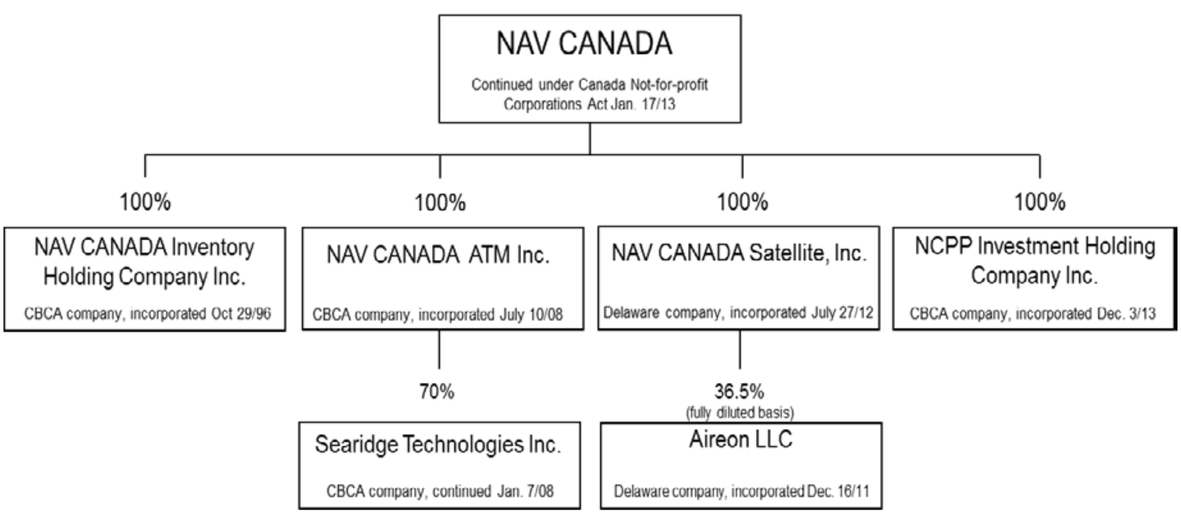
CORPORATE STRUCTURE

Name, Address and Incorporation

NAV CANADA (also referred to in this AIF as we, our, us or the Company) was continued under the *Canada Not-for-profit Corporations Act* on January 17, 2013. The Company was originally incorporated on May 26, 1995 as a non-share capital corporation under Part II of the *Canada Corporations Act*. Our head office is located at 77 Metcalfe Street, Ottawa, Ontario K1P 5L6.

Intercorporate Relationships

The following chart illustrates the corporate structure of the Company.



BUSINESS OF THE COMPANY

Introduction

NAV CANADA is the private sector, non-share capital company that operates Canada's civil air navigation system - the ANS. Our services are provided to aircraft owners and operators within Canadian-controlled airspace and include air traffic control (ATC), flight information, weather briefings, airport advisories, aeronautical information and navigation aids. As the ANS is an essential service for air transportation, we have operations throughout Canada. We acquired the ANS from the Government of Canada in 1996 for a purchase price of $1.5 billion.

Our core business is to manage and operate the ANS and related services in a safe, efficient and cost effective manner. Our mandate covers both Canadian airspace and airspace delegated to Canada under international agreements.

Corporate Vision, Objectives and Values

Vision - To be the world's most respected air navigation service

Overarching Objective - To be a world leader in the provision of safe, efficient and cost effective air navigation services on a sustainable basis while providing a professional and fulfilling work environment for our employees. The Company will achieve this by:

- Maintaining a safety record in the top decile of major air navigation service providers (ANSPs) worldwide;
- Maintaining ANS customer service charges, on average, in the bottom quartile (lowest charges) of major ANSPs worldwide by ensuring that the growth in costs of providing air navigation services does not exceed the growth in revenues, thereby resulting in a decline in customer service charges over the long term;
- Implementing and maintaining a modern, cost-efficient ANS technology platform in the top quartile of major ANSPs worldwide;
- Providing value to our customers by assisting in improving operational efficiency through innovative uses of technology and delivery of service, domestically and internationally;
- Continuously striving to create a work environment which places NAV CANADA amongst the best employers in Canada; and
- Identifying and, where feasible, introducing measurable benefits which contribute to the reduction of the environmental footprint of the aviation industry.

Values - Respect, excellence and customer service

Business Principles

- Safety first
- Customer service focus
- Transparency and consultation
- A safe, challenging and rewarding workplace
- International leadership and co-operation
- Prudent financial management

Safety Mandate

Our primary mandate is to deliver safe air navigation services in Canadian-controlled airspace.

Transport Canada regulates the safety aspects of our business. In support of safe operations, NAV CANADA and Transport Canada have established a joint Safety Oversight Committee. This and other forums support open communication on safety issues with the regulator. We consider our relationship with Transport Canada as a partnership committed to improving the safety of the ANS.

Along with the oversight provided by Transport Canada, NAV CANADA's management of safety includes oversight at multiple levels within the Company as follows:

- the Safety Committee of our Board of Directors (the Board) is responsible for monitoring the integrity and the effectiveness of the Company's operational risk management safety policies;
- our Office of Safety and Quality, which is the corporate safety office reporting directly to the President & Chief Executive Officer, is responsible for safety oversight activities throughout the Company and monitors the application of the Safety Management System (SMS) at NAV CANADA;
- the SMS Integration Working Group comprised of senior managers from each department of the Company oversees and coordinates safety improvement activities at NAV CANADA; and
- senior managers in each of the operational groups are responsible for the oversight of safety within their groups, with assigned responsibilities and accountabilities.

The Company promotes a strong safety culture through the development and communication of safety initiatives, with continuous communication activity on safety issues providing a clear understanding of the SMS and its key elements and promoting a broad sharing of information, with accountability for the safety performance. Many other forums are used to share safety information including committees, working groups, newsletters, training, and seminars.

Safety Management System

Corporate safety policies define our SMS and identify the safety-related responsibilities and accountabilities for all officers and other senior managers of the Company. The five key elements of our SMS are safety planning, operational risk management, exchange of safety information, safety management assurance, and safety performance measurement.

Activities throughout the Company in support of the SMS include, but are not limited to, corporate, group and project safety planning, incident and hazard reporting with a just culture, aeronautical studies, safety audits, operations safety investigations, safety reviews, and hazard identification and risk assessments (HIRAs) to manage the risks associated with operational changes. The SMS is routinely assessed to assure the ongoing effectiveness of its processes.

The Company has a confidential safety reporting system called ARGUS which provides any employee the opportunity to identify a safety concern that, in the employee’s opinion, may not have been addressed appropriately.

Our SMS is fully compliant with applicable federal regulations. The maturity of our SMS is also assessed against the Civil Air Navigation Services Organization (CANSO) SMS Standard of Excellence, and is consistently rated amongst the highest of ANSPs worldwide.

Our Services

All aircraft in Canadian-controlled airspace depend on the ANS for their safe and efficient movement. Our services include ATC, flight information, weather information and briefings, airport advisories, aeronautical communication and information, various navigation services and aids, and emergency assistance.

The *Civil Air Navigation Services Commercialization Act* (the ANS Act) governs many of the important aspects of our operations. Among other things, the ANS Act gives us a mandate that includes the right to provide civil air navigation services and the exclusive ability to set and collect customer service charges for civil air navigation services.

The ANS Act also appoints the Company as the Canadian authority responsible for providing ATC services and aeronautical information services for purposes of the *Chicago Convention*, which governs international civil aviation.

NAV CANADA provides air navigation services to aircraft in Canadian domestic airspace and in international oceanic airspace delegated to Canada by ICAO - the International Civil Aviation Organization. These services are delivered from various facilities located across the country, including:

- 7 area control centres (ACCs) - located at Vancouver, Edmonton, Winnipeg, Toronto, Montreal, Moncton and Gander
- 41 control towers
- 55 flight service stations (FSS)
- 8 flight information centres (FIC)
- 31 maintenance centres
- 51 community aerodrome radio stations (mainly in northern Canada)
- 60 contract weather office stations
- 46 radar sites, 15 Automatic Dependent Surveillance-Broadcast (ADS-B) receiver sites, and 5 multilateration (MLAT) sensor sites (5 installations, each with 5-35 sensors)
- over 960 electronic aids to navigation

The ANS also includes a network of datalink and voice communication systems, flight/radar data processing systems and air traffic management systems, as well as navigation and surveillance facilities.

Our ANS customers fall into four categories:

- commercial airlines and commercial air cargo carriers,
- business aircraft,
- general aviation (which includes recreational aircraft), and
- state/military aircraft.

Air navigation services can be roughly divided into two categories:

ATC services ensures appropriate spacing between aircraft, and between aircraft and obstructions, not only during flight but on the ground as well. They also maintain an orderly and efficient flow of air traffic. ATC services include issuing clearances for taxiing, take-off and landing, various in-flight instructions to aircraft and applying separation standards between aircraft in flight, i.e., preventing them from coming too close to each other.

Flight information services include traffic advisories to pilots, airport status information, weather data required for pre-flight planning and the operation of flights, and aeronautical information such as the supply of maps, charts and manuals.

In order to provide ANS services, we are dependent on Environment Canada for aviation weather forecasting.

Customer Service Charges

Regulatory Framework

The ANS Act contains charging principles that govern how we set customer service charges. Our charges apply to all aircraft operators, except for a few limited exceptions set out in the ANS Act.

The charging principles are designed to enable NAV CANADA to generate sufficient revenues to meet its current and future financial requirements. They also ensure that the charges meet a number of conditions related to safety, transparency, non-discrimination, equity and international obligations.

In addition to these legislated principles, we engage in consultation with customers on a regular and open basis. Consultation, notices and announcements on new or revised charges are also required under the ANS Act. NAV CANADA may revise existing charges or introduce new customer service charges at any time as long as we follow the charging principles and the processes set out in the ANS Act.

Rate Setting Policies for Customer Service Charges

Rates are set with the intention that revenues will be sufficient to meet operating and maintenance expenses, depreciation and amortization expense, and interest expenses. The established rates must also allow us to meet the requirements of the rate covenants contained in our Master Trust Indenture dated October 28, 1996 (MTI) and our General Obligation Indenture dated February 21, 2006 (GOI), to fund reserves and contingency margins and – if necessary – to replenish the reserve funds established under the MTI and meet the liquidity levels required under the GOI.

Our policy is to monitor the Company's financial condition on a continuous basis and to adjust customer service charges when required.

The Company recently decreased its customer service charges by 7.6% on average effective September 1, 2016. See “Cost Effectiveness” below.

Service Categories for Customer Service Charges

Customer service charges are divided into four broad categories:

Charge	Description of Air Navigation Services Provided	Based on	Applies to
Enroute charge	To aircraft in flight in Canadian-controlled airspace (excluding oceanic) when not in the take-off or landing phase	Maximum take-off weight of the aircraft and distance flown	Flights landing and taking off in Canada and to flights overflying Canada
Terminal charge	To aircraft during the take-off or landing phase of a flight. ATC Towers and certain landing aids are dedicated to providing terminal services. Certain other facilities (FSSs and ACCs) are used for both terminal and enroute types of air navigation services	Maximum take-off weight of the aircraft	Flights on departure
Daily/Annual/Quarterly	A flat annual, daily or quarterly fee is charged, in lieu of terminal and enroute charges described above	-	Certain categories of small aircraft
North Atlantic (NAT) and International Communication (Int'l COM)	Communication services provided to aircraft flying over portions of the NAT and Arctic ocean	-	Airspace outside of Canada but for which Canada has ATC responsibility under international agreements

The table below shows the revenues we earned from each category of customer service charges over the last three fiscal years.

Revenues by Service Category 2014 - 2016			
	Year ended August 31 ($ millions)		
	2016	2015	2014
Enroute	715	679	641
Terminal	485	476	464
Daily/Annual/Quarterly charges	84	78	75
NAT and Int'l COM	49	47	46
Total	1333	1,280	1,226

Human Resources

We employed approximately 4,700 people as of August 31, 2016 comprised of management staff, technical and administrative support personnel, and Service Delivery staff.

Service Delivery staff are those directly involved in providing air navigation services. They include air traffic controllers, flight service specialists, operational support specialists, electronics technologists, engineers and pilots.

The vast majority of our workforce is unionized (approximately 87%). Our unions have bargaining certificates that divide up the workforce into eight unique bargaining units, typically along job class lines:

Unionized Workforce	Bargaining Unit	Number of Employees Represented by Bargaining Unit as of August 31, 2016
Air Traffic Controllers	CATCA (Canadian Air Traffic Control Association - Unifor Local 5454)	1,810
Electronics Technologists	IBEW (International Brotherhood of Electrical Workers), Local 2228	620
Flight Service Specialists	ATSAC (Air Traffic Specialists Association of Canada - Unifor Local 2245)	613
Professional Engineers and Information Technology staff	PIPSC (The Professional Institute of the Public Service of Canada)	447
Administrative Staff	PSAC (Public Service Alliance of Canada)	275
Operational and Training Support Specialists	Unifor Local 1016	250
Flight Inspection and Service Design Pilots	CFPA (Canadian Federal Pilots Association)	39
Financial Staff	ACFO (Association of Canadian Financial Officers)	24

Recruitment and Training

The recruitment and training of skilled operational personnel, especially licensed air traffic controllers and certified flight service specialists, are significant areas of focus for NAV CANADA. Enhancements to our recruitment and selection processes are being made to ensure that we are attracting and selecting the best talent.

Our staffing objective is evolving with a focus on attaining 100% of the required staffing levels as defined by each operational unit over five years. Achievement of the 100% staffing target will ensure the availability of the appropriate number of staff in each of our operational units. Until such staffing target is achieved, the Company utilizes overtime as necessary to satisfy its staffing levels. Comprehensive planning helps ensure an appropriate number of licensed and certified workers are available when and where required. In fiscal 2016, there were 57 new ATC licenses issued and 29 new flight service specialist qualifications.

Recruitment and retention of other specialties such as engineering, computer science, and electronics technologists remain a focus for management.

Environmental Matters

The Company is committed to providing air navigation services on a sustainable basis, to conducting all of its activities in accordance with applicable environmental laws and regulations, and to achieving levels of environmental protection and environmental performance beyond those required by law whenever reasonably achievable, including:

- identifying, and where feasible, introducing programs with measurable benefits which contribute to the reduction of the environmental footprint of the aviation industry;
- assessing the potential environmental impacts of all projects and activities and preventing or mitigating adverse effects;
- reducing the environmental risk associated with the management of the ANS and related facilities;
- maintaining the registration of our Environmental Management System to the international standard ISO 14001 and continually improving environmental performance and environmental awareness;
- educating and training staff in environmental risk management; and
- communicating our environmental procedures and requirements to suppliers and contractors.

Recognizing that changes to airspace and airport operations can impact communities in different ways and with the aim of balancing safety, efficiency, noise and aircraft environmental emmissions, the Company and the Canadian Airports Council have implemented measures to ensure effective public engagement on changes to flight paths. The *Airspace Change Communications and Consultation Protocol* provides the framework for improved dialogue and better consideration of community noise issues in the flight path design process along with safety, efficiency and environmental considerations. The protocol outlines the roles of various organizations in the aircraft noise issue, what type of airspace changes will be subject to consultation, and how that consultation will be undertaken. The protocol applies to proposed changes at airports with more than 60,000 Instrument Flight Rules (IFR) movements annually.

NAV CANADA is a signatory to Canada's *Action Plan to Reduce Greenhouse Gas Emissions from Aviation*. While the Company is a small user of aviation fuel, some of our decisions in operating the ANS can significantly impact our customers' environmental performance. The Company works hand in hand with industry partners to enable and prioritize technologies and procedures that can reduce Canada's greenhouse gas emissions from aviation.

As reported in our CIFER (Collaborative Initiatives for Emissions Reductions) Status Update for 2016, as a result of collaborative initiatives, it is estimated that in calendar year 2015 our customers saved over $570 million in fuel with a corresponding reduction in greenhouse gas emissions of 5 million metric tons. For many of these initiatives, improving operational efficiency depends on a coordinated approach with all partners in the aviation industry.

NAV CANADA, Iridium Communications Inc. (Iridium) and the ANSPs from Ireland (IAA), Italy (ENAV) and Denmark (Naviair) entered into a joint venture, called Aireon. Aireon's mandate is to provide global satellite-based surveillance capability for ANSPs around the world through ADS-B receivers built as an additional payload on the Iridium NEXT satellite constellation The Aireon project satisfied a major milestone in calendar year 2016 in that all of the ADS-B payloads were built and tested. It is expected that Iridium's launch schedule will enable Aireon to commence commercial operations by calendar year 2018. Aireon projects that airlines will save fuel costs and avoid greenhouse gas emissions by flying more preferred routes enabled by this technology. As Aireon services will be offered worldwide, surveillance of other global airspaces (non-Canadian) will also be enabled, extending Canada's commitment to make aviation more environmentally efficient beyond our own borders.

Insurance

NAV CANADA's fundamental focus on safety is our strength and our most important tool to help reduce risks. In addition to risk reduction strategies, to mitigate the impact of catastrophic events we maintain an insurance program that gives due regard to the risks inherent in aviation.

Our insurance program is generally reflective of what a prudent corporation would have in place to cover a broad range of risks, including property and commercial liabilities. However, given the risks inherent in aviation activity, and specifically ATC, we carry significant aviation liability insurance. This insurance, placed with Canadian underwriters, syndicates at Lloyds of London and other international insurers, covers all of our ANS operations for liability to third parties for both bodily injury and property damage.

Continuing concerns with respect to terrorism have given rise to unique insurance requirements. We maintain a separate insurance program to protect our property from the impact of such a threat. In addition, our aviation operations liability insurance includes a primary U.S. $250 million "war risks and allied perils" insurance for terrorism-related losses. Since shortly after September 11, 2001, when international insurers effectively withdrew from this area of insurance, the Government of Canada maintained a program which protected NAV CANADA from a terrorist-related loss that may have been in excess of the "war risks" limit under our own insurance. The Government ended this program on June 30, 2016. As a result, the Company purchased war liability coverage of U.S. $2 billion per occurrence with U.S. $4 billion in the aggregate. This coverage, underwritten by numerous international insurers, became effective on June 30, 2016 and we intend to renew it on November 15, 2017.

We are contractually obligated to indemnify the Government of Canada for any loss suffered by or claimed against it which is covered by our aviation operations liability insurance.

GENERAL DEVELOPMENT OF THE BUSINESS

The key performance drivers by which we assess the development of our business are:

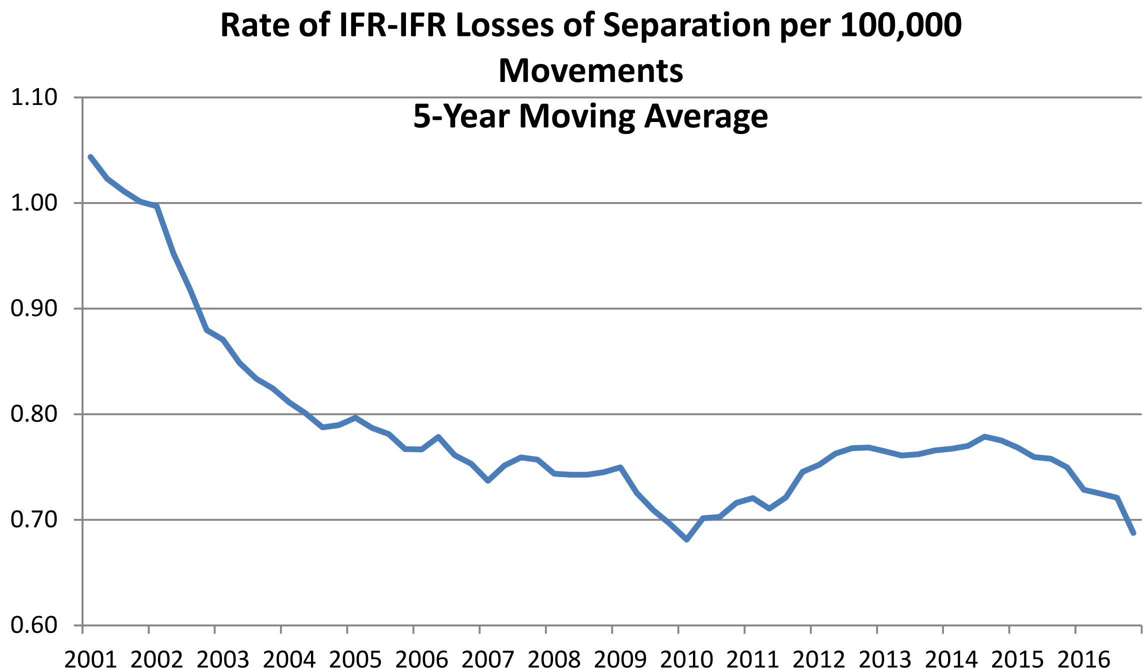
- safety,
- service, and
- cost effectiveness.

Safety

Finding better and more efficient ways of safely servicing air navigation continues to be a corporate focus.

One measurement of safety performance is the number, type and risk level of potentially unsafe conditions – called "operating irregularities". An ATC operating irregularity occurs when less than the minimum required separation existed between two aircraft or when safety was jeopardized in some other way. We track and provide reports on operating irregularities to Transport Canada and the Transportation Safety Board on a daily basis. Every operating irregularity, no matter how minor, is recorded, reported and investigated so that we can learn and improve.

The Company has reduced the rate of incidents involving a physical loss of separation between aircraft operating under IFR flight plans from one per 100,000 aircraft movements as of September 2002 to 0.69 per 100,000 aircraft movements as of August 31, 2016. This is well within the international top decile of 1.58 losses per 100,000 aircraft movements demonstrating the Company's achievement of its overarching safety objective.



Note: The data in the above chart reflects losses of separation between two aircraft operating under instrument flight rules.

Customer and Operational Efficiency

One of NAV CANADA's major priorities is continuous improvement in the delivery of air traffic services, leading to increased operational efficiency for our customers. The ANS is a dynamic and complex system that must adapt to changing air traffic volumes and patterns, customer and system requirements, and global technologies in and around Canadian-controlled airspace. It is vital to ensure that our people, procedures, equipment and the systems that are involved in delivering services anticipate and respond to customer needs as they evolve.

Significant improvements continue to be made, including:

- continued collaboration with our customers and other ANSPs on international initiatives, and the implementation of reduced aircraft separation minima in oceanic airspace,
- enhancements to flight planning and weather information,
- advancements in the decision support tools provided to air traffic controllers that enable improvements in traffic management and safety,

- continued implementation and customer adoption of Controller-Pilot Data Link Communication (CPDLC), a reliable form of pre-formatted, ICAO approved, text-based communication, in upper level airspace in all Canadian Flight Information Regions (FIRs), reducing the reliance on voice exchanges,

- the modernization of airspace, focused in part on the implementation of ICAO Performance-Based Navigation (PBN) concepts to improve operational efficiency in busy terminal and enroute areas and reduce flight track distances, improving fuel burn and reducing the impact of aviation on the environment, and

- participation in Aireon as described above. Aireon intends to provide space-based air traffic surveillance data to ANSPs, starting in 2018. NAV CANADA will use this service to extend surveillance coverage to areas of its airspace that do not presently have surveillance, beginning in the North Atlantic. The addition of space-based surveillance capability will enable us to improve service to customers in our airspace, promising significant benefits in airspace flexibility, predictability and reliability, flight tracking, flight efficiency, fuel savings and avoided greenhouse gas emissions.

Cost Effectiveness

As a safety and service organization, it is critical that we manage our costs to ensure spending is prioritized towards our key goals.

Our business operates 24 hours a day, 365 days a year providing an essential, national and international safety infrastructure. Given that the majority of our costs are predominantly fixed in nature and are directly related to service delivery, we have relatively few opportunities to significantly reduce costs further without reducing service, which is not acceptable in most cases. We continue to focus on cost management and productivity improvements as well as opportunities for new revenue sources from licensing or sales of technology and other non-aeronautical sources. These efforts are assisting in keeping customer service charges low, while continuing to meet our safety and service obligations.

The Company recently decreased its customer service charges by 7.6% on average effective September 1, 2016. This decrease results in our overall rates being approximately 3% lower than they were when they were fully implemented in 1999. As a result of cost controls and increases in air traffic levels over that period, the change in customer service charges is below the change in consumer price index by approximately 43%.

CAPITAL STRUCTURE

As a corporation without share capital, NAV CANADA finances its operations with borrowed money. The Company developed a financing plan called the Capital Markets Platform in October 1996. All borrowings were incurred and secured under the MTI, which initially provided a total drawn and undrawn borrowing capacity of $3 billion. The MTI provides for a gradually escalating reduction of the initial capacity over 33 years.

In February 2006, we entered into another trust indenture, the GOI, with BNY Trust Company of Canada as trustee, which established an unsecured borrowing program for our future long term financing requirements. For so long as any indebtedness remains outstanding under the MTI, the general obligation notes issued pursuant to the GOI will be subordinate to such indebtedness. As subordinated debt, general obligation notes are not subject to the mandatory annual amortization provisions of the MTI. Under the terms of the GOI, no new indebtedness may be incurred under the MTI. Provided that we meet an additional indebtedness test, the Company is not limited in the amount of debt it can issue under the GOI. As bonds mature or are redeemed under the MTI, they may be replaced with general obligation notes.

The following tables set forth the outstanding total borrowings and available bank credit facilities of the Company as of August 31, 2016.

Total Borrowings		
Issued Under	**Amount**	**Type**
MTI	$525 million	Bonds
GOI	$1,200 million	Medium Term Notes

Available Bank Credit Facilities		
Total Available	$1,190 million[1]	
Expiring (unless extended)	December 2016	$350 million
	December 2017	$165 million
	September 2019	$337 million
	September 2021	$338 million

(1) Some of this amount has been drawn or restricted for specific purposes.

Refer to Note 27 of our annual audited consolidated financial statements for the fiscal year ended August 31, 2016, for further discussion of our management of the Company's capital structure.

CREDIT RATINGS

The Company's debt obligations have been assigned the following ratings and outlooks:

Agency	Senior Debt	General Obligation	Outlook
DBRS Limited	AA	AA(low)	Stable
Moody's Investors Service	Aa2	Aa2	Stable
Standard & Poor's	AA	AA-	Stable

Explanatory Note on our Credit Ratings

DBRS Limited (DBRS) defines debt rated AA to be of superior credit quality. The capacity for the payment of financial obligations is considered high. Credit quality differs from long-term debt rated AAA only to a small degree. Entities rated AA are unlikely to be significantly vulnerable to future events. The category AA is the second highest rating category. Each category is denoted by three sub-categories. The absence of a "high" or "low" designation indicates the rating is the "middle" of the category.

Moody's Investors Service (Moody's) defines obligations rated "Aa" to be of high quality and subject to very low credit risk. The Aa category is the second highest assigned by Moody's. The modifier 2 indicates that the Company's ratings are in the mid-range of the Aa category.

Standard & Poor's (S&P) defines an obligor rated "AA" as having a very strong capacity to meet its financial commitments. The AA category is the second highest assigned by S&P and it differs from the highest rating category only to a small degree. The AA rating with a "+" or "-" modifier indicates that the rating is in the upper or lower end of the AA category, respectively. The AA rating without a modifier indicates the rating is in the middle of the AA category.

DBRS released its most recent report on the Company on August 18, 2016. DBRS stated in that report that the Company's "credit profile is supported by a solid operating framework, sound traffic conditions and declining debt; however, pension deficiencies remain large while heavy user-fee reductions are expected to push the debt service coverage ratio (DSCR) down to a level that DBRS views as inconsistent with the rating, albeit only for one year". DBRS noted that "while the current outlook is manageable for the credit, the maintenance of an unduly low DSCR for an extended period of time caused by rate reductions could have an adverse impact on the ratings".

The DBRS report cited the following strengths of the Company as determinants of the rating they assigned:

- Legislated monopoly to provide essential service
- Statutory right to set rates within guidelines
- Strong powers to enforce payments
- Competitive fee structure
- Sizeable contingency reserve funds

They also identified the following challenges faced by the Company:

- Inherent risks associated with the air travel business
- Large pension deficit
- Essentiality of services limits ability to cut costs
- Counter-cyclical fee setting approach

DBRS noted the following key differences between obligations incurred under the GOI and the MTI:

(1) GOI debt is unsecured.

(2) No repayment of principal can be enforced unless the Company is permitted to issue additional debt under the additional indebtedness test in the MTI.

(3) Acceleration of GOI debt is postponed to acceleration of MTI debt.

(4) A default under the MTI triggers default under the GOI. However, a default under the GOI does not trigger default under the MTI.

(5) At maturity of any senior debt, the senior debt must be paid in full before any principal or interest payment can be made on the GOI debt.

They also noted that the prohibition against issuing new debt under the MTI protects the holders of the GOI debt against further subordination.

Moody's most recent credit opinion on the Company was published on February 12, 2016. In that report, Moody's identified the following ratings drivers for the Company:

Credit Strengths

- Essential infrastructure asset for the Canadian air transportation system
- Monopoly provider of civil air navigation services over a very large airspace
- Legislated right to establish and levy rates and charges as needed to meet financial requirements resulting in a good degree of cash flow predictability
- Continued strong traffic growth
- Manageable capital expenditure program

Credit Challenges

- Defined benefit pension plan creates recurring calls on cash
- Periods of weak debt service coverage ratio when the Company depletes its rate stabilization account

Moody's noted that in the fiscal year ended August 31, 2015, "weighted charging units increased by 4.6% versus the previous year, reflecting added capacity from the air carriers in order to accommodate solid passenger growth". They stated these results allowed NAV CANADA to continue its capital program and investments in Aireon and meet scheduled annual debt repayment without any additional debt. They also noted that the strong results allowed the Company to recover all its remaining deferred pension costs ahead of schedule and resulted in an increase in the rate stabilization account above its target level. They stated: "If traffic growth continues, we expect that NAV CANADA will be in a position to consider a rate decrease and/or a one-time rate rebate. If that is the case, we expect that NAV CANADA will be prudent in its assumption for future traffic growth and obligations when deciding the quantum of the rate decrease and ensure that its financial profile remains solid."

On March 30, 2016, **S&P** announced that they were affirming the Company's ratings and outlook. They stated that the Company's credit profile "reflects our view of NAV CANADA's monopoly over an essential service, legislated ability to levy user charges on airlines to meet financial requirements, and solid debt service coverage ratios (DSCRs)." Their stable outlook reflects an expectation that the Company will post DSCRs in line with their base-case scenario, and hold the notional rate stabilization account balance close to its targeted 7.5% of total planned annual expenses in the next two fiscal years. S&P identified the primary constraints on the Company's ratings as high leverage resulting from the Company's non-share capital structure, dependence almost entirely on air traffic demand and significant funding requirements related to defined benefit pension plans.

With respect to the AA- rating of the GOI notes in comparison to the AA rating of the Company's MTI secured bonds, S&P stated that in their view "the general obligation borrowing platform closely replicates the creditor protections in the capital markets platform and MTI. Other than the security difference between the two classes, the only substantive change in the new indenture is the removal of the mandatory amortization requirement (related to MTI issues only) by 2029, and the lower debt service reserve requirement in the form of a cash liquidity covenant".

A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

The Company has made payments to DBRS, Moody's and S&P in connection with the assignment of ratings on each of NAV CANADA, its senior debt and general obligation debt during the last two fiscal years.

RISK FACTORS

The Company has a formal enterprise-wide risk management (ERM) program, which allows the Board and senior management to focus on and address the major business risks facing the Company. Set out below are risks identified as those that may affect our ability to achieve the Company's strategic objectives.

Safety

The risk of a major aircraft accident with its attendant consequences, including potential significant financial losses and a loss of public confidence, is the most significant business risk facing the Company. While the consequences of this risk are significant, NAV CANADA has established an SMS to mitigate the likelihood of the risk occurring. It is designed to:

- assign safety responsibilities and accountabilities to the appropriate groups,
- assure that personnel are trained for their safety responsibilities,
- promote the identification and mitigation of hazards and risks to operational safety,
- assure the consistent and rigorous application of safety programs, and
- measure the success of these programs.

The SMS is routinely assessed to assure the ongoing effectiveness of its processes for every staffed unit. In addition, we work in close partnership with aviation industry members in order to form strong working relationships for exchanging safety information and working together to address safety risks.

In addition to risk reduction strategies, to mitigate the impact of catastrophic events we maintain an insurance program that gives due regard to the risks inherent in aviation. The availability of insurance is also a risk because the ANS cannot be operated without adequate aviation liability insurance coverage. These policies are generally contracted on an annual basis and are non-cancellable. If any required insurance coverage was cancelled or not renewed on expiry of our policies, we would be unable to operate until replacement coverage was obtained, either in the market or from the Government of Canada. Such an interruption of service would also have an adverse effect on our revenues.

Air Traffic

We set our customer service charges based on estimates of future air traffic volumes. We prepare these estimates on the basis of economic indicators, trends and information gathered from various sources such as Transport Canada, air carriers, other industry sources and our own experience.

Air traffic volumes can be negatively affected by a number of unpredictable factors. Examples include recessions, terrorist attacks (2001), epidemics (SARS - 2004), air carrier financial difficulties, and changing weather patterns that may cause flights to move out of Canadian airspace. Other factors that may negatively impact traffic levels include aviation fuel price increases and general economic downturns. Unforeseen factors, such as natural disasters like the Icelandic volcanic ash cloud in 2010, may also result in lower than estimated air traffic volumes.

If actual air traffic volumes are lower than the estimates we used when preparing our budget and when establishing the level of customer service charges, our revenues will be negatively affected. Any revenue shortfalls, to the extent not absorbed by the Rate Stabilization Account (adjusted notionally for the non-credit related portion of the fair value adjustments on investments) will be offset by feasible cost reductions or deferrals and a rate increase, if necessary. For more information on the Rate Stabilization

Account refer to the Company's *Management's Discussion and Analysis* (MD&A) for the fiscal year ended August 31, 2016, dated October 27, 2016.

Pension Plans

We have defined benefit pension plans for our employees. These plans provide benefits based on age, length of service and best average earnings, most of which are indexed for inflation. The cost of providing these pension benefits is a major part of our cost of operations.

The amount of the Company’s pension costs and required contributions to the pension plans depend on the investment return on plan assets, as well as the discount rates and other economic and demographic assumptions used to determine plan obligations. It is difficult to predict future changes in these factors. A small variance in any of these factors could have a large impact on pension plan costs, the plan's surplus or deficit, and required contribution levels.

In setting customer service charges, we factor in estimates of future changes in pension costs and contributions. If actual pension costs or contributions turn out to be higher than our estimates, we may have to increase customer service charges and borrowings or both, to meet our financial requirements.

Collective Agreements and Labour Matters

With approximately 87% of our workforce being unionized, there is an inherent risk that labour settlements will increase our costs to a level higher than anticipated. Labour disruptions such as strikes and work slowdowns may also adversely affect customer service and revenues.

Collective agreements are in place with all of our unions, all of which expire either in fiscal year 2017 or 2018, as the case may be.

Investment in Space-Based Aircraft Surveillance through Aireon LLC

On November 19, 2012, the Company entered into agreements setting out the terms of its participation in Aireon. Aireon's mandate is to provide global satellite-based surveillance capability for ANSPs around the world through ADS-B receivers built as an additional payload on the Iridium NEXT satellite constellation. The Aireon project satisfied a major milestone in calendar year 2016 in that all of the ADS-B payloads were built and tested. It is expected that Iridium's launch schedule will enable Aireon to commence commercial operations by calendar year 2018. If Aireon is not successful with satellite-based ADS-B technology becoming operational in this timeframe, the extended benefits of ADS-B coverage over oceanic and remote areas will not be realized by the Company’s customers as soon as expected.

Under the terms of the agreements, the Company's overall investment in Aireon is expected to be implemented in stages for up to a total of US$150 million. If all investment stages are completed, the Company will have purchased preferred interests which, upon conversion to common interests, will represent 51 per cent of the fully diluted common equity of Aireon.

The Company's investment is expected to be made in five stages, each subject to the satisfaction of various operational, technical, commercial, regulatory and financial conditions. To date, the Company has invested US$120 million (CDN$157 million), in exchange for preferred interests representing approximately 36.5 per cent of Aireon's fully diluted common equity on a post conversion basis.

Further staged investments are contingent upon the successful achievement by Aireon and Iridium of certain specific milestones, thereby increasing the likelihood of the successful achievement of Aireon's mandate. This will reduce the Company's overall risk of a financial loss on its investment in Aireon and our ability to provide benefits to our customers. The milestones include, among other things, deployment of the Iridium NEXT satellite constellation, marketing Aireon's ADS-B service to potential ANSP customers, and regulatory approvals of the technology's use. The Company's final stage investment is scheduled for calendar year 2017.

Business and Operational Technology Security

The inherent cyber security risks related to both the Company's business and operational networks and systems remain high. With the ever-changing threat landscape and increased sophistication of techniques used by cyber criminals and state-run operatives, the likelihood of a security breach continues to be a reality for most large enterprises.

This past year attention and resources were focused on increasing employee awareness with several campaigns and educational activities to assist employees in recognizing cyber threats both in their personal and professional lives. These were in the form of mandatory computer-based training (CBT), phishing simulations, communication campaigns and the purchase of anti-virus software for employees to use at home.

The Company continues to make investments in new technologies as well as extending the use of existing systems to maximize capabilities, including the implementation of a privileged password management system, an increase of the number of threat sensors both on the business and operational networks, and the upgrade of our Security Information & Event Management (SIEM) system.

Management continues to focus on improvements as we respond to findings from maturity assessments conducted and continues to proactively seek out new technology countermeasures that may serve to strengthen or complement our existing defenses.

Work completed over the past year in both areas along with planned future investments and ongoing organizational focus has allowed us to effectively manage and contain the overall inherent risk. However, the need to increase exposure of business systems to the public internet along with the accelerated adoption of consumer grade technologies entering the work place, requires the Company to continually evaluate new counter-measures in order to increase prevention and detection capabilities and more effectively monitor our computing and networking environments.

Business Interruption

The Company relies heavily on its business and operational networks and systems together with its operational facilities (collectively, the Operational Infrastructure) to operate its business. Any disruption in all or part of the Operational Infrastructure due to internal failures of technology or external interruptions, such as severe weather conditions, natural disasters and terrorist attacks, could interrupt our operations and have an adverse effect on our business.

In addition, despite our efforts, a significant data security breach or service disruption, could interrupt our operations, harm our reputation and have an adverse effect on our business.

Insufficient Staffing

The Company's ability to manage and operate the ANS and related services in a safe, efficient and cost effective manner depends largely upon the availability of licensed and experienced air traffic controllers and certified flight service specialists. The success of the Company's core business therefore depends in large measure on its ability to recruit, train and retain skilled operational personnel, especially air traffic controllers and flight service specialists, but also including other specialists such as engineering, computer science and electronics technologists.

Failure to recruit, train and retain the appropriate level of such skilled operational personnel could result in a frequent or prolonged reduction of the Company's services. Sustained reduction of services could have an adverse effect on the Company's business.

Management has mitigation strategies in place for all ERM risks.

CORPORATE GOVERNANCE

Board of Directors Structure and Composition

The Company's overall approach to corporate governance follows best practices and keeps pace with evolving requirements, including those under applicable securities legislation.

The Board is comprised of 15 directors, all of whom are required to be Canadian citizens. One director (the President & CEO) is an employee of the Company. All other directors are "independent" directors as that term is defined in National Instrument 52-110 *Audit Committees* (NI 52-110).

NAV CANADA represents a unique consensus among the major stakeholders in the ANS - the Government of Canada, the commercial air carriers, general aviation, and our unionized employees. Our governance structure reflects this consensus. All four of these major stakeholders are Members of the Company. In addition, there is a Director Member.

The result is a board of directors where all stakeholder interests are represented but none dominates. The Board's committees are similarly constituted except for the Human Resources & Compensation Committee. The five Members elect the directors as follows:

Member	Number of Directors
Government of Canada	3
Commercial Air Carriers	4
General Aviation	1
Labour Unions	2
Directors	4

The Board discharges its responsibilities directly and through committees. The Board holds five scheduled meetings each year and unscheduled meetings are held from time to time as required. The mandate of the Board is set out in **Appendix A**.

Our By-laws disqualify from directorship any person elected to the Parliament of Canada or any provincial legislature or territorial legislative assembly; federal, provincial or territorial government employees; and directors or employees of an entity that has a material interest as a supplier, client or customer of the ANS. Every director and officer of the Company is required to sign and abide by our *Code of Conduct and Conflict of Interest Guidelines*.

Directors

Directors are elected for terms not exceeding three years, with terms expiring at the Company's annual meeting. No director, other than the President & CEO, may serve as a director for more than twelve years in total. Set out below is information on the current directors, including their Committee membership and meeting attendance records for the fiscal year ended August 31, 2016.

Marc Courtois

Director; Chair of the Board
Quebec, Canada
Elected by: Board of Directors
Director since: February 16, 2012
Current Term Expires: 2018

Meeting Attendance/Committee Membership		Principal Occupation in Last Five Years
Board	9/9	Corporate Director
Audit & Finance Committee*	5/5	
Corporate Governance Committee	3/3	
Customer Service Charges Committee*	3/3	
Human Resources & Compensation Committee*	10/10	
Pension Committee*	4/5	
Safety Committee	4/4	
*ex officio member.		

Edward M. Barrett

Director, Chair of the Customer Service Charges Committee
New Brunswick, Canada
Elected by: Board of Directors
Director since: February 7, 2013
Current Term Expires: 2019

Meeting Attendance/Committee Membership		Principal Occupation in Last Five Years
Board	9/9	Co-CEO and Chair of Barrett Corporation since 1996
Corporate Governance Committee	3/3	
Customer Service Charges Committee	3/3	
Human Resources & Compensation Committee	10/10	
Pension Committee	5/5	

Mary-Ann Bell

Director
Quebec, Canada
Elected by: Government
Director since: May 30, 2014
Current Term Expires: 2017

Meeting Attendance/Committee Membership		Principal Occupation in Last Five Years
Board	9/9	Corporate Director. From 2009 to 2014, Senior Vice President, Quebec and Ontario, Bell Aliant Regional Communications
Customer Service Charges Committee	3/3	
Human Resources & Compensation Committee	10/10	
Safety Committee	4/4	

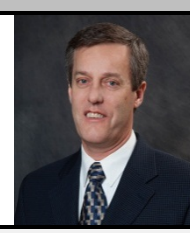
Jean Coté

Director
Quebec, Canada
Elected by: Commercial Air Carriers
Director since: January 14, 2015
Current Term Expires 2018

Meeting Attendance/Committee Membership		Principal Occupation in Last Five Years
Board	9/9	Corporate Director. Prior to January 2015, Vice President, Commercial Operations at Air Transat
Audit & Finance Committee	5/5	
Pension Committee	5/5	

Robert J. Davis

Director; Chair of the Safety Committee
Ontario, Canada
Elected by: Commercial Air Carriers
Director since: April 8, 2009
Current Term Expires: 2018



Meeting Attendance/Committee Membership		Principal Occupation in Last Five Years
Board	9/9	Corporate Director
Audit & Finance Committee	5/5	
Safety Committee	4/4	

Michael DiLollo	
Director Ontario, Canada Elected by: Commercial Air Carriers Director since: February 7, 2013 Current Term Expires: 2019	
Meeting Attendance/Committee Membership	**Principal Occupation in Last Five Years**
Board 9/9 Audit & Finance Committee 5/5 Customer Service Charges Committee 3/3	Chief Executive Officer of Caribbean Airlines from May 21, 2014 until October 28, 2015. From January to October 2012, Vice President, Airline Operations, Medatlantica Group. President, Transat Tours Canada from 2009 to 2011

Bonnie DuPont	
Director, Chair of the Human Resources & Compensation Committee Alberta, Canada Elected by: Board of Directors Director since: February 7, 2013 Current Term Expires: 2019	
Meeting Attendance/Committee Membership	**Principal Occupation in Last Five Years**
Board 9/9 Human Resources & Compensation Committee 10/10 Corporate Governance Committee 3/3	Corporate Director

Linda Hohol	
Director; Chair of the Audit & Finance Committee Alberta, Canada Elected by: Board of Directors Director since: February 16, 2012 Current Term Expires: 2018	
Meeting Attendance/Committee Membership	**Principal Occupation Held in Last Five Years**
Board 9/9 Customer Service Charges Committee 3/3 Audit & Finance Committee 5/5 Pension Committee 5/5	Corporate Director

Arthur J. LaFlamme

Director
Ontario, Canada
Elected by: General Aviation
Director since: February 16, 2012
Current Term Expires: 2018

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	9/9	Corporate Director.
Safety Committee	4/4	
Human Resources & Compensation Committee	10/10	

Robert Reid

Director; Chair of the Corporate Governance Committee
Ontario, Canada
Elected by: Commercial Air Carriers
Director since: April 8, 2009
Current Term Expires: 2018

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	9/9	Corporate Director
Corporate Governance Committee	3/3	
Human Resources & Compensation Committee	10/10	

Michelle Savoy

Director
Ontario, Canada
Elected by: Government
Director since: December 15, 2015
Current Term Expires: 2018

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	6/6	Corporate Director
Corporate Governance Committee	1/1	
Pension Committee	2/3	

Umar Sheikh

Director
British Columbia, Canada
Elected by: Labour Unions
Director since: January 13, 2016
Current Term Expires: 2019

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	5/5	General Counsel and Director of Legal Services of the British Columbia Nurses' Union
Audit & Finance Committee	2/2	
Safety Committee	2/2	

Scott Sweatman

Director; Chair of the Pension Committee
British Columbia, Canada
Elected by: Labour Unions
Director since: April 8, 2010
Current Term Expires: 2019

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	9/9	Partner at Dentons Canada LLP. From February 2010 to March 2013, Partner at Spectrum HR Law LLP
Pension Committee	5/5	
Corporate Governance Committee	3/3	
Customer Service Charges Committee*	3/3	

Mr. Sweatman became a member of the Customer Service Charges Committee on January 13, 2016.

Louise Tardif

Director
Ontario, Canada
Elected by: Government
Director since: April 29, 2016
Current Term Expires: 2019

Meeting Attendance/Committee Membership		Principal Occupation Held in Last Five Years
Board	2/2	Corporate Director
Pension Committee	1/1	
Audit & Finance Committee	1/1	

Neil R. Wilson	
Director Ontario, Canada Director since: January 1, 2016 Current Term Expires: N/A	
Meeting Attendance/Committee Membership	**Principal Occupation Held in Last Five Years**
Board 6/6 Pension Committee 4/4 Safety Committee 3/3	President & CEO of the Company from January 1, 2016. From December 1, 2012 to December 31, 2015, Executive Vice President, Administration and General Counsel of the Company. From July 15, 2002 to November 30, 2012, Vice President, General Counsel and Corporate Secretary of the Company.

Independent Functioning of the Board

All of the directors, other than the President & CEO, are independent. The responsibilities of the Chair of the Board are set out in the Terms of Reference for the Chair, attached as **Appendix B**. The By-laws of the Company do not allow the positions of Chair and President & CEO to be occupied by the same person. The structure and composition of the Board and its Committees have been designed to ensure that the Board functions independently of management. To further enhance the ability of the Board to function independently from management, a portion of each regularly scheduled Board meeting is reserved for discussion without the President & CEO or other representatives of management being present. For the fiscal year ended August 31, 2016, the Board held nine meetings.

The President & CEO is not a member of the Corporate Governance, Audit & Finance, Customer Service Charges or Human Resources & Compensation Committees. As a result, these Committees are composed entirely of independent directors.

Directorships of Other Reporting Issuers

The following current directors are also directors of other reporting issuers:

Name of Director	Name of Other Reporting Issuer
Edward Barrett	Wajax Corporation
Mary-Ann Bell	Cogeco Inc. Cominar Real Estate Investment Trust Gaz Metro Valener Inc.
Marc Courtois	GBC American Growth Fund Inc. TVA Group Inc.
Bonnie DuPont	Bird Construction Inc.
Linda Hohol	Canadian Western Bank
Michelle Savoy	Laurentian Bank of Canada Pizza Pizza Royalty Corp.

Nomination of Directors

As described above, NAV CANADA has five Members - the Government of Canada, a commercial air carrier member, a general aviation member, a labour unions member, and the Director Member. These Members elect a total of 14 of the 15 directors. The President & CEO is also a director.

The process for nominating and selecting those directors elected by the Director Member is led by the Corporate Governance Committee. As part of its mandate, this Committee develops and annually updates a long term plan for the composition of the Board which takes into consideration the current strengths, skills and experience on the Board and the strategic direction of NAV CANADA, and recommends nominees to the Board for election.

In performing this mandate, the Committee seeks director nominees with the skills and experience needed to properly oversee the interests of the Company. The Committee carefully evaluates each candidate to ensure that they possess the necessary experience, skills and qualifications that the Committee has found contribute to being an effective member of the Board. Such key criteria include, among others:

- The highest level of personal and professional ethics, integrity and values;
- Practical wisdom and mature judgment;
- An inquisitive and objective perspective;
- Skills and experience that are complementary to the current Board and helpful with the Company's current activities and strategic direction; and
- Willingness to serve as a helpful resource to the Board and to management, where necessary and appropriate, and to objectively appraise the performance of management.

In addition to the qualifications that each director nominee must have, the Board believes that one or more of the members of the Board should possess the experience and expertise listed below given their particular relevance to the business of the Company and its structure:

- Air Transportation Industry Experience
- Aviation Industry Experience

- Corporate Governance Experience
- Audit and Financial Accounting Expertise
- Legal Expertise
- Engineering Expertise
- Technological Expertise
- Strategic Planning and Risk Management Experience
- Corporate Finance and Investment Management Experience
- HR/Compensation Experience
- Pension Plan Expertise
- Government Experience
- Leadership Experience

The mandate of the Corporate Governance Committee is attached as **Appendix C**.

Assessments

Biennial assessments are conducted of the effectiveness and contributions of the Board, the Chair of the Board and each Committee. In addition, recognizing that individual director development contributes to the overall effectiveness of the Board, each director participates in a peer review process, carried out every two years. The Corporate Governance Committee oversees the process of conducting the assessments and makes recommendations to the Board on areas that may require improvement. Each Committee reviews its assessment and makes improvements as needed.

Position Descriptions

The Board has developed position descriptions for the Chair of the Board, the President & CEO, and the Committee Chairs. These position descriptions are attached as **Appendices B, D** and **E**, respectively.

Orientation and Continuing Education

An orientation program for new directors is in place to assist them in familiarizing themselves with the Company, the Board, its Committees, other directors and assisting them in understanding their responsibilities and enhancing their ability to contribute. The orientation program is designed to familiarize newly elected directors with their role, responsibilities and liabilities and provide them with an in-depth overview of the Company, the ANS and, the Board and its Committees. The program consists of written materials, meetings with the Chair of the Board, other directors, the President & CEO and executive team, corporate staff and visits to the Company's facilities. Each new director is assigned a mentor, a fellow director with similar Committee memberships and several years of service on the Board.

Director education is regarded as any manner in which directors obtain or enhance their knowledge that is useful to the director in the fulfillment of his or her obligation as an effective Board member and includes, but is not limited to, any form of

- course,
- seminar,
- conference,
- guest speaker,
- educational topic on meeting agendas,
- reading material provided in support of meeting material,
- tours of Company facilities,

or any other information or specific training. Directors have opportunities to receive continuing education at Committee and Board meetings where sessions are conducted on emerging issues and trends. Twice a year, the Board receives an in-depth presentation from management on current business issues. Directors are encouraged to attend seminars or courses on relevant subject matters provided by outside institutions or organizations.

Compensation

The Corporate Governance Committee reviews director compensation on a biennial basis and makes recommendations to the Board regarding changes, if any are deemed necessary or appropriate. Such review might include the retention of outside consultants to provide assistance. Compensation for directors is in cash for Board and Committee retainers, meeting fees, fees for chairing the Board or Committees, as well as reimbursement of travel and related business expenses. For more information on fees paid to directors refer to the Company's Form 51-102F6 *Statement of Executive Compensation* (Form 51-102F6) which is attached as **Appendix H**.

The Human Resources & Compensation Committee has responsibility for the review and updating of the executive compensation package to ensure it is competitive in the marketplace and meets the Company's compensation philosophy. Executive compensation is more fully described in the Form 51-102F6 which is attached as **Appendix H**.

The Human Resources & Compensation Committee is composed entirely of independent directors. The Committee's mandate is attached as **Appendix F**.

Ethical Business Conduct

NAV CANADA has a *Code of Conduct and Conflict of Interest Guidelines for Directors and Officers* which is designed to govern the conduct of all directors and officers, and the disclosure and avoidance of conflicts of interest. This disclosure is updated annually, or more frequently, as required. All of the Company’s directors and officers have signed a Code of Conduct and Conflict of Interest declaration. During fiscal 2016, no proceedings were taken against any director or officer by the Board under the *Code of Conduct and Conflict of Interest Guidelines*.

In addition, NAV CANADA has a *Code of Business Conduct* which applies to all directors, officers and employees of the Company. Copies of both the *Code of Conduct and Conflict of Interest Guidelines* and the *Code of Business Conduct* are available on the Company’s website and on SEDAR at www.sedar.com. The Corporate Governance Committee has responsibility for reviewing with the Board and management the results of an annual review of compliance with the *Code of Conduct and Conflict of Interest Guidelines* for directors and officers.

Directors and executive officers who hold office as a director, officer or elected official of another entity or who are an associate or employee of another entity that might be in conflict with their duty or interest towards the Company, must file a written declaration to this effect with the Company. No director or officer who is in such a position may participate in the consideration of any transaction or agreement in which such other entity has an interest.

The *Code of Business Conduct*, which applies to all employees, directors and officers of the Company is reviewed and approved by the Board and complies with the requirements of National Policy 58-201 *Corporate Governance Guidelines*. The Board is committed to bringing the highest degree of honesty, integrity and ethical conduct to the Company's operations and business relationships. This commitment is reflected in the NAV CANADA vision and the Company's values, as well as in all dealings with employees, customers, bargaining agents, suppliers, and other stakeholders. The *Code of Business Conduct* describes how that commitment is put into everyday practice.

The *Code of Business Conduct* is not simply a list of rules. It is intended to help employees, directors and officers maintain the very high standard of ethical behaviour expected of a company entrusted with public safety. Throughout the *Code of Business Conduct*, employees, directors and officers are directed to appropriate internal review and redress mechanisms available within the Company to address specific situations and potential violations. Examples of internal review and redress mechanisms include the NAV CANADA Alternate Dispute Resolution Process, the NAV CANADA Workplace Accommodation Right of Review Process, the NAV CANADA Official Languages Internal Complaints Procedure, grievance processes available to unionized employees, and the NAV CANADA Internal Complaints Resolution Process.

The Company has in place policies and processes on whistleblowing. The NAV CANADA whistleblowing system, called *SENTINEL*, has procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls, auditing or pension plan matters, as well as reporting of serious ethical, legal, fraudulent or other concerns that could harm the reputation and/or financial standing of the Company. *SENTINEL* ensures that employees have an outlet for reporting concerns relating to the Company that are not being addressed through existing channels, and that concerns regarding accounting, internal controls or auditing matters are directed to the Chair of the Audit & Finance Committee, concerns relating to pension plan matters are directed to the Chair of the Pension Committee and serious ethical, legal, fraudulent or other concerns are directed to the Chair of the Board.

In addition, the Company has a confidential safety reporting program, called ARGUS, which provides employees with the opportunity to identify potential hazards while remaining anonymous. ARGUS ensures that employees who recognize a potential hazard can report their concerns confidentially. Every employee and manager is encouraged to use the ARGUS program, without fear of recrimination.

The Board, officers and management of the Company are committed to an active disclosure culture. The Company's Corporate Disclosure Policy (available on the Company's website) ensures communications to the investing public are timely, accurate, consistent, informative, compliant with legal and regulatory requirements and are broadly disseminated.

Gender Diversity

The Company and the Board recognize the importance of diversity, including gender, in the selection of directors and executive officers and believe that diversity enhances corporate and board discussion, viewpoints and, ultimately, performance.

While there are no targets in place regarding the representation of women on the Board or when hiring executive officers, the Company has an *Employment Equity and Diversity Policy* which applies when hiring and promoting executive officers. This policy sets out an objective that the Company's hiring practices are to be as much a reflection of the Canadian labour market as possible, while improving designated group representation within the workplace and supporting diversity in its business practices.

Two-thirds of the Board's members are elected by the Company's stakeholder members and while the Board cannot dictate requirements to those stakeholders, the Corporate Governance Committee of the Board regularly examines the experience, skills and attributes, including gender, required for filling Board vacancies, and communicates these requirements to our stakeholder members for their consideration when electing directors. The Corporate Governance Committee similarly identifies desirable competencies and attributes, including gender, while ensuring an appropriate mix of skills and experience with respect to those directors elected by the Board.

Currently, one third (33%) of the Board members are women, with 100% of the Government-elected directors, and 50% of the Board-elected directors, being women. There are three women on the Executive Management Committee of the Company, and within the senior management group (which cadre of management are within the definition of executive officers in that they are individuals performing policy-making functions), 27% are women.

Board Committees

Our Board has six committees, as described below, which do not take action or make decisions on behalf of the Board unless specifically mandated to do so.

Audit & Finance Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Responsible for assisting the Board in fulfilling its oversight responsibilities relating to the Company's financial reporting and disclosure obligations, including review of annual and interim financial statements, the integrity of the Company's financial reporting and internal controls, the oversight of the Company's internal audit function, compliance with legal and regulatory requirements, and the qualifications, independence and performance of the Company's public accountants. The Committee also provides oversight on treasury matters and reviews and recommends to the Board any financing and/or financial risk management transactions proposed by management. In addition, the Committee provides oversight of the Company's cyber security strategies and implementation as they relate to the Company's business systems.	Five	Linda Hohol, Chair Jean Coté Robert Davis Michael DiLollo Umar Sheikh Louise Tardif

Corporate Governance Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Develops general policies relating to corporate governance to ensure that the Company has in force an effective corporate governance system that adds value and assists the Company in achieving its objectives.	Three	Robert Reid, Chair Edward Barrett Marc Courtois Bonnie DuPont Michelle Savoy Scott Sweatman

Customer Service Charges Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Assists the Board in fulfilling its responsibilities in establishing or revising the Company's customer service charges.	Three	Edward Barrett, Chair Mary-Ann Bell Michael DiLollo Linda Hohol Scott Sweatman

Human Resources & Compensation Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Provides oversight to ensure a high quality of leadership within NAV CANADA, an employee and labour relations strategy that provides for a productive and fulfilling work environment, and ongoing flexibility and productivity throughout the Company. As well, the Committee ensures that the human resources plans and programs reflect the Company's human resources values and principles.	Ten	Bonnie DuPont, Chair Edward Barrett Mary-Ann Bell Arthur LaFlamme Robert Reid

Pension Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Oversees the investment management of plan assets and the administration of the Company's retirement plans, which include two registered pension plans and supplementary retirement arrangements. At the invitation of the Chair, an observer member, nominated by the employees' unions, attends the meetings.	Five	Scott Sweatman, Chair Edward Barrett Jean Coté Linda Hohol Michelle Savoy Louise Tardif Neil Wilson Peter Duffey, Observer

Safety Committee		
Mandate	**Meetings held in fiscal year**	**Current Membership**
Oversees the safety of the Company's air navigation services and products, primarily by monitoring the integrity and effectiveness of our risk management safety policies. In addition, the Committee provides oversight of the Company's cyber security strategies and implementation as they relate to the Company's operational facilities and operational systems.	Four	Robert Davis, Chair Mary-Ann Bell Marc Courtois Arthur LaFlamme Umar Sheikh Neil Wilson

Audit & Finance Committee Information

The Company has an Audit & Finance Committee that meets the requirements of NI 52-110. The Charter of the Audit & Finance Committee is attached as **Appendix G**.

Independence & Financial Literacy - All of the members of the Audit & Finance Committee are independent and with the exception of Umar Sheikh, are financially literate within the meaning of NI 52-110. It is expected that Mr. Sheikh will become financially literate during fiscal 2017. The Company is relying on the exemption from the financial literacy requirement contained in Section 3.8 of NI 52-110 in this regard.

The following describes the relevant education and experience of the current members of the Committee.

Linda Hohol, FICB, Chair of the Audit & Finance Committee - Ms. Hohol acquired significant experience and exposure to accounting and financial reporting issues as the former President of the TSX Venture Exchange, part of the TMX Group, as well as in her prior roles as Executive Vice President, Wealth Management and Senior Vice President, Alberta and NWT at Canadian Imperial Bank of Commerce, where she spent 26 years. Ms. Hohol currently sits on the board of directors of the Canadian Western Bank, serving on its Audit Committee and Risk Committee. She has past experience on many boards, including ATB Financial (Chair of the Risk Committee and member of the Audit Committee), EllisDon Construction (member of the Audit Committee) as well as The Calgary Airport Authority, Canada Foundation for Innovation and United Way of Calgary (Chair of all three Audit Committees). Ms. Hohol is a graduate of the Executive Development Program at the Kellogg School of Management, Chicago, Illinois.

Jean Coté - Mr. Coté spent over 44 years in the airline industry with a number of Canadian airlines, holding several key management positions in sales and operations. He retired in 2014 from Air Transat where, as part of the Executive Committee he held the position of Vice President of Commercial Operations. He was responsible for the purchasing functions for the airline, as well as scheduling, budgeting and delivery of service for aircraft, crews and airport staff deployed across the airline's network. He was also responsible for sales and operations of a number of profit centers in cargo, call centers and special charter operations. These responsibilities required substantial work and expertise in budgeting, revenue accounting, financial controls, purchasing and inventory controls, and business case analysis.

Robert J. Davis, C.Dir - Mr. Davis spent over 32 years in the aviation industry with 30 years of this time in the airline sector at the management and executive level. He was President & CEO of Bradley Air Services Ltd./First Air for over ten years, and Executive Vice-President of Air Inuit Ltd. for 19 years. Mr. Davis reported to the Board of Directors at both airlines and was responsible for all aspects of the companies, including financial matters. During his tenure at these companies, the accounting department senior staff reported directly to him, he participated in all Audit Committee meetings and had oversight of financial information prepared and presented to the companies' Boards of Directors. He is a graduate of the Directors College Chartered Directors Program as well as the Human Resources and Compensation Committee Certified Program.

Michael DiLollo, MBA, ICD.D - Mr. DiLollo was the CEO of Caribbean Airlines Ltd. from May 2014 until October, 2015. He is a certified Aircraft Maintenance Engineer and Airline Transport Pilot. His business and financial experience spans over 26 years in the aerospace industry with broad financial responsibilities in senior management roles including President of Transat Tours Canada (2009-2011) with CDN $2 billion in sales. Other senior management roles involved complex financial environments and initiatives throughout the multinational organization, for which he reported to the public board of directors for Transat AT Inc. Mr. DiLollo was a board member for the Air Transport Association of Canada (2005-2007) and Chinook MHD (2012). He is a graduate of the Institute of Corporate Directors.

Umar Sheikh, J.D. - Mr. Sheikh studied Tax law in both Canada and the United States. He is currently a labour law practitioner who is serving as General Counsel and Director for the British Columbia Nurses Union, an organization comprised of 44,000 members. Mr. Sheikh has many years of experience in the public and private sector negotiating, auditing and litigating complex collective agreements. Mr. Sheikh has multiple years of experience negotiating corporate merger and acquisition agreements inclusive of due diligence on corporate financial statements. In fiscal 2017, Mr. Sheikh plans to take several courses offered by the Institute of Corporate Directors and additional courses dealing with financial literacy.

Louise Tardif, B.Comm., M.A., ICD.D. - Ms. Tardif has significant experience and expertise in financial management acquired during her 22 years working in the financial services industry. As Vice President of National Bank Financial and investment advisor, she gained relevant knowledge in the financial and accounting issues of reporting companies. In addition to her participation on several volunteer boards, she has chaired the board of a small/medium sized private company and is currently serving as a member of the Finance, Audit and Risk Committee of OPTrust, a large Canadian pension plan. She also serves on an advisory panel for the Ontario Securities Commission.

Non-Audit Services - The Audit & Finance Committee has adopted a policy for the pre-approval of the provision of audit-related, tax and other non-audit services by the Company's external auditors. The policy provides that all non-audit services provided by the Company's external auditors must be pre-approved by the Committee, and also incorporates a list of prohibited non-audit services.

Annually, the Committee updates and approves a list of pre-approved services including those that are recurring or otherwise expected to be provided. The Committee is subsequently informed quarterly of the services for which the auditors have been engaged and the related fees. Any additional requests for pre-approval are addressed on a case-by-case specific engagement basis as described below.

Recommendations in respect of each engagement are submitted by the Chief Financial Officer to either the Chair of the Audit & Finance Committee or to the full Committee. The engagement may commence upon approval of the Chair of the Committee (where aggregate fees are expected to be less than $50,000) or of the full Committee (where the aggregate fees are expected to be greater than $50,000).

External Auditor Fees - The aggregate fees billed by the Company's external auditors KPMG LLP during the fiscal years ended August 31, 2016 and August 31, 2015 were as follows:

	Year Ended August 31, 2016	**Year Ended August 31, 2015**
Audit Fees (1)	$862,956	$714,113
Audit-Related Fees (2)	201,216	150,976
Tax Fees (3)	146,145	288,443
Other Fees (4)	15,000	50,000
Total	$1,225,317	$1,203,532

(1) **Audit Fees -** were paid for professional services rendered by the external auditors for the audit of the Company's annual financial statements and services provided in connection with the review of the Company's interim financial statements, including audit procedures regarding the Company's adoption of IFRS in the fiscal year ending August 31, 2016, accounting consultations, and for the audit of the annual financial statements for one of the Company's subsidiaries.

(2) **Audit-Related Fees -** were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. These services consisted of the audit of the Company's pension plans, translation services, and a special purpose report on cost allocations for customer service charges.

(3) **Tax Fees -** were paid for professional services related to tax compliance, tax advice and tax planning. These services consisted of the review of tax returns, assistance in the commodity tax area, tax assistance with respect to specific transactions, and other compliance services.

(4) **Other Fees -** were paid for professional services related to fraud risk assessment and human resources benchmarking.

Executive Officers

In addition to the President & CEO, we have 12 other executive officers. All are appointed for non-fixed terms of office. Effective January 1, 2016, Neil R. Wilson, became the President & CEO of the Company.

Name, Residence and Date of Appointment	Position	Principal Occupation and Position Over Past Five Years
BRIAN K. AITKEN, CPA, CA[(1)] Ontario, Canada December 1, 2012	Executive Vice-President, Finance & Chief Financial Officer	Prior to December 1, 2012, Mr. Aitken was Vice-President, Finance, Chief Financial Officer & Treasurer.
RAYMOND BOHN Ontario, Canada January 13, 2016	Senior Vice-President, Human Resources	From December 1, 2012 to January 12, 2016, Mr. Bohn was Vice President, Revenue & Pension Administration. Prior to December 1, 2012, Mr. Bohn was Assistant Vice-President, Revenue & Pension Administration.
ELIZABETH CAMERON Ontario, Canada January 13, 2016	Vice President, Labour Relations	From June 20, 2006 to January 12, 2016, Ms. Cameron was Assistant Vice President, Labour Relations.
RUDY KELLAR Ontario, Canada December 1, 2012	Executive Vice-President, Service Delivery	Prior to December 1, 2012, Mr. Kellar was Vice-President, Operations.
LEIGH ANN KIRBY Ontario, Canada February 29, 2016	Vice President, General Counsel and Corporate Secretary	From October 1, 2014 to February 19, 2016, Ms. Kirby was Associate Vice President, Legal at the Toronto-Dominion Bank. From December 1, 2011 to October 1, 2014, Ms. Kirby was Associate Vice President, Legal at the Toronto-Dominion Bank - MBNA.
SIDNEY KOSLOW Ontario, Canada September 1, 2002	Vice-President & Chief Technology Officer	Same
LARRY LACHANCE Ontario, Canada February 1, 2016	Vice-President, Safety & Quality	From December 1, 2012 to January 31, 2016, Mr. Lachance was Vice President, Operations. Prior to December 1, 2012, Mr. Lachance was Assistant Vice-President, Operational Support.
CHARLES LAPOINTE Ontario, Canada January 1, 2011	Vice-President, Technical Operations	Same
DONNA MATHIEU Ontario, Canada January 12, 2016	Vice President, Pension Investments	From December 1, 2014 to January 11, 2016, Ms. Mathieu was Assistant Vice-President, Pension Investments. From September 21, 2010 to November 30, 2014 Ms. Mathieu was Director, Pension Investments.
CLAUDIO SILVESTRI Ontario, Canada May 12, 2008	Vice-President & Chief Information Officer	Same
ROB THURGUR Ontario, Canada January 13, 2016	Vice President, Operations	From December 15, 2012 to January 12, 2016, Mr. Thurgur was Assistant Vice President, Operational Support. From August 18, 2010 to December 14, 2012 Mr. Thurgur was the Manager, ACC Operations at the Company's Toronto ACC.

Name, Residence and Date of Appointment	Position	Principal Occupation and Position Over Past Five Years
KIM TROUTMAN Ontario, Canada September 1, 2002	Vice-President, Engineering	Same
NEIL R. WILSON Ontario, Canada January 1, 2016	President & CEO	From December 1, 2012 to December 31, 2015, Mr. Wilson was Executive Vice-President, Administration & General Counsel. Prior to December 1, 2012, Mr. Wilson was Vice-President, General Counsel & Corporate Secretary.

(1) Mr. Aitken will retire as Executive Vice President, Finance & Chief Financial Officer effective December 2, 2016.

The following Executive Officers retired during the fiscal year ended August 31, 2016:

Name, Residence and Date of Retirement	Position	Principal Occupation and Position Over Past Five Years
ANDREW CAMPBELL Ontario, Canada Retired: May 31, 2016	Vice-President, Customer & Commercial Services	Same
JOHN W. CRICHTON Ontario, Canada Retired: December 31, 2015	President & CEO	Same
JOHN DAVID Ontario, Canada Retired: January 31, 2016	Vice-President, Safety & Quality	Same
RICHARD J. DIXON Ontario, Canada Retired: December 31, 2015	Vice-President & Human Resources Officer	Same

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as noted below, no director or executive officer of NAV CANADA is, as at the date of this AIF, or has within ten years prior to the date of this AIF:

(a) been a director, chief executive officer or chief financial officer of any company (including the Company) that:

(1) was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, where such order was issued:

(i) while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(2) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director or officer.

In January 2012, a receiver was appointed under the *Bankruptcy and Insolvency Act* (Canada) to hold the assets of Barrett Marketing Group (Barrett Marketing), a privately-held distribution company of which Edward Barrett is a director and executive officer. In November 2012, Barrett Marketing voluntarily filed for bankruptcy.

Michelle Savoy was serving as a director of 2172079 Ontario Inc., a private company operating a franchise restaurant, when the company initiated creditor protection proceedings under Section 49 of the *Bankruptcy and Insolvency Act* (Canada) on December 3, 2013.

LEGAL PROCEEDINGS

The Company is party to legal proceedings in the ordinary course of its business. Management does not expect the outcome of any of these proceedings to have a material adverse effect on the consolidated financial position or results of operations of the Company.

INTERESTS OF EXPERTS

KPMG LLP are our auditors. As such they have provided the audit report filed with our fiscal 2016 annual audited consolidated financial statements, which are filed on SEDAR. In connection with the audit of the Company's annual financial statements for the fiscal year ended August 31, 2016, the auditors confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

MATERIAL CONTRACTS

The following is the only material contract, other than contracts entered into in the ordinary course of business, which has been entered into by the Company within the most recent fiscal year, or was entered into before the most recently completed fiscal year and is still in effect:

- The GOI referred to above under the heading "Capital Structure".

A copy of this document has been filed as a material contract on SEDAR and is available at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

The trustee and registrar for the Company is BNY Trust Company of Canada, located in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Additional financial information relating to the Company can be found in the annual audited consolidated financial statements and MD&A for the fiscal year ended August 31, 2016.

APPENDIX A

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

INTRODUCTION

The primary responsibility of the board of directors is to foster the long-term success of NAV CANADA consistent with its fiduciary responsibility to NAV CANADA.

The board of directors operates by delegating certain of its tasks and responsibilities, including spending authorizations, to management and by reserving certain powers to itself. Subject to the Articles of Continuance and By-Laws of NAV CANADA, the board of directors retains the responsibility for managing the business and affairs of NAV CANADA, including the selection of Board-elected Directors, selecting its Chair, appointing officers and committees and determining director compensation.

The board of directors shall act in the best interests of the company and be accountable for the stewardship of the company, including, but not limited to, overseeing the conduct and operation of the company, reviewing and approving corporate strategies, plans and financial objectives, appointing, developing, monitoring, advising and supervising senior management, assessing the performance and results of management and the company, making reasonable efforts to maintain effective corporate communications with Members and the public as contemplated herein, making reasonable efforts to maintain the integrity of internal control and management/financial systems, exercising duty of care and preserving the company's assets; developing the company's approach to corporate governance, and to the extent feasible, satisfying itself as to the integrity of the President and other executive officers, and that the President and other executive officers create a culture of integrity throughout the company

The duties and responsibilities of individual directors are contained in the Company's Corporate Governance Manual.

SELECTION OF CHAIR, PRESIDENT AND OFFICERS

The board of directors has the responsibility:

(a) for the appointment and replacement of a President and the Chair, for monitoring and review (with and through the Human Resources and Compensation Committee) of the President's and the Chair's performance, approving President compensation and providing advice and counsel to the President in the execution of his duties;

(b) acting upon the advice of the Human Resources and Compensation Committee, and the President concerning his direct reports, to approve the appointment and remuneration of all officers; and

(c) for ensuring that plans have been made for management succession.

MONITORING AND ACTING

The board of directors has the responsibility:

(a) to monitor NAV CANADA's progress towards its objects and policies, and to revise and alter its direction through management in light of changing circumstances;

(b) for the identification of the principal risks of NAV CANADA's business and ensuring the implementation of appropriate systems to manage these risks; and

(c) for taking appropriate steps to gain reasonable assurance that management has implemented sound internal controls and management information systems.

STRATEGY DETERMINATION

The board of directors has the responsibility to review with management the mission of the business, its objects and policies, and the strategy by which it proposes to reach those objects and policies, taking into account, among other things, the opportunities and risks of the business.

POLICIES AND PROCEDURES

The board of directors has the responsibility to take appropriate steps to gain reasonable assurance that management has put in place appropriate processes:

(a) to approve and monitor compliance with all significant policies and procedures by which NAV CANADA is operated; and

(b) to ensure that NAV CANADA operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

COMMUNICATION

The board of directors has the responsibility:

(a) to ensure timely, informative and broad dissemination of material information, as outlined in the Company's Corporate Disclosure Policy and other communication policies;

(b) to ensure that the financial performance of NAV CANADA is adequately reported to Members, other security holders and regulators, as applicable, on a timely and regular basis;

(c) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;

(d) to ensure the timely reporting of any other developments that have a significant and material impact on NAV CANADA;

(e) to report annually to Members and others required by applicable law on its stewardship for the preceding financial year; and

(f) to ensure that NAV CANADA has systems in place which accommodate feedback from Members and others required by applicable law.

LEGAL REQUIREMENTS

A. The board of directors is responsible for ensuring that all applicable legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. Canadian law, including, without restriction, the By-laws of NAV CANADA, establishes the legal requirements for the board of directors:

   i) to manage the business and affairs of NAV CANADA;

   ii) to act honestly and in good faith with a view to the best interests of NAV CANADA;

   iii) to exercise the care, diligence and skill that might reasonably be expected from a person of his knowledge and experience;

iv) to act in accordance with its obligations contained in the *Canada Not-for-profit Corporations Act*, the *Securities Act* of each province and territory of Canada in which NAV CANADA is a “reporting issuer”, other relevant legislation and regulations, and NAV CANADA’s Articles of Continuance and By-laws;

v) the following responsibilities cannot be delegated to management or to any Committee:

(a) any submission to the Members of a question or matter requiring approval of the Members;

(b) the filling of a vacancy among the directors, subject to the provisions of the By-laws of NAV CANADA, or in the office of the external auditor;

(c) the manner and the term for the issuance of securities of NAV CANADA;

(d) the payment of a commission to any person in consideration of the purchase or agreement to purchase securities of NAV CANADA from NAV CANADA or from any other person, or procuring or agreeing to procure purchasers for any such securities;

(e) the approval of all disclosure documents, including prospectuses, required under securities laws;

(f) the approval of the financial statements of NAV CANADA;

(g) the adoption, amendment or repeal of By-Laws of NAV CANADA; and

(h) the amendment of customer service charges charged by NAV CANADA in respect of the ANS.

APPENDIX B

TERMS OF REFERENCE FOR THE CHAIR

INTRODUCTION

The Company's Corporate Governance Policy Manual sets out the nature of the role of the Chair with specific reference to the By-laws of NAV CANADA in this regard. Given the broad statement of the powers of the office of the Chair, the Corporate Governance Committee, in conjunction with the Chair, has more specifically delineated the responsibilities of the Chair.

CHAIR RESPONSIBILITIES

A. Introduction

The overriding objective of the Chair is to provide strong leadership and facilitate highly effective performance of the board of directors. The board of directors has ultimate accountability for the management of NAV CANADA. Critical to meeting this accountability is the relationship between the board of directors, management, Members and other stakeholders. The Chair, as the presiding member of the board of directors, must ensure that these relationships are effective and efficient and further the best interests of NAV CANADA. In performing this role, the Chair shall work with management, manage the board of directors, and ensure effective relations with Members, other stakeholders and the public. In this regard, the Chair, in concert with the President, is responsible for public interaction with respect to the affairs of NAV CANADA.

B. Board of Director's Interface with Management

The Chair shall:

i) ensure management is aware of concerns of the board of directors, Members and other stakeholders;

ii) ensure that management strategy, plans and performance are appropriately conveyed to the board of directors; and

iii) ensure the board of directors has exposure to the management team.

C. Managing the Affairs of the Board of Directors

The Chair shall:

i) chair board of directors meetings;

ii) ensure that the mechanisms for effective governance are in place and the board of directors is alert to its obligations to NAV CANADA, Members, management, and other stakeholders under applicable law;

iii) provide strong leadership to the board of directors and assist in reviewing and monitoring the vision, strategy, and policies of NAV CANADA;

iv) as a member of the Corporate Governance Committee, participate in recommending the committees of the board of directors and their composition, review the need for, and the performance and suitability of, those committees and recommend such adjustments as are deemed necessary from time to time;

v) in conjunction with the Corporate Governance Committee, ensure that the Board-elected Director selection process and composition of the Board-elected Directors are appropriate and serve the needs of NAV CANADA; and

vi) conduct board of directors meetings in an efficient, effective and focused manner.

D. Relations with Members, Other Stakeholders and the Public

The Chair shall:

i) assume the role of liaising with the Advisory Committee of NAV CANADA;

ii) ensure NAV CANADA's management and, where applicable, the board of directors, are appropriately represented at official functions and meetings with Members and other stakeholders; and

iii) ensure there are appropriate and effective channels of communications between the board of directors, management, Members and other stakeholders.

APPENDIX C

TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE COMMITTEE

PURPOSE

At NAV CANADA, "board governance" means the process and structure used to supervise the business and affairs of NAV CANADA consistent with a view to discharging the Company's objects contained in the Articles of Continuance. The process and structure define any delegation of power and establish mechanisms for achieving accountability by the Board and management.

The Statement of Purpose contained in the Articles of Continuance mandate NAV CANADA to acquire, own, manage, operate and develop the ANS in a safe, secure, efficient and cost effective manner, and include:

(a) fostering and maintaining the highest professional standards;

(b) facilitating service availability and reasonable fees;

(c) operating as a good employer; and

(d) meeting reasonable needs of remote communities.

Fundamental to these is ensuring the financial viability of the business of NAV CANADA.

The purpose of the Corporate Governance Committee (the "Committee") is to provide a focus on board governance that will enhance the corporate performance of NAV CANADA. The Committee's activities shall include reviewing, monitoring and making recommendations regarding the effectiveness of the Board of NAV CANADA, establishing and administering a process for the ongoing selection and development of its individual directors; and recommending the composition and Chairs of the various Committees.

COMPOSITION AND TERM OF OFFICE

The Committee shall be composed of up to six directors comprising one director elected by the Government Member, one director elected by the User Members, one director elected by the Union Member and two Board-elected directors, provided that one of the members of the Committee shall be the Chair.

Members of the Committee are eligible for reappointment at the will of the Board.

A majority of the members of the Committee shall constitute a quorum.

DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, and consistent with the Corporation's By-laws, the Committee shall:

(a) Develop and annually update a long term plan for the composition of the Board-elected directors that takes into consideration the current strengths, skills and experience on the Board, and the strategic direction of NAV CANADA;

(b) Develop recommendations regarding the essential and desired experiences and skills for potential directors elected by the Members, taking into consideration the Board's short-term needs and long-term succession plans;

(c) Recommend to the Board nominees for election as Board-elected directors;

(d) Review, monitor and make recommendations to the Board regarding new director orientation and the ongoing development of existing members of the Board;

(e) Review as required, for Board approval, the Corporate Governance Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board, the Board Chair, the President, directors and Committees;

(f) Assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required;

(g) Review the Corporation's structures and procedures to ensure the Board is able to, and in fact does, function independently of management;

(h) Biennially implement an appropriate evaluation process for the Board, the Board Chair and Board committees and an individual director evaluation process;

(i) Biennially review the by-laws of NAV CANADA and recommend changes to the Board;

(j) Annually, in consultation with the Chair, review and recommend composition and Chairs of various Committees;

(k) Annually recommend to the Board of Directors a Chair of the Board;

(l) Monitor and review with the Board and management the results of their review of NAV CANADA's compliance with the Conflict of Interest Guidelines and Code of Conduct for directors and officers;

(m) Biennially review and make recommendations to the Board respecting directors' remuneration (fees, retainer and other amounts) and benefits to be provided or paid to directors and directors' and officers' insurance;

(n) Prepare recommendations for the Board regarding any reports required or recommended on corporate governance (e.g. public reports required to meet Canadian Securities Administrators' guidelines);

(o) Review and recommend revisions to its terms of reference to the Board;

(p) Have authority to engage and compensate any outside advisor that it deems necessary to permit it to carry out its duties;

(q) Conduct a portion of each meeting without management present; and

(r) Have such other powers and duties as may be delegated to it by the Board from time to time.

ACCOUNTABILITY

The Corporate Governance Committee shall report to the Board at each regular meeting all such action it has taken since the previous report.

CORPORATE GOVERNANCE COMMITTEE TIMETABLE

The major annual activities of the Corporate Governance Committee are outlined in the Committee's Workplan.

APPENDIX D

TERMS OF REFERENCE FOR THE PRESIDENT & CEO

INTRODUCTION

The Company's Corporate Governance Policy Manual sets out the nature of the role of the President & CEO with specific reference to the By-laws of NAV CANADA. Given the broad statement of the powers of the office of the President & CEO, the Corporate Governance Committee, in conjunction with the Chair, has more specifically delineated the responsibilities of the President & CEO.

PRESIDENT & CEO RESPONSIBILITIES

The Board of Directors has ultimate accountability for the management of NAV CANADA. Critical to meeting this accountability is the relationship between the Board of Directors, management, Members and other stakeholders. The President & CEO is responsible for the customary duties of the president and chief executive officer of a corporation similar in size and operation to that of NAV CANADA and has ongoing responsibility for the accountability of management to the board of directors. In addition, the President & CEO, in concert with the Chair, is responsible for public interaction with respect to the affairs of NAV CANADA. The President & CEO shall liaise with the users of the ANS on major issues and shall adopt an ongoing consultative and resource role, internally, in respect of customer service charges, and a leading public role in the implementation of the same.

The President & CEO shall:

(a) lead and manage NAV CANADA;

(b) report to the board of directors;

(c) keep the board of directors current on major developments, ensuring the board of directors has sufficient information to permit it to fully discuss potential issues and to make decisions;

(d) recommend to the board of directors strategic directions for NAV CANADA's business and, when approved, successfully implement the corresponding strategic, business and operational plans;

(e) direct and monitor the activities of NAV CANADA in a manner that strives towards the achievement of targets and ensures the assets of NAV CANADA are safeguarded and optimized in the best interests of NAV CANADA;

(f) develop and implement operational policies to guide NAV CANADA within the limits prescribed by NAV CANADA's Articles of Continuance, By-Laws and other applicable laws, and the framework of the strategic directions adopted by the board of directors;

(g) develop and recommend to the board of directors the overall corporate organization structure and staffing;

(h) create, maintain and review with the board of directors an annual plan for the development and succession of management;

(i) oversee the interfaces between NAV CANADA and the public;

(j) meet regularly and as required with the board of directors to review material issues and to ensure that the board of directors is provided in a timely manner with all the information it requires to fulfil its statutory and other obligations;

(k) provide the board of directors with exposure to the key management of NAV CANADA;

(l) participate in and support international activities with respect to air navigation services including participation on the Boards of Directors of international air navigation services related associations and/or corporations; and

(m) engage in public service as agreed with the board of directors in connection with NAV CANADA's charitable, educational and cultural activities.

APPENDIX E

TERMS OF REFERENCE FOR COMMITTEE CHAIRS

CHAIR OF COMMITTEE RESPONSIBILITIES

Chairs of Committee are selected by the full board of directors on the recommendation of the Corporate Governance Committee and the Chair of the Board. The roles and responsibilities of the Chairs of Board Committees include, but are not limited to:

(a) ensuring that the work of the Committee is well organized and proceeds in a timely fashion;

(b) in consultation with the Committee and management, determine the agenda, frequency and length of Committee meetings;

(c) presiding at Committee meetings;

(d) arranging for an alternate to chair a Committee meeting if he or she is absent from such meeting;

(e) reporting to the full board of directors on all action taken by the Committee since its previous report to the board of directors;

(f) reporting to the board of directors on matters arising which are determined important for full board of directors consideration.

APPENDIX F

TERMS OF REFERENCE FOR THE

HUMAN RESOURCES & COMPENSATION COMMITTEE

PURPOSE

The purpose of the Human Resources & Compensation Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its oversight role with respect to:

(a) establishing the Company's compensation philosophy and satisfying itself that the compensation structure and programs are consistent with its philosophy, strategy and prudent management of its operations and the risks to which it is exposed;

(b) overseeing the hiring, promotion and compensation of the Company's officers and other Vice Presidents;

(c) ensuring that an effective succession management program is in place;

(d) ensuring that there is an effective talent management strategy in place; and

(e) ensuring other human resources and labour relations strategies, policies and programs are effective.

COMPOSITION AND TERMS OF OFFICE

The Committee shall consist of no more than six directors, at least two of whom shall be elected to the Board of Directors by Members other than the Union Member and one of whom shall be a Board-elected director. A majority of members of the Committee shall constitute a quorum.

The Committee shall meet not less than four times per year.

DUTIES AND RESPONSIBILITIES

The Board hereby delegates to the Committee the following powers and duties:

(a) The Committee shall develop a NAV CANADA compensation philosophy and guidelines that are competitive and motivating, and that attract and retain all employees and management alike.

(b) The Committee shall, on an annual basis, review the Company's operating budget and assumptions with respect to employee costs prior to Board approval.

(c) The Committee shall, on an ongoing basis as required, within the context of budgets and policies established by the Board of Directors, review the suitability of the Company's labour negotiations strategy and give guidance as to overall costs.

(d) The Committee shall review the design and recommend for approval by the Board of Directors, the benefits to be provided by the NAV CANADA Pension Plans and Supplemental Retirement Plans.

(e) The Committee shall annually review certain relevant HR policies, including a Code of Conduct which shall be applicable to all employees, and when required, recommend changes for approval to the Board.

(f) The Committee shall review submissions from the President & CEO and recommend approval to the Board, recruitment, appointments or terminations of Officers of the Company.

(g) The Committee shall evaluate the President & CEO's performance. This evaluation will include:

- receipt from the President & CEO of his self-appraisal for the prior year's performance, and goals and objectives to be approved by the Committee for the upcoming year;
- the conduct of interviews with the President & CEO's direct reports by the Chair of the Committee and the Chair of the Corporate Governance Committee;
- an assessment of the President & CEO's performance by all directors, consolidated by an outside resource; and
- feedback to the President & CEO on all aspects of the evaluation,

A consolidated assessment reflecting the evaluation carried out by the Committee will then be forwarded and approval recommended to the Board of Directors.

(h) The Committee shall review performance evaluations and approve annually, compensation, incentive payments, perquisites and benefits of the President & CEO and Officers of the Company. Their review may include benchmarking analysis provided by an outside compensation expert.

(i) The Committee shall review and update the design of the Executive Total Compensation Plan (base pay, Short-term Incentive and Long-term Incentive plans, benefits, perquisites) biannually to ensure it is competitive in the marketplace and meets NAV CANADA's compensation philosophy. On an as-needed basis, the Committee shall conduct an in-depth Executive Total Compensation Plan review, using an outside compensation expert.

(j) The Committee shall have the authority to engage and compensate any outside advisor that it deems necessary to permit it to carry out its duties, including the selection and terms of reference of outside consultants retained to provide advice.

(k) The Committee shall review and approve annually, management's succession plans and career planning and development for Officers of the Company and ensure that appropriate succession management processes are in place for all other management levels.

(l) The Committee shall review and recommend updates to its terms of reference to the Board annually and provide the members with access to such terms of reference.

(m) The Committee shall review and recommend approval to the Board of Directors, executive compensation disclosure before public disclosure of the information.

(n) The Committee shall review and approve those severance payments for non-unionized employees, as required by the Company's Delegation of Financial Authorities.

(o) The Committee shall regularly review the results of employee engagement surveys and management's strategy to maintain and/or improve employee engagement.

(p) The Committee shall report to the Board of Directors at the next Board meeting, all such action it has taken since its previous report to the Board of Directors. The minutes of all meetings of the Committee shall be available to all Directors.

(q) The Committee shall also have such other powers and duties as may be delegated to it from time to time by the Board.

(r) The Committee shall conduct a portion of each meeting without management present.

APPENDIX G

TERMS OF REFERENCE FOR THE AUDIT & FINANCE COMMITTEE

1. Purpose of the Audit & Finance Committee

The Board of Directors ("Board") is responsible for administering the business and affairs of NAV CANADA (the "Corporation") and exercising all of the powers of the Corporation. In discharging that responsibility, the Board delegates certain matters and powers to the senior officers of the Corporation ("Management") but retains authority to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight of all significant aspects of the management of the Corporation's business and affairs including its financial reporting and disclosure obligations. The Board has asked the Audit & Finance Committee to assist with its oversight of the financial reporting and disclosure obligations by overseeing the following:

a) the Corporation's financial reporting and disclosure processes;

b) the external auditors' qualifications, objectivity and independence;

c) the performance of the Director, Internal Audit and the Corporation's internal audit function;

d) the Corporation's Finance and Treasury functions; and

e) other duties assigned by the Board.

2. Establishment of the Committee

The Board has established a committee of the Board known as the Audit & Finance Committee (the "Committee"), which complies with Canadian Securities Administrators' National Instrument 52-110 (the "Instrument"). The Committee is hereby empowered and required:

a) to take all actions and make all inquiries which, in the opinion of the Board or the Committee, are necessary or desirable for the Committee to gain reasonable assurance as to whether the Corporation's financial reporting obligations are being met by the Corporation; and

b) to report to the Board the conclusions reached by the Committee.

3. Composition of the Committee

A. The members of the Committee shall be appointed by the Board and, as required by the Corporation's By-laws, shall consist of at least four, but not more than six, directors of the Corporation. Subject to the exemptions contained in National Instrument 52-110, each member of the Committee shall be "independent" and "financially literate", as defined by the Canadian Securities Administrators ("CSA") with respect to Audit Committees. No officer of the Corporation or the Chair of the Board, may serve as a member of the Committee. The Board may remove any member of the Committee at any time.

B. The Board shall appoint, and may remove, the Chair of the Committee from time to time.

C. It is recognized that occasions may arise in which members of the Committee are in a position in which their duty to the Corporation actually conflicts or is perceived to conflict with their duty to others. It is the responsibility of each member of the Committee and of the Committee as a whole to recognize and deal with such conflicts in a manner that provides the greatest assurance that the actions and decisions of the Committee are free from any conflict, whether perceived or real.

4. Reliance on Management and Experts

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be entitled to rely in good faith upon:

a) financial statements of the Corporation represented to him or her by one or more members of Management or in a written report of the external auditor to present fairly the financial condition of the Corporation; and

b) any report of a lawyer, accountant, engineer, appraiser, actuary or other person whose profession lends credibility to a statement made by any such person.

5. Operating Procedures

A. The Committee, in consultation with Management, the Director, Internal Audit and the external auditors, shall develop an annual Audit & Finance Committee Work Plan that is responsive to the Committee's responsibilities set out in this Charter.

B. In addition, the Committee, in consultation with Management, the Director, Internal Audit and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's accounting principles and policies and financial disclosure.

C. To assist the Committee in discharging its responsibilities, the Committee may retain, in addition to the external auditor, at the expense of the Corporation, one or more persons having special expertise, including independent counsel and other advisors. The Committee shall be entitled to set and pay compensation for any advisors engaged by the Committee.

D. The Committee shall meet four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chair of the Committee, or upon the request of a member of the Committee or at the request of the external auditors.

E. Seventy-two hours written notice of a meeting shall be given, other than by mail, to each Committee member and to the external auditor. If notice is given by mail, such notice shall be mailed at least 14 days prior to the meeting. No notice of a meeting of the Committee shall be required if all Committee members are present and waive notice, or if those absent have signified their consent to the meeting being held in their absence. No error or omission in giving notice of any meeting of the Committee or any adjourned meeting of the Committee (provided that such error or omission is not material) shall invalidate such meeting or make void any proceedings taken thereat and any Committee member may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat.

F. The external auditors are entitled to attend each meeting of the Committee and be heard, and shall attend every meeting of the Committee if requested to do so by one of its members;

G. A Committee member or the external auditors may participate in a meeting of the Committee by means of conference telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a person participating in such a meeting by such means is deemed to be present at the meeting.

H. At any meeting of the Committee, a quorum shall be a majority of the members of the Committee.

I. Each Committee member shall be entitled to exercise one vote on each motion at each meeting of the Committee. Except as expressly provided herein and unless otherwise expressly provided by the *Canada Not-for-profit Corporations Act*, at all meetings of the Committee every question shall be determined by a majority of votes cast at the meeting. A declaration by the Chair of the Committee that a resolution has been carried and an entry to that effect in the minutes shall be *prima facie* proof of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

J. A resolution in writing, signed by all members of the Committee entitled to vote on that resolution at a meeting of the Committee, is as valid as if it had been passed at a meeting of the Committee.

K. Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

L. In the absence of the Chair at any meeting of the Committee, the members shall appoint one of their number to serve as acting Chair at the meeting.

M. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and be available to each other director of the Corporation in a timely fashion.

N. The Chair of the Committee shall report on the proceedings at each meeting of the Committee to the next-following regularly scheduled meeting of the Board.

O. The Committee shall be entitled to communicate directly with the external auditors and the Director, Internal Audit and, at each meeting of the Committee, to meet in private with them or such other parties as the Committee requests.

6. Duties and Responsibilities

The Committee shall perform the functions customarily performed by an audit committee and any other functions assigned by the Board of Directors. The Committee's oversight responsibility for the financial reporting and disclosure processes includes the following:

i. To oversee Management in their efforts to establish and maintain internal control to provide reasonable assurance with regard to the reliability of financial reporting, and

ii. To oversee Management in their commitment to create a culture of honesty and ethical behaviour, including setting the proper tone and placing a strong emphasis on fraud prevention.

In addition, the Committee shall have the following duties and responsibilities:

A. Annual and Interim Financial Statements

For the purpose of gaining reasonable assurance as to whether the Corporation's financial statements for each interim financial quarter of the Corporation (the "Current Quarter") and each financial year of the Corporation (the "Current Year") present fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with generally accepted accounting principles ("GAAP") as applicable to the Corporation and together with the interim Management's Discussion and Analysis ("MD&A") or year-end MD&A and Annual Information Form ("AIF") constitute a fair presentation of the Corporation's financial results and condition, before release to the public:

a) review the Corporation's financial statements for the Current Quarter (the "Current Interim Statements") or Current Year (the "Current Annual Statements") with Management and the external auditors;

b) review the reasonableness of material changes in accounting policies, estimates, accruals and reserves made since the end of the previous reporting period;

c) review any unresolved items identified by the external auditors in preparing their review engagement report on the Current Interim Statements or identified during their audit of the Current Annual Statements and resolve any disagreements between Management and the external auditors regarding financial reporting;

d) obtain a report, preferably in writing, from the external auditors, reflecting misstatements (whether corrected or uncorrected) identified during the performance of the review or audit engagements based on their materiality threshold;

e) annually obtain a report from the external auditors, preferably in writing, on whether o in the course their audit of the Current Annual Statements, they became aware of any matters to be communicated to the Committee under generally accepted auditing standards or any other professional standards currently in place. This report will include, if relevant, any matters concerning accounting principles, policies or practices employed in preparing the Current Annual Statements and any change in reliance on internal control;

f) obtain and review a copy of the representation letter provided by Management to the external auditors relating to the Current Interim Statements or Current Annual Statements;

g) review with Management, the external auditors and the Corporation's legal counsel, material legal claims or other contingencies affecting the Corporation to gain reasonable assurance that all such claims and contingencies that could have a material effect upon the financial position or results of operations of the Corporation have been appropriately reflected in the Current Interim Statements or Current Annual Statements;

h) review compliance with the Corporation's Disclosure Policy and with its disclosure controls and procedures; and

i) recommend approval of the Current Interim Statements or Current Annual Statements to the Board.

B. Other Material Financial Information

For the purpose of gaining reasonable assurance as to whether material financial information concerning the Corporation is disseminated to the public in a timely manner and is accurate, complete and fairly presented:

a) review with Management each annual and interim MD&A;

b) review with Management all news releases and reports concerning the Corporation's annual or interim financial statements and subsequent news releases and reports that may have a material impact on such financial statements. In circumstances where events render it impractical to consult with the entire Committee prior to issuing such news releases or reports, authority to review and approve such news release or reports may be exercised by the Chair of the Committee or the Chair of the Board;

c) review with Management all other core disclosure documents such as prospectuses, material change disclosures of a financial nature, Annual Information Forms, and related press releases; and

d) recommend approval of the annual and each interim MD&A as well as all other core disclosure documents to the Board.

C. Fair Presentation

For the purpose of gaining reasonable assurance as to whether the Corporation's financial statements for each financial year and for each interim financial quarter of the Corporation present fairly the financial position of the Corporation, the results of its operations and its cash flows and as to whether material financial information concerning the Corporation which is to be disseminated to the public is accurate, complete and fairly presented:

a) review and approve the competency requirements and evaluate the competencies of all individuals serving in key financial reporting roles;

b) oversee the work of the external auditors in preparing or issuing an audit or other report in respect of the Corporation's financial statements or performing other audit, review or attest services for the Corporation;

c) review the process relative to the quarterly certifications by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Corporation in respect of internal control over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P"). On a quarterly basis receive and review a report from management regarding:

    i. the status of the work done to support the CEO and CFO certificates, including appropriate disclosure of conclusions in the Corporation's MD&A;

    ii. the conclusions on design (and annually on the effectiveness) of ICFR and DC&P;

    iii. the existence of any significant deficiencies or material weaknesses in the design or effectiveness of internal control that could adversely affect the Corporation's ability to record , process, summarize and report financial data; and

iv. any significant changes in internal control or changes to the environment in which the internal controls operate, including corrections of previously reported significant deficiencies or material weaknesses;

d) review and discuss the plans of the external auditors;

e) receive timely reports from Management, the external auditors and the Director, Internal Audit on all indications or detection of significant fraud and the corrective activity undertaken in respect thereto;

f) at least annually, receive a report from Management on the Company's fraud risk assessment;

g) review commentaries received from securities regulators pursuant to continuous disclosure reviews, if any, together with Management's responses.

D. External Auditors

The external auditors report directly to the Committee.

For the purpose of gaining reasonable assurance that the external auditors are objective and independent:

a) obtain annually a written opinion of the external auditors that they are objective and independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario;

b) obtain annually a report of the external auditors regarding,

   i. all fees paid by the Corporation or any affiliate of the Corporation to the external auditors or any affiliate of the external auditors in the last financial year of the Corporation ended prior to the date of such report, and

   ii. all relationships of any kind that existed between the external auditors or any affiliate of the external auditors and the Corporation or any affiliate of the Corporation;

c) in advance of the external auditors' commencement of each audit of the Corporation's financial statements, review with the external auditors their approach to risk assessment, the proposed scope of the audit, the proposed areas of special emphasis to be addressed in the audit and the materiality levels that the external auditors propose to employ;

d) inquire whether Management has placed restrictions on the scope or extent of the external auditors' audit examinations or the external auditors' reporting of their findings to the Committee;

e) engage in an open and frank discussion with the external auditors on any matter that may have a significant effect on the understandability, relevance, reliability and comparability of the annual and interim financial statements; and

As part of the Committee's assessment of the external auditors:

f) annually undertake a review of the external auditors' performance; and

g) annually inquire of the external auditors regarding the existence of any material issues raised in the most recent reviews carried out by the Canadian Public Accountability Board that would have a material effect on the ability of the external auditors to provide quality audit services

E. Internal Auditor

For the purpose of overseeing the performance of the Director, Internal Audit and the Corporation's internal audit function:

a) review and approve the Internal Audit Charter on an annual basis;

b) review and discuss with the Director, Internal Audit the department's approach to risk assessment used to develop the 36 month rolling Internal Audit plan;

c) review and approve the 36 month rolling internal audit plan and the annual budget;

d) review the recommendations arising from the internal auditors' audits and special projects. Review the adequacy and appropriateness of Management's responses to recommendations made by the internal auditors, including the remediation timetable thereof;

e) the Director, Internal Audit reports functionally to the Committee and administratively to the CEO;

f) review, approve and report to the Board together with the CEO on the appointment, reassignment or dismissal of the Director, Internal Audit;

g) review and approve the competency requirements and evaluate the competencies of the Director, Internal Audit;

h) the Chair of the Committee together with the CEO will review the annual performance evaluation and salary recommendation for the Director, Internal Audit.

F. Finance and Treasury

For the purpose of overseeing the Finance and Treasury functions:

a) review and discuss the quarterly Treasury Report including updates on debt covenant compliance, forecast liquidity and credit facility usage, discussions with credit rating agencies, reports by bond or debt market analysts, reserve fund and cash equivalent investments, status of capital leasing counterparties and any other treasury matters that may arise;

b) review and recommend to the Board any financing and/or risk management transactions proposed by Management;

c) review the quarterly update and valuation of restructured third party sponsored ABCP;

d) review the Treasury Policy on an annual basis and recommend any changes for approval by the Board; and

e) review at least annually the adequacy of capital and liquidity including reserve funds.

G. Other Duties and Responsibilities

The Committee shall:

a) recommend to the Board a firm of public accountants that is a participating audit firm in the Canadian Public Accountability Board, to be nominated for appointment as the external auditors;

b) recommend to the Board the compensation of the external auditors for the conduct of the annual audit, and in accordance with and subject to the applicable terms of the Instrument, grant pre-approval of all management recommended fee estimates for permissible non-audit services (as that term is defined by the CSA) to be provided to the Corporation or its subsidiaries by the external auditors;

c) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Corporation;

d) review annually the external audit partner rotation plans;

e) Review the status of “whistle blowing” complaints, including the resolution of any follow-up actions and review and suggest appropriate changes, if any, to the Corporation’s “whistle blowing” procedures for:

   i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters including feedback on closure of these items, and

   ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

f) review annually the expenses of the Chair of the Board for the purpose of gaining reasonable assurance as to the reasonableness of such expenses;

g) obtain quarterly certificates from Management as to the Corporation’s compliance with laws and regulations governing payroll withholdings, tax remittances and similar filings, workers compensation premiums and other such similar withholding obligations, and Management’s compliance with the Corporation’s Anti-Corruption Policy and the Code of Business Conduct;

h) review at least annually the specific business risks of the Corporation under the Enterprise Wide Risk Management program that are assigned to the Committee by the Board;

i) review and discuss emerging accounting principles and issues, and new securities regulations that are applicable to the Corporation;

j) ensure that orientation is provided to new Committee members and that continuing education is provided for all Committee members on the business, accounting developments and other matters relevant to their responsibilities as Committee members;

k) review annually the Delegation of Financial Authorities for appropriateness;

l) review the Company's Credit Terms and Conditions on an annual basis and recommend any changes for approval to the Board;

m) review management’s Preliminary Operating Budget prior to its finalization and presentation to the Board for approval;

n) at least annually, review the provisions of this charter for the purpose of recommending to the Board changes to the charter needed to meet new legislative or regulatory requirements to incorporate evolving best practices for audit committees or any other changes that are required;

o) at least annually, formally assess the effectiveness of the Committee in discharging its responsibilities, and report thereon to the Board; and

p) annually confirm that all responsibilities outlined in this Charter have been carried out.

APPENDIX H

2016 STATEMENT OF EXECUTIVE COMPENSATION
FORM 51-102F6

Year Ended August 31, 2016

October 27, 2016

COMPENSATION DISCUSSION & ANALYSIS

The following Compensation Discussion & Analysis (CD&A) sets out the compensation philosophy and elements of executive compensation for the executive officers of NAV CANADA (also referred to herein as we, our, us or the Company), as well as the actual compensation paid to the Company's President & Chief Executive Officer (CEO), the former President & CEO, the Executive Vice President, Finance & Chief Financial Officer (CFO), and each of the Company's three other most highly compensated executive officers serving in such capacity as at August 31, 2016 (collectively, the Named Executive Officers). During fiscal 2016, John W. Crichton, our former President & CEO retired from the Company and Neil R. Wilson became the President and CEO effective January 1, 2016. For the purposes of this CD&A, executive officers include the following positions: the President & CEO and the other executive officers set out in the table under the section entitled "Executive Officers" in the AIF (collectively, the Executive Officers).

Human Resources is sometimes referred to in this CD&A as “HR”.

Except as otherwise indicated, all dollar amounts in this CD&A are expressed in Canadian dollars and references to $ are to Canadian dollars.

Report of the Human Resources & Compensation Committee

The Human Resources & Compensation Committee (the Committee) of the Board of Directors of the Company (the Board), which is composed entirely of independent directors, has been delegated responsibility from the Board for the development of a compensation philosophy, including the review and approval of the executive compensation program to ensure it is competitive in the marketplace and supports the Company's compensation philosophy.

Skills and Experience of Committee Members

Members of the Committee are Bonnie DuPont (Chair), Edward Barrett, Mary-Ann Bell, Arthur LaFlamme and Robert Reid and each has experience with human resources issues and compensation policies.

Bonnie DuPont (Chair) is retired from Enbridge Inc. where she served for 12 years as the senior executive responsible for information technology, human resources, public and government affairs, corporate governance matters, and corporate social responsibility (CSR). She holds a Bachelor’s degree (Great Distinction) from the University of Regina and earned her Master’s degree at the University of Calgary. She is a Fellow of the Institute of Corporate Directors (ICD), and a 2006 graduate of the ICD Corporate Directors’ Education Program. She is also a Certified Human Resources Professional (CHRP). She is currently the Chair of the Board of Governors of the University of Calgary. She is also on the Board of Bird Construction, a TSX listed company and chairs its Human Resources, Safety and Governance Committee and is a member of its Audit Committee. In addition, she was the chair of the Human Resources and Compensation Committee for the six years during which she was on the Board of the Bank of Canada, and she served on the Board of SilverWillow Energy, a former TSX-Venture Exchange (TSX-V) listed company, where she chaired the Governance and Compensation Committee. Ms. DuPont lectures in the Directors’ Education Program, specializing on the Management of Human Capital and Succession Planning. She also co-teaches a one day program for the ICD focusing on the roles and responsibilities of members of Human Resources and Compensation Committees. Prior to becoming the chair of the Board of Governors of the University of Calgary, Ms. DuPont chaired the Human Resources and Governance Committee for four years. She provides executive coaching services to several large Canadian organizations. Ms. DuPont has been a member of the Committee since February 2013.

Edward Barrett is Co-CEO and Chair of Barrett Corporation, a business with operations throughout Canada and the U.S. in the telecommunications, wholesale distribution, and refrigeration business sectors. As Co-CEO of Barrett Corporation, he has responsibilities for all aspects of senior management performance review and compensation. Mr. Barrett has served five years as the Chair of NB Power, the New Brunswick provincial utility. In that capacity he has direct oversight, together with the HR Committee Chair, of annual CEO performance assessment, compensation, and development of goals and objectives. Prior to becoming Chair of the Board of NB Power, he was Chair of its HR Committee. In addition, Mr. Barrett has served for six years on the HR Committee of Wajax Corporation, a TSX listed company, which has responsibility for CEO and senior management compensation, short, mid-term and long-term compensation plans/incentives and all aspects of performance review. He also serves on the HR and Governance Committee of Medavie Blue Cross and is a Fellow of the ICD. Mr. Barrett joined the Committee in January 2015.

Mary-Ann Bell retired from Bell Aliant in 2014. She served as an operational executive on the Bell Aliant and Bell Canada team for more than ten years. Ms. Bell was responsible for large functions such as the Bell Canada Customer Service team, which included more than 10,000 employees. During her career at Bell she led successful collective agreement negotiations and was involved with performance management and compensation decisions. Ms. Bell currently serves on the Board of Cominar Real Estate Investment Trust and has been a member of its Compensation Committee since 2013. She also serves on the Board of Gaz Metro and Cogeco Inc. and is currently Chair of the Board of the Québec University INRS. She holds an industrial engineering degree, a Masters in Science and has attended various leadership/management training sessions that included HR curriculums. She is an ICD.D member and has obtained a Director certification from College des administrateurs in 2008. Ms. Bell joined the Committee in January 2015.

Arthur LaFlamme has had an extensive career in aviation as a military and civil pilot, accident investigator, civil aviation inspector, manager and executive. Mr. LaFlamme was formerly the Director General of Civil Aviation for Canada. He was responsible for regulating the safety of civil aviation in Canada, including certification, licensing, inspection, audit and enforcement of individuals and aviation companies. Mr. LaFlamme managed a large and complex program in Transport Canada and led the development of Canada's civil aviation safety framework and the implementation of safety management systems within aviation companies. In this capacity, he was directly involved in hiring executives in the public service at the Director and Director General level. During his tenure at Transport Canada, he was involved with performance management, executive and staff development, succession planning, and labour relations. Mr. LaFlamme joined the Committee in January 2015.

Robert Reid retired after more than 30 years in the aviation industry, most of it with Air Canada. He began his career as a pilot. Mr. Reid held the positions of Executive Vice President and Chief Operating Officer, Air Canada; Senior Vice President, Air Canada; and President & CEO of Air Canada Technical Services. During his tenure as a senior executive, he was involved with performance management, executive and staff development, succession planning, labour relations and compensation issues for executives and senior management. Mr. Reid joined the Committee in February 2012.

Risk Oversight

The Committee reviews and approves the Company's executive compensation policies and takes into account associated risks. As described below, the Company's executive compensation program is straightforward and consists of five elements: base salary, annual cash incentive, long-term cash incentive, pension plan, benefits and perquisites. The Committee believes that the executive compensation philosophy, reflecting the balance in the Company's Overarching Objectives (set out below), does not encourage Executive Officers to expose the Company to excessive or inappropriate risks.

Certain components of the executive compensation program are in place to mitigate risk, such as:

- an appropriate balance between fixed and variable pay, and long and short-term incentives,
- no guaranteed minimum incentive payouts, and
- a significant portion of each Executive Officer’s compensation is "at risk" either through the annual cash incentive or the long-term cash incentive.

As set out in its Terms of Reference (**Appendix F of the Company's Annual Information Form**), the Committee annually reviews the total compensation package for Executive Officers and ensures that the design and application of the total compensation package has a clear link between pay and performance and does not encourage excessive risk taking by Executive Officers. The Committee conducts yearly Executive Total Compensation Package reviews, retaining an outside compensation expert for assistance when necessary.

The Committee believes that executive base salaries (the fixed compensation element) are sufficient and paid at approximately the median of comparator companies.

The Committee believes that the variable compensation elements (short and long term cash incentives) of the total compensation package represent a sufficient percentage of overall compensation to motivate Executive Officers to achieve short and long-term corporate goals. The short and long-term cash incentives contain specific performance goals with minimum and maximum thresholds. Actual results are measured against pre-approved goals and objectives and are linked to the Company's performance against its Overarching Objectives. In addition, the short and long-term cash incentive programs are designed such that each program provides a balance against the other, thus minimizing risks associated with the achievement of any one goal at the expense of others. This is achieved by establishing corporate cost management and safety plan goals, as well as functional goals in the short-term plan, with complementary financial, safety and productivity goals in the long-term plan, as described below.

In aid of its risk management, the Committee ensures that the corporate cost management award portion of the short-term incentive plan is based on year-end audited financial statements. The accuracy of all amounts awarded under the short-term incentive plan is confirmed by the Company’s Senior Vice President, Human Resources. The long-term incentive awards are based in part on the year-end audited financial statements for the three years of the plan, and a review of certain parameters of the award is conducted by the Company's Director, Internal Audit.

The Committee has not identified any risks that might arise from the Company's executive compensation program that are reasonably likely to have a material adverse effect on the Company.

Compensation Consultants

As part of its regular review of the executive compensation program, the Committee uses outside compensation experts as a resource when necessary. The Committee has retained Mercer (Canada) Limited (Mercer), a wholly-owned subsidiary of Marsh & McLennan Companies (MMC) to evaluate the market competitiveness of its total executive compensation, including base salaries, short-term incentives, long-term incentives, pensions, benefits and perquisites. The decisions of the Committee are its own and may reflect factors other than the information and recommendations provided by Mercer.

The Company retains Marsh, another wholly-owned subsidiary of MMC, to provide services to the Company unrelated to executive compensation. Marsh is NAV CANADA's insurance broker and provides services to the Company in this regard.

The Committee is not required to pre-approve services other than services related to executive compensation, provided by Mercer or its affiliates.

The table below sets out the fees billed by Mercer and Marsh, respectively, for each of the last two fiscal years in respect of the services noted below.

Advisor	Fiscal Year	Executive Compensation Related Fees	All Other Fees
Mercer	2016	$64,000	$133,840(1)
	2015	$91,033	$29,575(2)
Marsh	2016	$0	$504,631(3)
	2015	$0	$450,000(3)

(1) Consulting advice in respect of pension matters, compensation surveys and benchmarking activities. Of this total, $111,705 was funded by the NAV CANADA Pension Plan.
(2) Compensation surveys and benchmarking activities.
(3) Insurance broker services.

Executive Compensation Philosophy

The Company's executive compensation program is designed to support the Company's compensation philosophy and accomplish the following objectives:

- attract and retain qualified, committed and experienced Executive Officers
- reward Executive Officers for their contribution to the overall success of the Company and for achievement of planned business and financial objectives within their own area of responsibility
- implement a compensation program that is cost-efficient
- compensate Executive Officers based on the market value of the type of job they perform, generally at the median of market value
- support the Company's Overarching Objectives (set out below)
- properly manage and balance opportunities and risks facing the Company

OVERARCHING OBJECTIVES

To be a world leader in the provision of safe, efficient and cost effective air navigation services on a sustainable basis while providing a professional and fulfilling work environment for our employees.

The Company will achieve this by:

1. Maintaining a safety record in the top decile of major ANSPs worldwide;
2. Maintaining ANS customer service charges, on average, in the bottom quartile (lowest charges) of major ANSPs worldwide by ensuring that the growth in costs of providing air navigation services does not exceed the growth in revenues, thereby resulting in a decline in customer service charges over the long term;
3. Implementing and maintaining a modern, cost-efficient ANS technology platform in the top quartile of major ANSPs worldwide;
4. Providing value to our customers by assisting in improving operational efficiency through innovative uses of technology and delivery of service, domestically and internationally;
5. Continuously striving to create a work environment which places NAV CANADA amongst the best employers in Canada; and
6. Identifying and, where feasible, introducing measurable benefits which contribute to the reduction of the environmental footprint of the aviation industry.

Key Elements of Executive Compensation

An executive compensation package at NAV CANADA consists of the following components (referred to as the total compensation package):

- base salary
- annual cash incentive
- long-term cash incentive
- pension plan, and
- benefits and perquisites

The compensation of Executive Officers, other than the President & CEO, is recommended by the President & CEO and reviewed and approved by the Committee. The compensation of the President & CEO is reviewed and approved by the Committee.

Base Salaries

Base salaries for all Executive Officers, including that of the President & CEO, are designed to be competitive and are determined on the basis of outside market data as well as individual performance and experience level. Actual individual salary levels are determined according to a number of factors, including the individual's performance, responsibilities, and experience. All Executive Officers receive base salaries except the Vice President & Chief Technology Officer who is paid a per diem for days worked. Base salaries are reviewed annually by the Committee.

Comparator Companies

In setting total compensation for Executive Officers, the Committee reviews market compensation statistics for comparable positions at peer companies suggested by the Committee's external executive compensation advisors, and approved by the Committee.

For the President & CEO, Executive Vice President, Finance and CFO, Executive Vice President, Service Delivery and the former Executive Vice President, Administration & General Counsel roles, the Committee references an industry group of Canadian publicly traded companies operating in the transportation, high tech, telecommunications, and utilities industries with revenues between approximately $500 million and $4 billion. The current "Industry Group" is composed of the companies listed below:

Industry Group Comparator Companies		
CAE Inc.	Capital Power Corp.	Chorus Aviation Inc.
Constellation Software Inc.	Fortis BC	Greater Toronto Airports Authority
Viavi Solutions Inc. (formerly JDS Uniphase Corp.)	MacDonald Dettwiler & Assoc.	Magellan Aerospace Corp.
Manitoba Telecom Services Inc.	Mitel Networks Corp.	Nova Scotia Power
OpenText Corp.	Smart Technologies Inc.	Transat AT Inc.
Transforce Inc.	WestJet Airlines Ltd.	

The Vice President, Pension Investments position was matched to the Mercer Canadian Investment Management Survey. For other executive positions, comparator roles were matched to the Mercer Benchmark Database survey based on Mercer's understanding of the Company's roles, reporting structure, company size and complexity.

Two different survey data segments are used for reference purposes:

- ***Industry group*** - survey data from 55 Canadian organizations operating in the high tech, telecommunications, transportation and utilities industries is used as the primary reference
- ***Size group*** (revenues $650 million to $2.6 billion) - survey data from 137 Canadian organizations with revenues approximately one-half to two times those of the Company are also provided for the Committee's information, as a secondary reference

The industry sector is considered relevant in selecting comparators, as the Company competes with these organizations for executive talent and capital. Revenue size, which is used as a proxy for the level of complexity, job scope and responsibility associated with senior executive positions, is considered relevant in selecting comparators given the correlation between pay level and company size.

The market data are discounted 15% for the President & CEO, and 10% for the Executive Vice President, Finance & CFO for comparative purposes, to reflect differences in the nature of the Company (i.e., monopoly, no equity, securities are not listed on a stock exchange, etc.) relative to comparators.

Annual Incentive Plan in effect beginning September 1, 2014

Effective September 1, 2014, the Company introduced a new Executive Management Annual Incentive Plan (the Plan) which is administered by the Committee. Participants in the Plan are those officers occupying executive management positions (President & CEO, the Executive Vice-Presidents and the Vice-Presidents). The Vice President & Chief Technology Officer has a different annual incentive as described below under "Annual Incentive Paid to Vice President & Chief Technology Officer" and is not covered under the Plan. The Vice President, Pension Investments also has a different annual incentive as described below under "Annual Incentive Paid to Vice President, Pension Investments" and is also not covered under the Plan.

The purpose of the Plan is to provide an incentive to the executive management team to achieve and exceed the Company's short-term strategic objectives. 50% of the Plan's payouts are included in the determination of pensionable earnings.

The following terms used in this section have the following meanings:

"Key Performance Area (KPA)" means one of the Plan's two corporate performance areas: KPA 1 - Operating Costs and KPA 2 - Safety Plan.

"Key Performance Indicator (KPI)" means the performance measure(s) used to evaluate the success of a particular corporate KPA or functional goal.

"KPI Maximum" means the level of performance required to award the maximum payout for a particular KPI.

"KPI Target" means the level of performance required to award the target (100%) payout for a particular KPI.

"KPI Threshold" means the level of performance required to award any payout for a particular KPI.

Participants are eligible to earn an award according to their position and performance levels. For fully meeting performance goals, participants in the Plan are eligible to earn an annual incentive corresponding to their target award. For exceeding the performance goals, participants are eligible to earn an annual incentive up to their maximum award. Annual incentives are payable in cash within 90 days following the end of each fiscal year. No incentives are earned for performance below the KPI Threshold. If a participant's employment is terminated for cause by the Company, or if the participant resigns voluntarily, other than by retirement pursuant to the Company's retirement policy, no incentive is paid for the year in which the termination or resignation takes place, unless otherwise decided by the Company.

The following table sets forth the incentive entitlement of a participant in the Plan.

	Incentive Entitlements (as a % of base salary)	
Position	Target Award	Maximum Award
President & CEO	65%	97.5%
Executive Vice Presidents	50%	75%
Senior Vice Presidents, Vice President, Operations and Vice President, Safety & Quality(1)	35%	52.5%
Other Vice Presidents	30%	45%

(1) These incentive entitlements came into effect on February 1, 2016.

Determination of Performance Goals

The Plan has two categories of performance goals, which are defined at the beginning of each fiscal year.

(1) Corporate goal(s) derived from:

(i) KPA 1 - Operating Costs: meeting the operating cost targets in the Company's annual budget; and

(ii) KPA 2 - Safety Plan: meeting the goals in the Company's annual safety plan.

(2) Functional goal(s) related to the responsibilities of each major function of the Company (such as safety, operations, human resources, technology, finance, legal, information management, engineering, technical operations, customer and commercial services) and which are supportive of the Company's annual business plan and overarching objectives. Examples of functional goals might include improvement of operational efficiency and safety, increases in employee productivity and engagement, successful implementation of new technology, or maintenance of the Company's credit ratings.

The corporate and functional goals are to be measurable and quantifiable (for example in terms of dollars, timing, efficiency ratio, etc.). Weightings are assigned to each category of performance goal depending on the participants' positions, as set out below.

Goals Category		President and CEO		Executive VPs & Vice Presidents	
Corporate	- Operating Costs	55%	45%	55%	45%
	- Safety Plan		10%		10%
Functional		45%		45%	

Corporate Goals and Parameters

KPA 1: Operating Costs
KPI 1: Percentage positive variance against the annual operating costs budget as approved by the Board, which can be adjusted at the Committee's discretion

	Performance	Payout
KPI Threshold	-0.5%	50%
KPI Target	0.0%	100%
KPI Maximum	1.0%	150%

(a) No award will be achieved if there is a negative variance against the operating cost budget of more than 0.5%.
(b) 50% of the target award will be achieved if there is a negative variance against the operating cost budget of 0.5%.
(c) 100% of the target award will be achieved if the Company meets its operating cost budget.
(d) A further award equal to 50% of (c) will be achieved if there is a positive variance against the operating budget of at least 1.0%.

KPA 2: <u>Safety Plan</u>
KPI 2: Percentage completion of the Company's annual safety plan

	Performance	Payout
KPI Threshold	80%	80%
KPI Target	90%	100%
KPI Maximum	100%	150%

(a) No award will be achieved if less than 80% of the Company's annual safety plan is successfully completed during the year.
(b) 80% of the Target Award will be achieved if 80% of the Company's annual safety plan is successfully completed during the year.
(c) 100% of the Target Award will be achieved if 90% of the Company's annual safety plan is successfully completed during the year.
(d) A further award equal to 50% of (c) will be achieved if 100% of the Company's annual safety plan is successfully completed during the year.

<u>Functional Goals and Parameters</u>

KPI: Performance levels for functional goals as measured by percentage of maximum payout

	Performance	Payout
KPI Threshold	*	50%
KPI Target	*	100%
KPI Maximum	*	150%

* Performance levels for functional goals are approved on an annual basis by the President & CEO for participants other than himself, taking into account the actual performance of any participant as against their predetermined annual goals and objectives and other relevant factors where the participant has impacted the ability of the Company to achieve its overall corporate objectives. The Committee approves the annual functional goals for the President & CEO and determines his functional goal performance.

Annual Incentive Paid to Vice President & Chief Technology Officer

In lieu of participation in the annual short term and long term incentive plans for other Executive Officers, the Vice President & Chief Technology Officer receives an annual incentive based upon the value of contracts signed in the year for the delivery to unrelated third parties of air traffic management technology solutions developed by the Company and its subsidiaries. The incentive is based on a sliding scale from 3% of the contract value for signed contracts below $1 million, to 1% of the contract value for signed contracts in excess of $10 million (maximum $250,000 per sale), and is calculated and paid yearly.

Annual Incentive Paid to Vice President, Pension Investments

In lieu of participation in the annual short term plan for other Executive Officers, the Vice President, Pension Investments receives an annual incentive based upon the achievement of annual performance goals related to the design and implementation of the Strategic Investment Plan, other strategic objectives, interfacing with the Pension Committee, and people management and succession planning. For fully meeting performance goals, the Vice President, Pension Investments is entitled to earn an annual incentive according to her target bonus, which is 30% of base salary. For exceeding performance goals, the Vice President, Pension Investments is entitled to earn an annual incentive according to her maximum bonus, which is 45% of base salary. No incentive shall be earned for a performance below the expected minimum performance.

Functional Goals

President & CEO **-** The President & CEO is responsible for managing the affairs of the Company. Mr. Wilson was appointed President & CEO effective January 1, 2016 following the retirement of Mr. Crichton from the Company effective December 31, 2015. During the period in fiscal 2016 in which Mr. Wilson was President & CEO, his functional objectives included, among other things, maintaining the Company's safety record amongst the best in the world, maintaining or reducing customer service charges, maintaining credit agency ratings in the AA range, increasing revenues from alternative services, ameliorating pension costs, improving operational training and staffing, improving employee engagement and maintaining a positive corporate image domestically and internationally.

During the period in fiscal 2016 in which Mr. Crichton was President & CEO prior to his retirement, his functional objectives were largely centered on succession transition.

Executive Vice President, Administration & General Counsel **-** Prior to Mr. Wilson's appointment as President & CEO, he held the position of Executive Vice President, Administration & General Counsel up until December 31, 2015. In addition to his duties as General Counsel for the Company, Mr. Wilson was responsible for the procurement, security, and insurance and risk management functions of the Company and its subsidiaries, human resources and labour relations, and the customer and commercial relations areas (which includes the NAV CENTRE conference facility). Mr. Wilson was also the Company's Corporate Secretary. During the period in fiscal 2016 in which Mr. Wilson held these positions, his functional objectives related to advice and counsel on legal and governance issues to the Company, management of the results and costs relating to the Company's legal affairs, litigation and certain transactions, including the Company's investments in Aireon, oversight of the conclusion of several labour relations matters, including pension-related issues, and specific cost and productivity results in his area of responsibility.

Executive Vice President, Finance & CFO **-** As Chief Financial Officer, Mr. Aitken has responsibility for management of the financial risks of the Company and its pension plans. Areas of responsibility include financial strategy and operations, forecasting, planning and analysis, financial reporting, internal controls, treasury and relations with investors and lenders. In fiscal 2016, Mr. Aitken's functional objectives included, among other things, enhancing the reward/risk profile of the Company's pension plan, providing strategic support for the Company's investments in Aireon, and proposing and implementing changes to customer service charges in accordance with the ANS Act. Mr. Aitken will be retiring as Executive Vice President, Finance & CFO effective December 2, 2016.

Executive Vice President, Service Delivery **-** As the Executive Vice President, Service Delivery, Mr. Kellar has responsibility for the three operational departments of the Company comprising Service Delivery, namely, Operations, Engineering and Technical Operations. In fiscal 2016, Mr. Kellar's functional objectives included, among other things, continuing to strengthen the relationship within the three Service Delivery departments, support for the maintenance of Communications/Navigation/Surveillance (CNS) and air traffic management (ATM) performance standards and the introduction of efficiency enhancements to the Company's preventative and corrective maintenance plans, improvements in productivity within staffing in Operations, enhanced support for growth in third party technology sales and operational support for progressing customer service acceptance of the Aireon project.

Senior Vice President, Human Resources - Mr. Bohn was appointed Senior Vice President, Human Resources effective January 13, 2016. During the period in fiscal 2016 in which Mr. Bohn was Senior Vice President, Human Resources, his functional objectives included, among other things, to implement structural changes within the Human Resources organization that position NAV CANADA with the leadership necessary to enable the strategic advancement of the HR function and ultimately support NAV CANADA's strategic priorities; define and commence implementation of a HR Service Delivery model that supports HR's future vision and transformational initiatives; develop HR Strategy through HR Strategic Priorities that ensure alignment with NAV CANADA's Business Strategy to build on our strength in people; implement HR Technology to support the Human Resources Strategy; and reduce NAV CANADA's overall pension and benefit funding risk.

Vice President, Revenue and Pension Administration - Prior to Mr. Bohn's appointment as Senior Vice President, Human Resources, he held the position of Vice President, Revenue and Pension Administration (RPA) up until January 12, 2016. During the period in fiscal 2016 in which Mr. Bohn was Vice President, RPA, his functional objectives related to, among other things, implementing structural changes to the RPA organization that recognize the department's business improvement plans for the future; reducing NAV CANADA's overall pension funding risk; and resolving the historical accumulation of General Aviation receivables at least 90 days past due.

Vice President & Chief Technology Officer - As the Chief Technology Officer of the Company, Mr. Koslow has responsibility for the identification, development and execution of technology projects, and the marketing of the Company's air traffic management technology solutions. In fiscal 2016, Mr. Koslow's functional objectives included the development and execution of certain technology projects to place the Company in the forefront of ATC technology to benefit customers, leading the marketing and sales of air traffic management technology solutions, and technical support to the Aireon project.

Long-Term Incentive Plan in effect beginning September 1, 2014

Effective September 1, 2014, the Company introduced a new Executive Long-Term Incentive Plan (the LTIP), in which each of the President & CEO and other Executive Officers (except the Vice President & Chief Technology Officer and the Vice President, Pension Investments) participates. The LTIP consists of a cash award plan, with annual payments beginning after the end of the first three-year performance cycle based on rolling performance cycles. The essential elements of the LTIP are reviewed and confirmed or changed by the Committee at the commencement of each performance cycle. 50% of LTIP pay-outs are included in the determination of pensionable earnings. The Vice President, Pension Investments has a different long-term incentive as described below under "Long Term Incentive Paid to Vice President, Pension Investments".

In addition, effective September 1, 2014, the Company introduced a new supplemental long term incentive plan (S-LTIP) for certain officers, to be determined by the Committee from time to time, which will be awarded in addition to and on the same basis as the LTIP as set out below. No portion of any supplementary payout will be included in the determination of pensionable earnings.

The target and maximum awards for the LTIP and the S-LTIP included in the tables below pertain to the current three-year performance cycle ending August 31, 2017. Once these plans transition to annual payouts effective fiscal year 2018, payments will be based on one-third of these amounts.

Position	Target LTIP Award	Target S-LTIP Award
President & CEO	210% of average base salary	150% of average base salary
Executive Vice Presidents	135% of average base salary	75% of average base salary
Senior Vice Presidents, Vice President, Operations and Vice President, Safety & Quality(1)	135% of average base salary	
Other Vice Presidents	105% of average base salary	

Position	Maximum LTIP Award	Maximum S-LTIP Award
President & CEO	260% of average base salary	186% of average base salary
Executive Vice Presidents	167% of average base salary	93% of average base salary
Senior Vice Presidents, Vice President, Operations and Vice President, Safety & Quality(1)	167% of average base salary	
Other Vice Presidents	130% of average base salary	

(1) These incentive entitlements came into effect on February 1, 2016.

In the absence of the availability of equity-related compensation plans, the LTIP and S-LTIP are intended to:

- tie executive rewards to stakeholder gains and satisfaction;
- motivate and reward Executive Officers for achieving long term performance goals;
- attract and retain key Executive Officers; and
- retain an element of pay at risk.

The LTIP is designed to reward the executive management of the Company for special effort, achievements and results over a three year period to ensure alignment between the objectives of the stakeholders and those of management.

The following terms used in this section have the following meanings:

"CPI" means the Consumer Price Index for all items, as published by Statistics Canada under the authority of the *Statistics Act*. The averaging methodology detailed in the NAV CANADA Pension Plan is to be used for calculation purposes.

"General Customer Service Rates" means the combination of terminal and enroute charges taken together, as described in the Company's *Customer Guide to Charges.*

"Key Performance Area (KPA)" means one of the Plan's four critical performance areas: KPA 1 - Safety; KPA 2 - Rate Changes; KPA 3 - Project and Technology Management; and KPA 4 - Other Net Revenue Growth.

"Key Performance Indicator (KPI)" means the performance measure(s) used to evaluate the success of a particular Key Performance Area.

"KPI Maximum" means the level of performance required to award the maximum payout for a particular KPI.

"KPI Target" means the level of performance required to award the target (100%) payout for a particular KPI.

"KPI Threshold" means the level of performance required to award any payout for a particular KPI.

"Performance Cycle" means the three-year period commencing on the first day of each fiscal year.

The LTIP and S-LTIP set out specific, measurable goals in the four KPAs set forth in the following table which also sets outs the corresponding total percentage of the target award allocated to each such KPA.

KPA	Percentage of Target Award
KPA 1 - Safety	30%
KPA 2 - Rate Change	45%
KPA 3 - Project and Technology Management	15%
KPA 4 - Other Net Revenue Growth	10%

Rationale, Goals and Parameters

KPA 1: Safety

Safety is the primary KPA over the long term, with respect to which all ANS stakeholders expect management to be extremely diligent.

KPI 1: Rate of losses of IFR to IFR separation per 100,000 movements over a performance cycle.

	Performance	Payout
KPI Threshold	0.85 to 1.00	50%
KPI Target	Less than 0.85	100%
KPI Maximum	n/a	n/a

(a) No award will be achieved if the rate of losses of IFR to IFR separation per 100,000 movements over a Performance Cycle is greater than 1.00.
(b) 50% of the target award will be achieved if the rate is between 0.85 and 1.00.
(c) 100% of the target award will be achieved if the rate is below 0.85.

KPA 2: Rate Change

Rate change is a primary KPA upon which all ANS customers will judge the Company as it bears directly on the value received by its customers.

KPI 2: Percentage change in General Customer Service Rates as measured over a performance cycle.

	Performance	Payout
KPI Threshold	CPI Increase	50%
KPI Target	0%	100%
KPI Maximum	1% Decrease	125%

(a) No award will be made if, during the Performance Cycle, increases in General Customer Service Rates occurred which exceeded the growth in CPI.
(b) 50% of the target award will be achieved if, during the Performance Cycle, increases in General Customer Service Rates were equal to or less than the growth in CPI.
(c) 100% of the Target Award will be achieved if, during the Performance Cycle, no increase in General Customer Service Rates occurred.
(d) A further award equal to 25% of (c) will be achieved if, during the Performance Cycle, General Customer Service Rates were decreased by 1% or more.

KPA 3: <u>Project and Technology Management</u>

Project and technology management is a primary KPA upon which all ANS customers will judge the Company as it relates directly to the high technology platform upon which customers depend to a great degree. The successful introduction of modern technology assists in controlling costs and efficiently handling growth. This section rewards the completion of capital projects over $500,000 which are successful in regards to functionality, on budget and on time.

KPI 3A (50%): Percentage of capital projects completed during the performance cycle that are within the projects' approved total estimated cost.

KPI 3B (25%): Percentage of capital projects completed in the performance cycle that are reasonably on time.

KPI 3C (25%): Percentage of capital projects completed in the performance cycle that are successful as regards functionality.

Each of the percentages referred to in the above paragraphs related to KPI 3A, KPI 3B and KPI 3C are to be calculated on an approved total estimated cost dollar weighted basis.

	Performance	Payout
KPI Threshold	80%	50%
KPI Target	90%	100%
KPI Maximum	100%	150%

KPA 4: <u>Other Net Revenue Growth</u>

Other net revenue growth is a KPA that, outside of customer service charges, contributes to lower fees for customers of the ANS. The generation of other net revenue (i.e. margin) depends to a great degree on the ability of management to lever ANS assets and skills.

KPI 4: Percentage of growth in other net revenue for the performance cycle as compared to the third prior performance cycle.

	Performance	Payout
KPI Threshold	15%	50%
KPI Target	20%	100%
KPI Maximum	25%	150%

(a) No award will be made if, for the Performance Cycle, other net revenue calculated on a consistent basis grows by less than 15%.
(b) 50% of the Target Award will be achieved if growth in other net revenue is 15%.
(c) 100% of the Target Award will be achieved if growth in other net revenue is 20%.
(d) A further award equal to 50% of (c) will be achieved if other net revenue increases by 25% or more.

Performance Cycles and Payments for LTIP and S-LTIP

For the three year performance cycle commencing September 1, 2014 and ending August 31, 2017 only, there will be a three year plan with payout eligibility for the full amount of the calculated awards under the LTIP and S-LTIP payable as at August 31, 2017. Participation in the applicable plan must commence on or before August 31, 2017 to be eligible for this transition provision.

Beginning on September 1, 2015 and on September 1 for every year thereafter, a three year performance cycle will be established, with payout eligibility for one-third of the full amount of the calculated awards under the LTIP and S-LTIP payable as at the end of each performance cycle.

The Committee reserves the right, acting reasonably and equitably, to increase or decrease total incentive awards to take into account, in whole or in part, occurrences when the plan does not produce intended results when considering factors like key performance indicators and the business environment in which the performance was achieved. At the start of each Performance Cycle, if certain major specified events are expected, to the extent possible, participants will be informed whether performance will be evaluated including or excluding the effect of extraordinary events that may occur during the Performance Cycle.

Executive Officers who are terminated for cause by the Company or who voluntarily resign their positions, other than by retirement pursuant to the Company's retirement policy, are not entitled to any LTIP or S-LTIP payments, unless otherwise determined by the Company.

Long Term Incentive Paid to the Vice President, Pension Investments

In lieu of participation in the LTIP, the Vice President, Pension Investments receives a long-term incentive based on four Key Performance Areas:

KPA 1: Asset performance relative to the liability benchmark portfolio (20%)
KPA 2: Asset performance relative to the target asset mix policy benchmark return (20%)
KPA 3: Return to risk ratio (actual vs. that of the asset weighted benchmark) (50%)
KPA 4: Cost management (10%)

The performance period under the Vice President, Pension Investments' long-term incentive plan is from January 1, 2014 to December 31, 2018. The target award is 35% of the cumulative base salary effective over the three year period from January 12, 2016 to December 31, 2018. The maximum award of 70% of the cumulative base salary effective over the three year period will be earned if all KPIs used to evaluate the success in the Key Performance Areas are attained at the level of KPI Maximum over the performance period. No award will be payable in a Key Performance Area if the KPI Threshold is not met over the performance period. The terms KPI, KPI Threshold and KPI Maximum used in this paragraph have the meanings attributed to such terms above in “Long Term Incentive Plan in effect beginning September 1, 2014”.

Special Performance Incentives

From time to time, the Committee, in consultation with the President & CEO, may make available a special performance incentive for an individual Executive Officer based on specific, one-time achievements. If these achievements are met, an agreed upon amount is paid to the Executive Officer and disclosed in the Summary Compensation Table, if applicable.

Clawback or Forfeiture

The Company may require that any incentive compensation amount awarded or paid to current or former Executive Officer under any of the Plan, LTIP or S-LTIP, be cancelled or refunded by those Executive Officers if the award was based upon incorrect or inappropriate data or information where a material required restatement or correction is subsequently made, or where Executive Officers engaged in fraud, wilful misconduct or other malfeasance resulting in the need for the restatement or correction, up to the extent of the error in the award.

In considering any incentive award forfeiture or refunds, the Committee may consider:

- the value of the additional compensation paid that otherwise would not have been paid;
- whether the required restatement was due to malfeasance by any of the Plan participants; and
- the Company's best interests in the circumstances.

Refund requirements may be limited to certain Plan participants if it is determined that only those participants engaged in fraudulent activity or malfeasance that led to a restatement being required. Any refund or forfeiture requirements will be considered by the Committee and a recommendation may be made to the Board for approval. The Committee may also recommend appropriate action to the Board.

Benefits

In order to attract and retain high quality talent and offer competitive levels of compensation, the Company provides benefits to its Executive Officers. The benefits are reviewed periodically to ensure an appropriate benefit level is maintained.

All Executive Officers are eligible for Company-paid benefits, including life insurance, accidental death and dismemberment, short-term disability, long-term disability, an executive medical health assessment program, supplementary medical, dental and provincial health care, and pension plans.

Perquisites

Executive Officers are eligible to receive direct or indirect personal benefits which are not generally available to all employees. Perquisites include a general auto allowance, club membership, financial planning assistance and parking. Perquisites are reviewed periodically in order to remain competitive.

Employment Agreements and Termination Benefits

Each Named Executive Officer (other than the Vice President & Chief Technology Officer) has an employment agreement with the Company providing for employment for an indefinite term, and providing for compensation that generally consists of

- annual salary
- annual incentive bonus
- long term incentive bonus
- participation in the NAV CANADA Executive Pension Plan
- benefits and perquisites

The Vice President & Chief Technology Officer has an employment agreement with the Company providing for employment for an indefinite term and providing compensation that consists of

- a per diem for days worked
- an annual incentive paid on a sliding scale dependent upon certain technology sales contracts
- participation in the NAV CANADA Executive Pension Plan
- benefits and perquisites

In the event that the employment of any Named Executive Officer is terminated by the Company without cause, severance compensation, in lieu of notice, is determined on a case-by-case basis at the time of termination.

SUMMARY COMPENSATION TABLE

The following table sets forth all compensation paid to or earned by the Named Executive Officers during the fiscal years ended August 31, 2016, 2015, and 2014.

			Non-Equity Incentive Plan Compensation ($)				
Name and principal position	Fiscal year ending August 31	Salary ($)	Annual Incentive Plan[1]	Long-Term Incentive Plan[2]	Pension Value[3] ($)	All other compen-sation ($)	Total compen-sation ($)
Neil R. Wilson President & CEO[4]	2016 2015[5] 2014[5]	457,508[6] 316,200 310,000	398,819 218,772 218,956[7]	610,223 272,721 189,506	1,693,000 121,000 116,000	0 0 0	3,159,550 928,693 834,462
John W. Crichton Former President & CEO[8]	2016 2015 2014	204,729 596,877 585,174	194,121 523,760 524,474[7]	245,674 801,218 613,239	557,000 702,000 702,000	195,849[9] 586,997[9] 115,559[9]	1,397,373 3,210,852 2,540,446
Brian K. Aitken Executive Vice President, Finance & CFO	2016 2015 2014	349,860 340,000 323,000	245,099 235,239 228,138[7]	301,753 293,249 197,453	115,000 189,000 97,000	0 0 0	1,011,712 1,057,488 845,591
Rudy Kellar Executive Vice President, Service Delivery	2016 2015 2014	319,362 316,200 310,000	230,200 218,772 218,956[7]	275,449 272,721 189,506	98,000 112,000 98,000	0 0 0	923,011 919,693 816,462
Sid Koslow Vice President & Chief Technology Officer	2016 2015 2014	416,209[10] 323,897[10] 308,000	276,418 151,437 223,532	0 0 0	0 74,000 46,000	64,229[11] 50,270[11] 35,875[11]	756,856 599,604 613,407
Raymond G. Bohn Senior Vice President, Human Resources[12]	2016 2015[13] 2014[13]	283,498[14] 245,000 236,700	135,063 101,707 100,311[7]	145,727 105,656 72,348	657,000 78,000 100,000	0 0 0	1,221,288 530,363 509,359

(1) Represents amounts earned for performance in each fiscal year. Annual incentive awards under the Plan or Predecessor Plan, as the case may be, are paid in cash within 90 days following the end of each fiscal year.

(2) Represents amount earned for fiscal years 2015 and 2016 for the current three-year LTIP (September 1, 2014 to August 31, 2017), including amounts earned under the S-LTIP. The amounts in respect of fiscal year 2015 have been restated to reflect the cumulative measurement of achievements against goals to the end of fiscal 2016. The amounts in respect of fiscal year 2014 reflect the amounts paid in October 2014 in respect of the Predecessor LTIP and Predecessor S-LTIP for the three year period ending on August 31, 2014. The main terms of each of the Predecessor LTIP and Predecessor S-LTIP are set out in Schedule "A". The Committee exercised its discretion under the terms of these plans to award the full 40% attributable to the cost management element of the Predecessor LTIP and Predecessor S-LTIP in recognition of the positive results achieved in managing costs and the value of those results to the Company and its customers, notwithstanding flat to negative traffic growth

and relatively low inflation. The Committee noted that fiscal 2014 marked the tenth year with no rate increases to customers. Long term incentive awards are paid in cash within 90 days following the completion of the third year of the plan.

(3) The fiscal 2016 year-over-year increases in pension values are explained in footnote 4 to the Defined Benefit Plans Table.

(4) Mr. Wilson was appointed President & CEO effective January 1, 2016. Until December 31, 2015, Mr. Wilson was Executive Vice President, Administration & General Counsel.

(5) The amounts for Mr. Wilson in fiscal years 2015 and 2014 reflect his compensation in his previous role as Executive Vice President, Administration & General Counsel.

(6) This amount includes the prorated portion of the base salary received by Mr. Wilson from September 1, 2015 to December 31, 2015 in the amount of $107,508 while he held the position of Executive Vice President, Administration & General Counsel and the prorated portion of the base salary he received from January 1, 2016 to August 31, 2016 in the amount of $350,000 while he held the position of President & CEO. Mr. Wilson's base salary increased from $322,524 to $525,000 in connection with his promotion to President & CEO.

(7) Payments earned under the Predecessor Plan, the main terms of which are described in Schedule "A".

(8) Mr. Crichton retired as President & CEO effective December 31, 2015.

(9) Represents amounts earned by Mr. Crichton at the rate of $569,722 per annum, payable upon retirement, in consideration for his efforts in the successful implementation of a CEO transition plan over the period from July 1, 2014 to his retirement. Also included are amounts paid to Mr. Crichton for a car allowance, tax planning services, and a fitness allowance.

(10) Amounts for days worked during fiscal 2016 were paid monthly in U.S. dollars totalling U.S.$311,250. Amounts for days worked during fiscal 2015 until December 31, 2014 were paid in Canadian dollars ($111,125). Amounts for days worked from January 1, 2015, were paid monthly in U.S. dollars totalling U.S.$170,250 ($212,772) as per Mr. Koslow's employment agreement. The currency conversion is based on exchange rates at each monthly payment date.

(11) Represents amounts paid to Mr. Koslow for accommodations, a fitness allowance, a car allowance and vacation pay. Amounts for days worked during fiscal 2016 were paid monthly in U.S. dollars totalling U.S.$48,253. Amounts for days worked during fiscal 2015 until December 31, 2014 were paid in Canadian dollars ($12,142). Amounts for days worked from January 1, 2015, were paid monthly in U.S. dollars totalling U.S.$30,543 ($38,128). The currency conversion is based on exchange rates at each monthly payment date.

(12) Mr. Bohn qualified as a Named Executive Officer during fiscal year 2016. Mr. Bohn was appointed Senior Vice President, Human Resources effective January 13, 2016. Until January 12, 2016, Mr. Bohn was Vice President, RPA.

(13) The amounts for Mr. Bohn in fiscal years 2015 and 2014 reflect his compensation in his previous role as Vice President, RPA.

(14) This amount includes the prorated portion of the base salary received by Mr. Bohn from September 1, 2015 to January 12, 2016 in the amount of $93,022 while he held the position of Vice President, RPA and the prorated portion of the base salary he received from January 13, 2016 to August 31, 2016 in the amount of $190,476 while he held the position of Senior Vice President, Human Resources. Mr. Bohn's base salary increased from $254,800 to $300,000 in connection with his promotion to Senior Vice President, Human Resources.

PENSION PLAN BENEFITS

NAV CANADA provides its Executive Officers with pension benefits under the NAV CANADA Executive Pension Plan and individual supplementary retirement arrangements (Executive Pension Plan). Pension benefits in respect of service prior to appointment as an Executive Officer are provided through the NAV CANADA Pension Plan and the NAV CANADA Supplemental Retirement Plan (Employee Pension Plan).

Defined Benefit Plans Table

The pension obligations and reconciliations thereof detailed below are determined using the same actuarial assumptions as were used to determine the accounting information for pension plans as disclosed in the Company's audited annual consolidated financial statements for the period ended August 31, 2016. The table details the years of credited service, estimated pension benefits as at August 31, 2016, projected benefits to age 65, and changes in the accrued pension obligations during the fiscal year for the Named Executive Officers.

Name	Pension Plan	Number of Years Credited Service(1)	Annual Benefits Payable ($)		Present Value of Defined Benefit Obligation at August 31, 2015 ($)	Compensa-tory Change(4) ($)	Non-Compensa-tory Change(5) ($)	Present Value of Defined Benefit Obligation at August 31, 2016 ($)
			At Aug. 31, 2016(2)	At Age 65(3)				
Neil R. Wilson President & CEO(6)	Executive	14.13150	145,666	348,664	1,748,000	1,693,000	206,000	3,647,000
	Employee	0.00000	0	0				
	Total	14.13150	145,666	348,664				
John W. Crichton Former President & CEO(7)	Executive	35.00000	710,804	710,804	10,469,000	557,000	(112,000)	10,914,000
	Employee	0.00000	0	0				
	Total	35.00000	710,804	710,804				
Brian K. Aitken Executive Vice President, Finance & CFO	Executive	16.53460	105,007	105,007	2,586,000	115,000	300,000	3,001,000
	Employee	6.43927	62,679	62,679				
	Total	22.97387	167,686	167,686				
Rudy Kellar Executive Vice President, Service Delivery	Executive	9.17260	84,560	187,281	1,294,000	98,000	291,000	1,683,000
	Employee	1.87397	16,809	17,005				
	Total	11.04657	101,368	204,286				
Sid Koslow Vice President & Chief Technology Officer	Executive	17.50411	105,746	105,746	841,000	0	(14,000)	827,000
	Employee	0.00000	0	0				
	Total	17.50411	105,746(8)	105,746				
Raymond G. Bohn Senior Vice President, Human Resources(9)	Executive	3.75137	22,845	130,948	2,181,000	657,000	687,000	3,525,000
	Employee	18.53894	106,904	147,477				
	Total	22.29031	129,749	278,425				

(1) Mr. Crichton's supplementary retirement arrangement provides service credit of 2.00 years for each year of service commencing on January 1, 1997, resulting in the maximum 35 years of credited service as of June 30, 2014, as set forth in the table above. Having commenced employment with NAV CANADA on November 18, 1997, Mr. Crichton's service with the Company totaled 16.6 years on June 30, 2014. His additional 18.4 years of credited service is provided through his supplementary retirement arrangement and consists of pre-employment credited service of 0.9 years plus 17.5 years of credited service resulting from the 2.0 multiplier.

The supplementary retirement arrangements for all other Executive Officers, including the current President & CEO, provide service credit of 1.00 years for each year of service.

Mr. Aitken's credited service includes approximately 8.5 years of elective service once recognized under the registered pension plans of previous employers and purchased in July 2009. Lifetime benefits in excess of the *Income Tax Act* (Canada) limit at year of retirement are not recognized with respect to this elective service.

Mr. Bohn's credited service includes approximately 5.8 years of elective service once recognized under the registered pension plans of previous employers and purchased in December 2005.

(2) The annual lifetime benefits payable at year-end are calculated based on actual pensionable earnings as at the end of the current fiscal year and payable at the Named Executive Officer's normal retirement date.

(3) The annual benefits payable at age 65 are based on current compensation levels and assume that the Named Executive Officer will receive 100% of the target payment under the Plan and 65% of the maximum payment under the LTIP. The maximum pensionable earnings under the Canada Pension Plan are assumed to remain constant at the current level of $54,900.

(4) The change in benefit obligation that is attributable to compensation includes both the service cost and the difference in average annual salary in excess of or below what was assumed. The service cost is the estimated value of the benefits accrued during the fiscal year. Members are assumed to retire at age 65. Therefore, the compensatory change for members who were eligible but did not retire prior to age 65 (Messrs. Crichton and Koslow) reflects the full year-over-year increase in pensionable earnings as no future earnings were assumed.

(5) The change in benefit obligation that is not compensatory includes interest cost, change in assumptions and gains and losses other than for difference in earnings.

(6) Mr. Wilson was appointed President & CEO effective January 1, 2016. Prior to this appointment, Mr. Wilson was Executive Vice President, Administration & General Counsel from December 1, 2012 to December 31, 2015 and Vice President, General Counsel & Corporate Secretary from July 15, 2002 to November 30, 2012.

(7) Mr. Crichton retired as President & CEO effective December 31, 2015. He currently receives aggregate benefits under the Executive Pension Plan of $710,804 per year.

(8) Mr. Koslow retired on December 31, 2014 and began to receive a monthly pension. He was rehired in January 2015, but no longer accrues benefits under the Executive Pension Plan.

(9) Mr. Bohn was appointed Senior Vice President, Human Resources effective January 13, 2016. Prior to this appointment, Mr. Bohn was Vice President RPA from December 1, 2012 to January 12, 2016 and Assistant Vice President, RPA from August 23, 2008 to November 30, 2012.

Defined Benefit Plans Description

Benefits with respect to service under the non-contributory Executive Pension Plan are calculated as:

- 2% times average annual salary times executive pensionable service (average annual salary includes salary and 50% of the amount paid for annual bonuses and LTIP and is based on the executive's highest paid 60 successive months of Company service)

Benefits with respect to service under the contributory Employee Pension Plan - Part A are calculated as:

- 2% times average annual salary times employee pensionable service (average annual salary includes salary and 100% of the amount paid for annual bonuses and is based on the employee's highest paid 72 successive months of Company service)

Pensionable service under both the Executive Pension Plan and Employee Pension Plan- Part A may not exceed 35 years in total. Full benefits are available at age 60, or age 55 with at least 30 years of service. At age 65, benefits are integrated with the Canada Pension Plan by subtracting an amount equal to 0.7% per year of employment times the Canada Pension Plan's average annual yearly maximum pensionable earnings for the year in which the member retires and the two immediately preceding calendar years. Lifetime benefit amounts payable up to $2,890 per year of service are paid from the federally registered pension plan(s). Lifetime benefit amounts in excess of $2,890 per year of service are unsecured and payable from revenues of the Company.

Plan members who are age 50 or older and not eligible for full benefits as described above, are entitled to a monthly pension upon retirement. However, the pension is reduced due to early retirement. The reduction is based on one-half of one percent for each tenth of a year (5 percent per year) that the member is short of the applicable full pension threshold.

Increases in Executive Pension Plan benefits are indexed on an ad-hoc basis at the discretion of the Board. All Employee Pension Plan - Part A benefits are protected against inflation at the rate of change in the Consumer Price Index calculated as the average of the Consumer Price Index for each month in the 12 month period ending on September 30th in the immediately preceding year.

In the event of death in service, 60% (50% for non-executive employee service) of the accrued benefit to date of death is payable to the individual's surviving spouse as a monthly lifetime pension or as a commuted lump sum in accordance with applicable federal pension legislation. In the event of death in retirement, 60% (50% for non-executive employee service) of the benefit is payable to the individual's surviving spouse as a monthly lifetime pension.

Director Compensation

The By-laws of the Company provide that reasonable remuneration be paid to directors (other than the President & CEO) for attendance and participation at meetings of the Board and committees as fixed by resolution of the Board. Board members receive annual retainers, meeting fees, travel fees, and have the option of participating in an executive medical health assessment program, which program is a taxable benefit. Board members are also entitled to per diems when they are required to conduct business on behalf of the Board (other than attendance at seminars, trade association meetings, training, or for preparation for Board and/or committee meetings). Directors' compensation is reviewed every two years. Effective September 1, 2015, the annual retainer for Board members was increased to $56,000 and the Chair of the Board's Annual Fee was increased to $182,750. No other changes in directors' compensation had been made since October 21, 2010.

Board of Directors Fees	
	Effective September 1, 2015
Annual Retainer	$56,000
Board Meeting Attendance Fee	1,500
Board Teleconference Meeting Fee • for meetings more than one hour • for meetings less than one hour	 1,000 500
Travel Fee (if required to travel across two provinces for the purpose of attending directors' or committee meetings)	1,500
Per Diem [1] • full day • half day	 1,250 750
Committee Fees	
Committee Member Annual Retainer per Committee	$4,000
Audit & Finance Committee Member Annual Retainer	5,000
Audit & Finance Committee Chair Annual Retainer	15,000
Human Resources & Compensation Committee Chair Annual Retainer	10,000
Annual Retainer for other Committee Chairs	7,500
Committee Meeting Attendance Fee	1,500
Committee Teleconference Meeting Fee • for meetings more than one hour • for meetings less than one hour	 1,000 500
Other	
Chair of the Board Annual Fee[2]	$182,750

(1) Per diems are paid to directors when they are required to conduct business on behalf of the Board other than attendance at seminars, trade association meetings, training, or for preparation for Board and/or committee meetings.

(2) The Chair of the Board receives no additional meeting fees or other retainers or fees, but is entitled to reimbursement for "Travel Fees".

Directors' Compensation Fiscal 2016			
Name	Fees Earned $	All Other Compensation[10] $	Total $
Edward Barrett	$115,250	$12,000	$127,250
Mary-Ann Bell	$104,500	$1,500	$106,000
Jean Coté	$91,500	$1,500	$93,000
Marc Courtois[1]	$182,750	$1,500	$184,250
John Crichton[2]	-	-	-
Robert Davis	$98,000	$1,500	$99,500
Michael DiLollo	$90,500	$4,500	$95,000
Bonnie DuPont	$103,500	$13,250	$116,750
Gary Fane[3]	$39,375	$3,000	$42,375
James Gouk[4]	$25,500	$3,000	$28,500
Linda Hohol	$116,000	$9,000	$125,000
Arthur LaFlamme	$95,000	$1,500	$96,500
Fred Peters[5]	$70,250	$1,500	$71,750
Robert Reid	$101,000	$2,750	$103,750
Michelle Savoy[6]	$55,538	$1,500	$57,038
Umar Sheikh[7]	$53,393	$3,000	$56,393
Scott Sweatman	$102,500	$7,500	$110,000
Louise Tardif[8]	$27,079	-	$27,079
Neil Wilson[9]	-	-	-

(1) Mr. Courtois receives an annual fee as Chair of the Board and no other additional fees for attendance at meetings. He is entitled to reimbursement for travel fees.
(2) As former President & CEO, Mr. Crichton did not receive directors' fees. Mr. Crichton retired effective December 31, 2015.
(3) Mr. Fane retired from the Board on January 13, 2016.
(4) Mr. Gouk retired from the Board on November 24, 2015.
(5) Mr. Peters retired from the Board on April 30, 2016.
(6) Ms. Savoy joined the Board on December 15, 2015.
(7) Mr. Sheikh joined the Board on January 14, 2016.
(8) Ms. Tardif joined the Board on April 29, 2016.

(9) As President & CEO, Mr. Wilson does not receive directors' fees. Mr. Wilson became President & CEO effective January 1, 2016.

(10) Includes travel fees paid to directors who are required to travel across two provinces for meetings, and per diems, which are paid when a director is required to conduct business on behalf of the Board other than attendance at seminars, trade association meetings, training, or for preparation for Board and/or committee meetings.

SCHEDULE "A"

Annual Incentive Plan in effect prior to the Fiscal Year Ended August 31, 2014 (the Predecessor Plan)

Annual Incentive Plan payouts reported in the Summary Compensation Table for the fiscal year ended August 31, 2014, were paid under the Predecessor Plan, which was replaced by the Plan effective September 1, 2014, and described above. Participants in the Predecessor Plan were those officers occupying executive management positions (President & CEO, the Executive Vice-Presidents and the Vice-Presidents), except for the Vice President & Chief Technology Officer who has a different annual incentive, described above. Details of the Predecessor Plan are set out below. The purpose of the Predecessor Plan was to provide an incentive to the executive management team to achieve and exceed the Company's short-term strategic objectives.

Participants were eligible to earn an award according to their position and performance levels. For fully meeting performance goals, participants in the Predecessor Plan were eligible to earn an annual incentive corresponding to their target bonus. For exceeding the performance goals, participants were eligible to earn an annual incentive corresponding to their maximum bonus. Annual incentives were paid in cash within 90 days following the end of each fiscal year. No incentives were earned for performance below the expected minimum performance. If a participant's employment was terminated for cause by the Company, or if the participant resigned voluntarily, other than by retirement pursuant to the Company's retirement policy, no incentive was paid for the year in which the termination or resignation took place, unless otherwise decided by the Company.

The following table sets forth the incentive entitlement of a participant in the Predecessor Plan.

	Incentive Entitlements (as a % of base salary)	
Position	Target Bonus	Maximum Bonus
President & CEO	65%	97.5%
Executive Vice Presidents	50%	75%
Vice President, Operations	35%	52.5%
Other Vice Presidents	30%	45%

<u>Determination of Performance Goals</u>

The Predecessor Plan had two categories of performance goals, which were defined at the beginning of each fiscal year.

(1) Corporate goal(s) derived from meeting the targets in the Company's annual cost budget.

(2) Functional goal(s) related to the responsibilities of each major function of the Company (such as safety, operations, human resources, technology, finance, legal, information management, engineering, technical operations, customer and commercial services) and which were supportive of the Company's annual business plan and overarching objectives. Examples of functional goals included improvement of operational efficiency and safety, increases in employee productivity and engagement, successful implementation of new technology, or maintenance of the Company's credit ratings.

Annual incentive payments were weighted 55% for corporate goal achievements and 45% for functional goal achievements. Corporate goals consisted of performance against the approved cost budget of the Company and were weighted 80% in respect of performance on operating costs and 20% in respect of performance on non-operating costs. The corporate and functional goals were to be measurable and quantifiable in terms of dollars, timing, efficiency ratios, etc. The weightings may have been modified from time to time by the Committee to reflect the importance and priority assigned to each category of goals.

Payments were earned for fully meeting performance goals. Higher payments of up to 50% of target were achievable for exceptional performance.

The Committee could increase or decrease total amounts payable with respect to corporate goals to take into account, in whole or in part, extraordinary events affecting the financial results of the Company.

	Target	Exceptional
Operating costs	Meet budget	Less than budget by 1% or more
Non-Operating costs	Meet budget	Less than budget by 5% or more

The Committee approved the functional goals of the President & CEO. The President & CEO approved the functional goals of all other Executive Officers. At the end of each fiscal year, the Committee reviewed the extent to which the corporate goals and functional goals of the President & CEO were met and, acting on the recommendation of the President & CEO, approved the performance levels for all other Executive Officers. The Committee took into account the recommendations of the President & CEO as to the actual performance of the participants as against their pre-determined annual goals and objectives, and other relevant factors where the participant had impacted the ability of the Company to achieve its overall corporate objectives, and determined at that time the cash awards.

Long Term Incentive Program in effect prior to the Fiscal Year Ended August 31, 2014 (the Predecessor LTIP)

Long Term Incentive amounts reported in the Summary Compensation Table for the fiscal year ended August 31, 2014 were earned under the Predecessor LTIP that was initially established on September 1, 1999. Effective September 1, 2014, the LTIP was put in place and is described above. The Predecessor LTIP was based on a cash award calculated each year or in some cases on a cumulative basis and was paid once every three years, after review and confirmation by the Committee. The essential elements of the Predecessor LTIP were reviewed and confirmed or changed by the Committee at the expiration of each three year cycle.

In the absence of the availability of equity-related compensation plans, the Predecessor LTIP was intended to:

- tie executive rewards to stakeholder gains and satisfaction;
- motivate and reward Executive Officers for achieving long term performance goals;
- balance annual and long term awards;
- attract and retain key Executive Officers; and
- retain an element of risk commensurate with responsibility.

The Predecessor LTIP was designed to reward the executive management of the Company for special effort, achievements and results over a three year period. The Predecessor LTIP was designed to ensure alignment between the objectives of the stakeholders and those of management. Some components were calculated annually and some were calculated on a cumulative basis.

In addition to the Predecessor LTIP, the Committee had established a Supplementary LTIP (Predecessor S-LTIP) with effect from September 1, 2011, which applied to the President & CEO, the Executive Vice President, Finance & CFO, the former Executive Vice President, Administration & General Counsel, and the Executive Vice President, Service Delivery. The Predecessor S-LTIP had all the same features as the LTIP, except that no portion of any supplementary payout was to be included in the determination of pensionable earnings.

Position	Target Predecessor LTIP Award Payable After Three Years	Maximum Predecessor LTIP Award Payable After Three Years	Target Predecessor S-LTIP Award Payable After Three Years
President & CEO	Up to 210% of 3-year average annual base salary	253% of 3-year average annual base salary	Up to 150% of 3-year average annual base salary
Executive Vice Presidents	Up to 135% of 3-year average annual base salary	162% of 3-year average annual base salary	Up to 75% of 3-year average annual base salary
Vice President, Operations	Up to 135% of 3-year average annual base salary	162% of 3-year average annual base salary	n/a
Other Vice Presidents (except Vice President & Chief Technology Officer)	Up to 105% of 3-year average annual base salary	126% of 3-year average annual base salary	n/a

The final three year cycle under the Predecessor LTIP and Predecessor S-LTIP covered fiscal years 2012 to 2014 and became effective on September 1, 2011. They provided for a possible cash award based on four corporate performance parameters. The amount of the award was estimated each year, and finalized and paid at the conclusion of the three year period.

The Predecessor LTIP and Predecessor S-LTIP set out specific, measurable goals in four areas: safety, cost management, project and technology management, and non-air navigation service derived net revenue growth.

Predecessor LTIP & Predecessor S-LTIP Fiscal 2012-2014		
Goal	Target Award	Maximum Award
Safety	30%	33%
Cost Management	40%	50%
Project and Technology Management	15%	15%
Other Net Revenue Growth	15%	22.5%

Safety goal: safety was the primary product performance indicator over the long term, with respect to which all stakeholders expect management to be extremely diligent. Half the award in this category was based on achievement of certain goals and objectives set out in the Company's annual safety plan and a high level of achievement may have resulted in a further award of up to 3%. The other half of the award in this category was based on achievements of safety performance.

Cost Management goal: this was a key performance indicator upon which all customers judged the Company as it related directly to the rates charged for our services. Half of the award in this category was based on whether total net costs per weighted charging unit were below the consumer price index over the entire three year period of the Predecessor LTIP and Predecessor S-LTIP. If the first half was achieved, the other half of the award may have been made, on a pro rata basis, to reflect annual increases in total net costs per weighted charging unit which were less than inflation. A further award of 50% of the second half of the award, again on a pro rata basis, may have been made if the total net costs in a single year were equal to or lower than the total net costs of the previous year. Where weighted charging units decreased or increased substantially in any year, the Committee could utilize its discretion to adjust performance awards.

(Weighted charging units are charging units representing aircraft flights adjusted for aircraft weight in the case of terminal charges, and aircraft weight and distance flown in the case of enroute charging units. Weighted charging units represent a measure of air traffic volume which reflects the varying contribution of different flights to the Company's revenues.)

Project and Technology Management goal: managing the air navigation system entails the successful introduction of modern technology which assists in the controlling of costs, enhancing productivity and our ability to efficiently handle growth. This award was based on the completion of large capital projects over a certain threshold which were successful in regard to functionality, on budget and on time. Half of the award in this category was based on the completion of capital projects within approved budgets; one quarter of the award was based on capital projects being completed on time and the other quarter of the award was based on capital projects completed successfully as regards to functionality.

Other Net Revenue Growth goal: the generation of other net revenue, outside of customer service charges, contributed to lower fees for our customers but depended to a great degree on the ability of management to lever our assets and skills. The award in this category was based on a minimum level of growth over the period as compared to the previous three year period. A further award of up to 50% of the award may have been made at the discretion of the Committee.

It was recognized by the Committee that the Company had no control over increases or decreases in traffic volumes and that the ANS, as the major safety infrastructure provider, is mostly fixed cost in nature. Accordingly, in any incentive period, if traffic significantly increased or decreased, the Committee could take this into account in determining the awards to be given if, in their opinion, such amendments to the awards would have been appropriate given the prevailing circumstances. In addition, the Committee recognized that one time gains or losses could distort comparisons in a manner inconsistent with the objectives of the Predecessor LTIP and Predecessor S-LTIP. If such situations arise, the Committee could make a determination as to their inclusion or exclusion in whole or in part for the purpose of calculating awards under the Predecessor LTIP and Predecessor S-LTIP.

In respect of the three year period ending August 31, 2014, the Committee exercised this discretion, as described in footnote 3 to the Summary Compensation Table.

Executive Officers who are dismissed for cause or voluntarily resign their positions, other than by retirement pursuant to the Company's retirement policy, are not entitled to any Predecessor LTIP or Predecessor S-LTIP payments, unless otherwise determined by the Company.