

Air Canada's executive bonuses fly higher after a profitable year

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An Air Canada plane taxis at the Vancouver International Airport, on Nov.15, 2023.

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Air Canada [AC-T \(/investing/markets/stocks/AC-T/\)](/investing/markets/stocks/AC-T/) -0.03% ▼ , whose stock performance lagged its peers last year, gave its top executives bigger bonuses for 2023 after the company blew past its internal profit targets.

Chief executive officer Michael Rousseau received a \$2.6-million bonus, up from \$2.28-million in 2022. The bonus was part of his overall \$12.08-million pay package. That was down from \$12.38-million in 2022.

Three other top Air Canada executives received bonuses ranging from \$576,000 to \$816,000 – 30 per cent to 50 per cent higher than their 2022 bonuses. That led to increases in total compensation ranging from 20 per cent to 30 per cent.

Air Canada caused a firestorm in 2021 when it revealed it had scrapped its performance-based bonus structure during COVID-19 and replaced it with a plan that paid executives and managers \$10-million in “pandemic mitigation bonuses.” The airline made the awards as it negotiated a \$5.9-billion federal rescue plan. Ultimately, senior executives gave back \$2-million in bonuses.

The bailout and the multibillion-dollar losses are now evidently in the past as passengers have returned to the skies. Air Canada’s 2023 bonus plan solely used an “adjusted net income” figure to evaluate financial performance.

In 2022, Air Canada recorded a \$988-million adjusted net loss. The board set a 2023 profit target of \$493-million for the bonus plan. The airline closed the year by posting \$1.71-billion in adjusted net income. (The results calculated under generally accepted accounting principles were a \$1.7-billion loss in 2022 and a \$2.28-million profit in 2023.)

The board’s human resources committee, which makes pay recommendations to the full board, “determined that despite facing years of unprecedented challenges, our executive team delivered on key priorities, namely, to achieve meaningful improvements leading to robust results in financial and operational metrics,” according to the company’s management information circular, filed late Tuesday.

However, the stock market shrugged: Air Canada’s negative-3.6-per-cent total shareholder return in 2023 ranked it last among a self-selected peer group of seven international airlines. The median return for the seven last year was 9.9 per cent. Air Canada shares, trading at about \$18.30 as of midday Wednesday, are only modestly above pandemic levels and remain far below prepandemic levels above \$50, similar to several other major airlines.

Air Canada spokesperson Patrick Fitzgerald said in an e-mail the company generated record operating revenue and significantly reduced debt in 2023. “These and other

accomplishments ... are noteworthy as they mark a return to normalcy following the pandemic, including to normal, market-based compensation practices.”

The Air Canada bonus plan, like many others, sets a target bonus based on a percentage of annual salary. The company set Mr. Rosseau's target at 125 per cent of his salary – \$1.63-million – with other top executives' targets set from 75 per cent to 85 per cent of salary.

Then, the company evaluates executive performance versus the bonus plan's goals. The profit goal made up 50 per cent of Mr. Rousseau's bonus, with a series of strategic and sustainability goals making up the other half. Payouts can possibly exceed 100 per cent of the target.

That is what happened. The blowout performance in profit gave Mr. Rousseau a bonus double his target. The board awarded him slightly less than target in strategic goals.

And they decided he exceeded his environmental and sustainability goals by more than 50 per cent. The accomplishments included being the first North American airline to sign jet maker Airbus's carbon removal initiative and increasing the percentages of self-identified women and visible minorities in management and the broader work force, respectively.

Mr. Rousseau also received credit for creating a multiyear official languages strategic plan; establishing an official languages department; and establishing a *comité de francization*. (Mr. Rousseau created another firestorm in the fall of 2021 by giving a speech in English and acknowledging he's not comfortable speaking in French even after living in Montreal for more than a decade.)

Ultimately, Air Canada paid out 160 per cent of target bonuses for its executives, up from 140 per cent in 2022.

Mr. Rousseau's full 2023 compensation package also included a \$1.3-million salary, and stock and option awards of \$7.8-million. Half of those stock awards will only vest, or become usable by Mr. Rousseau, if certain profitability and stock-return performance goals are met.

While Mr. Rousseau's salary was flat in 2023, he received a 13-per-cent raise in 2022. Three other Air Canada executives have had their salaries increase from 14 per cent to 37 per cent since 2021. "Although Air Canada does not automatically adjust salaries for executives on an annual basis, we review total compensation and align their overall compensation in accordance with our compensation philosophy," the company said in its proxy.

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