



**CLIMATE-
RELATED
DISCLOSURE
REPORT 2020**



CLIMATE-RELATED DISCLOSURE REPORT 2020

May 31, 2021



TABLE OF CONTENTS

ABOUT THIS REPORT	4
• REPORTING FRAMEWORK AND METHODOLOGY	4
• ABOUT TRANSAT	6
• MESSAGE FROM ANNICK GUÉRARD	7
1. GOVERNANCE	8
• BOARD-LEVEL OVERSIGHT	9
• MANAGEMENT'S ROLE	10
2. STRATEGY	11
• OUR CLIMATE STRATEGY	11
• SHORT-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES	12
• MEDIUM-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES	13
• LONG-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES	13
• TRANSAT'S GHG REDUCTION PLAN AND INITIATIVES	14
IN THE AIR	14
ON THE GROUND	15
EXAMPLES OF OUR GHG REDUCTION INITIATIVES	16
3. CLIMATE-RELATED RISKS MANAGEMENT	19
• IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS	19
• TIMEFRAME DEFINITIONS	20
• FINANCIAL IMPACT DEFINITIONS	20
• CLIMATE TRANSITION RISKS	21
• CLIMATE PHYSICAL RISKS	26
• CLIMATE OPPORTUNITES	28

4.	METRICS & TARGETS	32
	• MEASURING OUR CARBON FOOTPRINT	32
	• OTHER REPORTED CLIMATE-RELATED AND SUSTAINABILITY METRICS	33
	• INTERNAL CLIMATE-RELATED MANAGEMENT METRICS	33
	• REPORTING METHODOLOGY	33
	• NOTES REGARDING THE 2020 EDITION OF THE REPORT	34
5.	ACHIEVING COMMITMENTS TO THE PARIS AGREEMENT	35
	• CANADA’S EMISSION REDUCTION GOALS	35
	• AVIATION INDUSTRY EMISSION REDUCTION GOALS	35
	• TRANSAT’S EMISSION REDUCTION GOALS	36
	APPENDIX	37
	• TASK FORCE ON CLIMATE-RELATED DISCLOSURES (TCFD) INDEX	37
	• APPENDIX DATA TABLE	44

ABOUT THIS REPORT

REPORTING FRAMEWORK AND METHODOLOGY

As part of the Loan Plan Agreement, Transat is obliged to produce, publish, and provide the Canada Enterprise Emergency Funding Corporation with an annual climate-related disclosure report. It adheres to the Final Recommendations of the Task Force and Climate-Related Disclosures (“TFCD”) ([Link](#)), the Final Report of the Expert Panel on Sustainable Finance ([Link](#)), and shows how Transat will contribute to achieving Canada’s Climate Change Commitments.

The first four climate disclosure reports are prepared in the form of a Phase 1 report as specified in the Expert Panel’s recommendations, with clear disclosures on Governance, Strategy, Risk Management, Metrics & Targets, and achieving Canada’s commitments to the Paris Agreement (see below).

1	Governance	<ul style="list-style-type: none"> Describe the board’s oversight of climate-related risks and opportunities. Describe management’s role in assessing and managing climate-related risks and opportunities.
2	Strategy	<ul style="list-style-type: none"> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
3	Risk Management	<ul style="list-style-type: none"> Describe the organization’s processes for identifying and assessing climate-related risks.
4	Metrics & Targets	<ul style="list-style-type: none"> Disclose Scope 1 and 2 GHG emissions and related risks, or an appropriate alternative metric.
5	Achieving commitments to the Paris Agreement	<ul style="list-style-type: none"> Report on how your corporate governance, strategies, policies, and practices contribute to achieving Canada’s commitments under the Paris Agreement

The fifth report will be in the form of a Phase II report as specified in the Expert Panel’s recommendations, with reporting on underlying assumptions, calculations, estimates and scenarios. Apart from loan agreement requirements, Transat is committed to providing transparent and regular reporting about our strategies and performance on sustainability issues that are most important to our

business and our stakeholders. We have produced Corporate Responsibility Reports and publish information on our website and internally, but this year's report is a new stage in the evolution of our reporting. It is aligned with TCFD recommendations and in future reports we will use other reporting standards such as the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) or the Carbon Disclosure Project (CDP) as applicable. Transat welcomes the opportunity to increase the transparency and quality of our sustainability reporting.

This inaugural report was produced to the best of our ability and the data was reviewed internally. Except for international aircraft emissions, the data presented was not audited by an accredited third party. For future reports we will consider how we can integrate reporting standards with third party verification to provide the most accurate sustainability and climate reporting possible. Performance data in this report is for the calendar year 2020 and for most indicators five years of data is provided for historical trend analysis.

ABOUT TRANSAT

Transat A.T. Inc. is a leading integrated international tourism company specializing in holiday travel. Under the Transat and Air Transat banners, the Corporation offers vacation packages, hotel stays and air travel to some 60 destinations in over 25 countries in the Americas and Europe. Transat is firmly committed to sustainable tourism development, as reflected in its multiple corporate responsibility initiatives over the past 14 years and obtained Travelife certification in 2018. The Corporation is based in Montréal (TSX: TRZ).

MESSAGE FROM ANNICK GUÉRARD, President and Chief Executive Officer of Transat

Last year (2020) was the most challenging year in Transat's history. The COVID 19 pandemic has devastated the travel industry and impacted our customers, employees, travel destinations and other stakeholders. Despite the hardships, concern about climate change has gone up, not down, during the pandemic. Companies today are facing increasing expectations from stakeholders such as investors and customers to address this issue. The two key objectives of this report are to demonstrate that Transat understands the risks and opportunities that climate change represents for our business and to elaborate our decarbonization strategy.

Transat believes that our customers should not have to choose between seeing the world or saving the world. We have been taking concrete measures for some time to reduce our carbon footprint through initiatives such as our fuel efficiency program, fleet renewal, energy improvement in our buildings and, investments in sustainable fuel technology. Air Transat has consistently been one of the best rated airlines in the Atmosfair Airline Index, which measures carriers' fuel efficiency and greenhouse gas emissions reduction, and our head office located in Montreal Quebec has been named one of the greenest in North America. In 2018, Transat became the first major international tour operator to be Travelife Certified for all its activities and has used this accreditation to drive sustainability improvements. For the past, several years Transat placed highly on the annual list of the Corporate Knight's Best 50 Corporate Citizens in Canada, which recognizes organizations with outstanding records in social engagement, environmental management, and governance.

Many challenges remain for the future. Further progress to reduce aviation emissions will require significant investments and the collaboration of industry, governments, investors customers and suppliers. I am confident that by working together we can achieve Canada's and society's climate goals.

Annick Guérard
President and Chief Executive Officer, Transat



1. GOVERNANCE

TCFD Recommendations:

- *Describe the board's oversight of climate-related risks and opportunities.*
- *Describe management's role in assessing and managing climate-related risks and opportunities.*

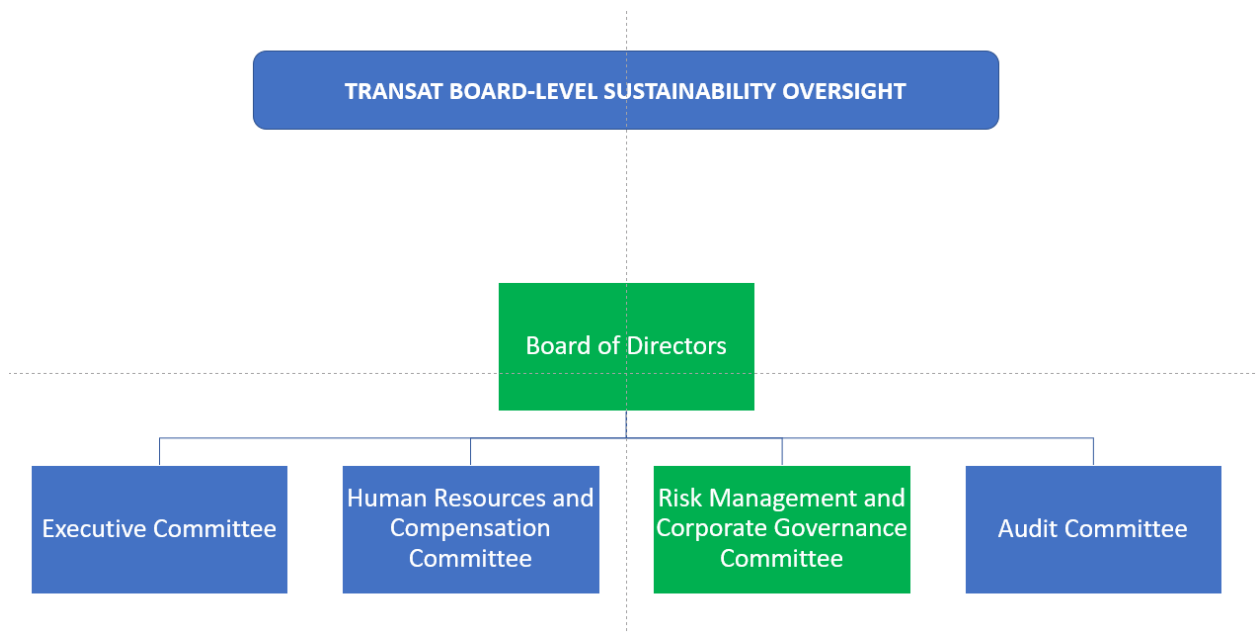
Stakeholders expect that Transat will generate acceptable financial results while continuously improving sustainability and mitigating climate-related risks. Since the long-term success of our business depends on the climate-related risks and opportunities identified in this report, they are overseen by our Board of Directors and its committees.

As climate change has become a more urgent issue for our society, our company and our planet, Transat has taken steps to formalize how we manage climate-related issues. Our objective is to align with industry targets and contribute to achieving Canada's commitments under the Paris Agreement. We recognize that global warming will impact many aspects of Transat's business and that the management of climate issues and risks are critical to our future success. Accordingly, we have put in place a structure and a reporting system to ensure that we have robust governance and transparency of climate-related risks and opportunities. This governance is overseen by our Board of Directors and is supported at the management level.

BOARD-LEVEL OVERSIGHT

The Board of Directors is ultimately responsible for overseeing Transat’s risk management system through the Risk Management and Corporate Governance Committee. Starting in 2021, climate-related issues will be a standing agenda item for Risk Management and Corporate Governance Committee meetings. The committee will receive a detailed update at least once per year on Transat and Air Transat’s progress regarding climate change and environmental sustainability goals and strategy. This includes board-level oversight of environmental and climate-related risks and opportunities, as well as mitigation actions and progress, including a discussion on the impact and risks they have on the company.

The Board of Directors receives periodic updates on climate-related issues and sustainable strategies.

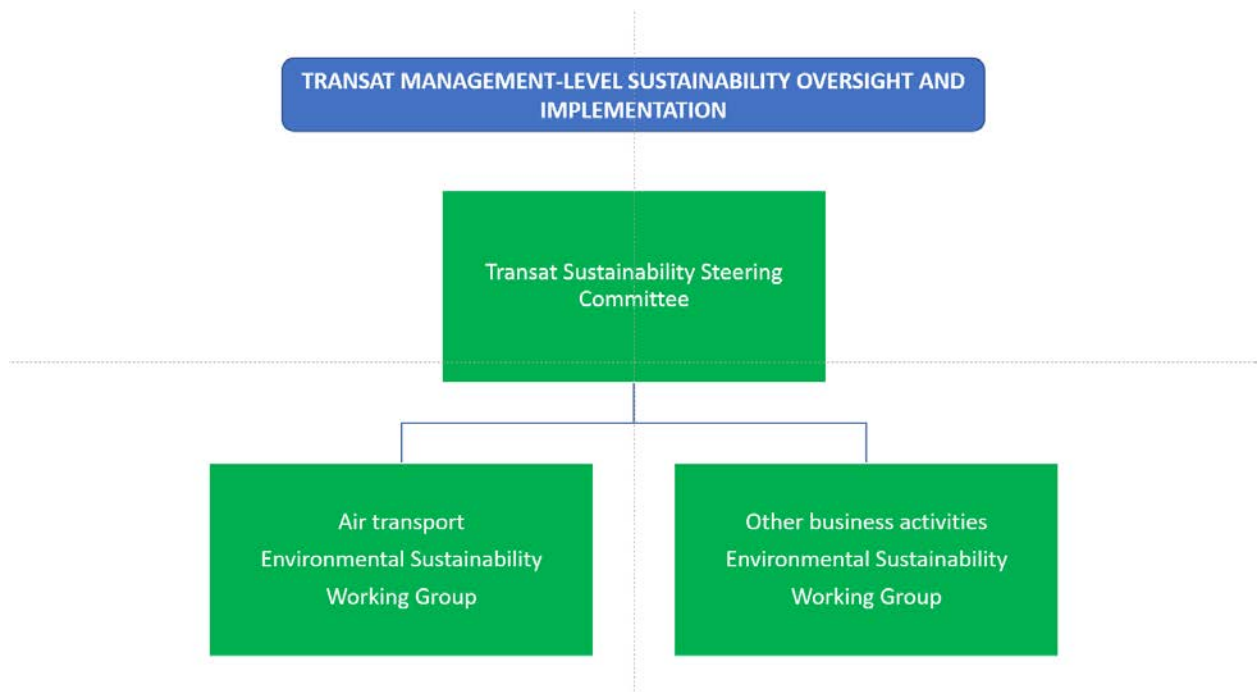


MANAGEMENT'S ROLE

Managing climate-related risks and continuously improving environmental sustainability is vital to Transat's business strategy at all levels of the organization.

The Senior Director, Environment and ETS is responsible for managing and coordinating sustainability projects, especially within airline operations, monitoring global trends, responding to stakeholder enquiries, and making recommendations to senior leadership. He reports to the Corporate Sustainability Steering Committee. They are responsible for monitoring environmental performance, for identifying climate-related risks and engaging with Transat's Board of Directors and the Risk Management and Corporate Governance Committee. The Corporate Affairs Group is responsible for implementing sustainability improvement projects and measuring and tracking progress towards environmental sustainability and climate targets.

Transat's Board of Directors is ultimately responsible for approving climate-related and environmental sustainability strategy and programs.



2. STRATEGY

TCFD Recommendation: *Describe the climate-related risks and opportunities that the organization has identified over the short, medium, and long-term.*

OUR CLIMATE STRATEGY

Despite the devastating financial hardship of the COVID-19 pandemic on the travel industry, Transat is committed to reducing our carbon emissions now and in the future. Our strategy is designed to deal with both the physical and transition risks resulting from climate change as well as taking advantage of potential opportunities.

Due to various factors, aviation and the travel industry is inherently difficult to decarbonize. Other sectors have had low carbon opportunities for years. Electricity can be produced using wind, solar and geothermal and many transport modes can shift to electricity or use biofuel. Due to the nature of flying, aviation does not have these alternatives.

- Jet fuel has unique characteristics that make it uniquely suitable for propulsion unmatched by batteries, hydrogen, or other alternatives.
- Developing new aircraft and engine technology is expensive, complicated, and long.
- Aircraft have 25+ year lifespans before replacement.

Due to these factors, hybrid and electric systems will not be available before 2030-2035 for short-haul flights and not until after 2050 for long haul flying.

The time horizons we use for climate-related issues are based on when the risks manifest themselves, our planning time horizons, and the time required to implement and adopt mitigation measures. We use the following timeframes for planning and analysis:

- **Short term:** 2020-2025
- **Medium Term:** 2026-2035
- **Long term:** 2036-2050

SHORT-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES

Risks. Our short-term time horizon is the next five years. We anticipate increasing stakeholder pressure to decarbonize but limited availability of mitigation measures. Our short-term climate-related risks are generally government policy-related and involve increased regulations, emissions taxes and emissions trading schemes, and augmented reporting requirements. Other significant risks include potential reduced demand, reputational risk, as well as the cost and availability of decarbonization technology. These all have the potential to significantly increase our costs and decrease demand for travel. Specific examples are given below:

- We are subject to fuel and carbon taxes in several jurisdictions, including Canada.
- We are subject to an increasing patchwork of emissions trading schemes that require us to monitor, report and verify our emissions. We must purchase allowances or offsets to cover emissions above a baseline. Air Transat is presently subject to the following ETS:
 - The European Union Emissions Trading Scheme (EU ETS) for intra-EU flights (since 2012)
 - Carbon Offsetting Scheme for International Aviation (CORSA) for international emissions (reporting started in 2019)
 - United Kingdom Emissions Trading System (UK ETS) for intra-UK flights (starting 2020)
- The flight shaming or flygskam movement is an anti-flying social movement that started in Sweden in 2018 and encourages people to reduce or eliminate air travel. Although it is much more popular in Europe, this phenomenon presents two risks for Transat. First, the crusade may expand to North America even if on a more limited basis. Second, a significant portion of our summer business comes from inbound European passengers.
- Several countries have, or are considering, a ban on short haul flights. For example, the French Government has banned short-haul internal flights when rail alternatives could cover the journey in 2h30 or less.
- Certain jurisdictions such as the UK are considering restrictions on frequent flyers, such as levies, elimination of frequent flyer programs and bans on private jets.
- Currently, sustainable aviation fuel is 2x-10x more expensive than traditional jet fuel. Fuel is the largest expense for airlines so switching completely to SAF is not economically feasible. In addition, SAF supply is extremely limited with only one dedicated SAF refinery in the world in constant operation (World Energy in Paramount California). It is difficult to purchase SAF now although more refineries are due to come online in the next few years. Finally, present regulations only permit SAF to be blended with fossil jet fuel up to 50%.
- Amsterdam has just banned advertising of cheap air tickets on their public transport system.

Opportunities. Given the previously mentioned constraints, in the short term our decarbonization efforts will be limited to currently available technology. This includes fuel efficiency, fleet renewal to new generation aircraft, use of alternative power in our buildings (ex. solar), carbon offsets and sustainable commuting and teleworking initiatives for our office employees. We will also invest in and support the development of sustainable aviation fuel (SAF) using stakeholder engagement and coalition building to support a future of more sustainable vacation travel. The initiatives are described in more detail later in the **TRANSAT'S GHG REDUCTION PLAN AND INITIATIVES** section.

MEDIUM-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES

Risks. Our medium-term time horizon is five to 15 years. We expect increases in the number, frequency and seriousness of extreme weather events presenting a risk to our airline and travel operations. Another risk is that increasing concern over global warming will provoke changes in customer perception and behavior. This could decrease demand and cause reputational risk if customers perceive that we and the industry are not doing enough to mitigate climate change. Finally, there is a very real possibility that decarbonization technologies other than SAF (electric, hydrogen or hybrid) will not be available until after 2035, especially for long haul travel.

Opportunities. During this timeframe we anticipate that SAF will become more available and to become increasingly cost competitive with traditional jet fuel. Transat can use the rising demand for sustainable travel by developing new climate-friendly products and services and opening new markets in areas less effected by climate change.

LONG-TERM CLIMATE RELATED RISKS AND OPPORTUNITIES

Risks. Our long-term time horizon is 15 years and beyond. Our greatest risk are operational restrictions, and disruptions due to long-term changes in weather patterns, weather variability and increased precipitation patterns. Another danger is infrastructure damage because of global warming such as rising sea levels and an increase in severe weather events such as hurricanes, fires, and floods. Finally, there is the possibility that increasing concern over global warming will expose companies and governments to litigation regarding failure to enforce climate change mitigation and adaptation commitments, human rights violations, or “greenwashing” information about climate change impacts.

Opportunities. This should provide the time for new low carbon aircraft and technologies to be developed and available, although perhaps not for long haul transport. Sustainable aviation fuel should be at cost parity, or better, with conventional jet fuel and be widely available. Our process to identify chronic and acute physical climate risks will enable us to be proactive in hardening our operations and facilities against the worst effects of climate change. New products, services and destinations will be available to cater to customers who prefer sustainable travel.

TRANSAT'S GHG REDUCTION PLAN AND INITIATIVES IN THE AIR

The combustion of jet fuel is by far the largest source of Transat's emissions. Burning less fuel is therefore critical to meeting our climate and GHG reduction goals. We have a multi-pronged approach to reducing aircraft emissions:

- **Fuel efficiency.** Introduced in 2003, Air Transat has one of the best fuel-management programs in the industry. Initiatives such as single engine taxi and weight reduction, coupled with rigorous management and tracking of fuel consumption and investments in software has enabled Air Transat to reduce emissions by approximately 5% annually. We are constantly seeking out and implementing new techniques and technology to further improve fuel efficiency.
- **Fleet renewal.** In 2020 Air Transat retired the last of its older A310 fleet which once numbered 14 aircraft. They are being replaced by newer generation A321neoLR airplanes which is the greenest aircraft in its class. It emits 15% less than equivalent sized previous generation aircraft as well as 50% less NOx (nitrous oxide) and 50% less noise.
- **Sustainable Aviation Fuel.** In the short term our ability to use SAF is severely constrained by cost and availability. For this reason, we proactively decided to invest in technology to produce SAF locally by partnering with the SAF+ consortium. We are actively pursuing coalitions with governments, suppliers, and industry organizations to promote the development of a "made-in-Canada" SAF industry. Driving down costs and increasing supply are critical towards driving down emissions in the medium and long term. More details on our project can be found below. In addition to the SAF+ project, Air Transat is exploring other possibilities to use SAF in our operations. For example, in 2020 we took delivery of two A321neoLRs from the Airbus facility in Hamburg using a 10% SAF blend.
- **Carbon offsets.** Aside from SAF, offsets are one of the only near-term tools that the travel industry can use to address climate change. Care must be taken to ensure that offsets achieve the anticipate carbon reductions, but Transat will consider the use of offsets for both regulatory compliance (ex CORSIA) and for voluntary reductions. For example, in 2019 Air Transat offset the emissions from two A321neoLR deliveries using a combination of SAF and carbon offsets. These were the first new aircraft carbon neutral delivery flights in Canadian aviation history. More information on the offset project is given below.
- **Train + Plane.** Completing a journey by train instead of using a short-haul flight significantly reduces GHG emissions in the short-term. Transat has been a leader in developing these relationships. Air Transat, in partnership with TGV InOui, offers of flights between Canada and

Paris, with rail travel to 18 cities in France and Belgium. In addition, we have an inter-modal partnership with VIA Rail in Canada that enables customers to complete their travel by train once the flight arrives in Canada. In the future we will look at similar partnerships in other destination countries with a well-developed rail system.

- **Stakeholder engagement.** Transat will work with key stakeholders in working jointly towards emissions reductions. Examples include education and perhaps the possibility for customers to purchase carbon offsets of SAF.

ON THE GROUND

Transat employs the following strategies to reduce emissions from our buildings, facilities, and suppliers:

- **Energy efficient buildings.** Transat has implemented many initiatives to improve energy efficiency and reduce GHG emissions in many of our facilities. For example, we installed a solar wall on our Montreal maintenance hangar, improved our HVAC systems and implemented improved sensing and monitoring. This reduced natural gas consumption by 130 000 m³ per year, a 30% reduction and the equivalent of 240+ tons per year in CO₂. Our headquarters was the first LEED EB platinum certified building in Canada. In the short and medium-term we will explore opportunities to implement initiatives as they become more available and affordable.
- **Sustainable transport.** Transat has put in place many programs to reduce employee GHG emissions by encouraging sustainable transport. We subsidize public transport, promote carpooling, encourage employees to come to work by bicycle, provide free electric charging stations, and have reserved parking spots for low emissions vehicles. In the future we will continue to explore options to further encourage sustainable transport and teleworking for our employees.
- **Tracking Scope 3 emissions.** Transat does not currently track and report scope 3 emissions. We will do so in the future. This will enable us to develop mitigation measures to reduce GHG emissions from these sources and to engage our suppliers in climate improvement efforts.
- **Travelife.** Transat will continue to use its Travelife program and certification to improve sustainability and tackle GHG emissions in our travel agent and tour operator operations.

EXAMPLES OF OUR GHG REDUCTION INITIATIVES

1. SAF+: OUR INNOVATIVE PROJECT RECYCLES AIR POLLUTION INTO JET FUEL

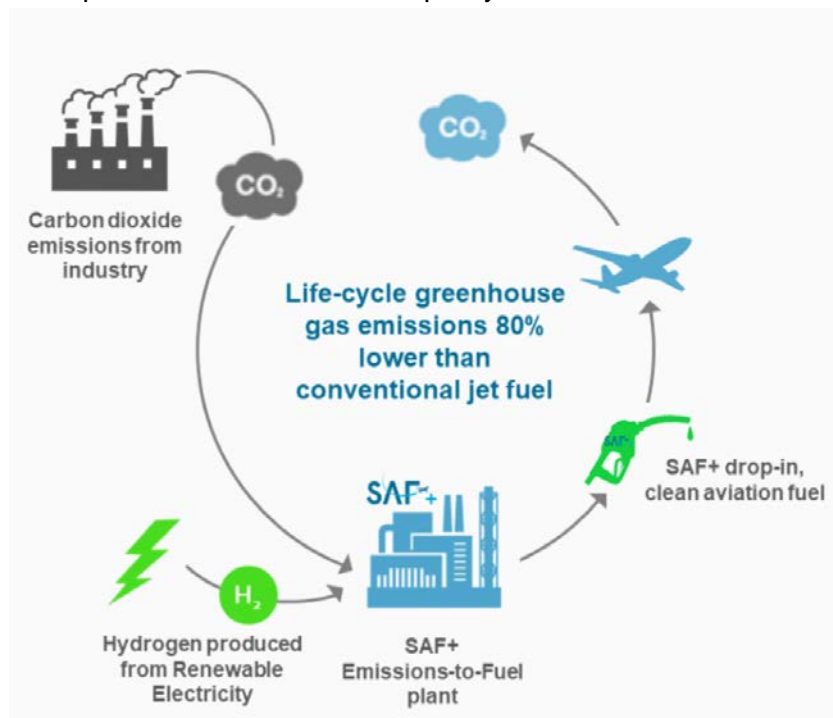
Given the lack of supply, Air Transat realized several years ago that if we wanted to use SAF, we were going to have to help develop it ourselves. For this reason, we joined the SAF+ consortium to find a solution for low carbon flying. SAF+ Consortium Inc. partners include CCG, Air Transat, Aéroports de Montréal, Parachem, École Polytechnique de Montréal, CIRAIG, CEPROCQ, Valorisation Carbone Québec Project and Hydro Quebec.

Carbon dioxide from industrial smokestacks is captured, combined with hydrogen produced from hydro-electric power and converted into synthetic fuel by a process called Fischer-Tropsch. This process is called power to liquid or by the even catchier “e-fuel”. It is the opposite of traditional combustion. Instead of burning jet fuel to produce energy, we apply energy to captured CO₂ to produce jet fuel. It may seem like magic, but it is not.

Some of the key benefits of our process:

- For each ton of SAF+ fuel produced, we capture 2.7 tons of CO₂ and avoid 100% of the emissions and impacts linked to oil extraction.
- One liter of SAF+ fuel needs only between 1.2-3 liters of water, up to an 86% reduction compared with regular jet fuel.
- There is an 80+% lifecycle CO₂e reduction as compared to conventional jet fuel.
- There are virtually no SO_x emissions, up to 90% less particulate matter and up to 5% less NO_x than regular jet fuel.
- It is made with clean renewable energy.
- Our process avoids the pitfalls associated with some biofuel production processes such as land use concerns, food and water security, and feedstock availability.
- SAF is independent of fossil volatile fossil fuel prices.
- All the resources used to make the SAF are local.
- A key co-benefit of this project is the development of clean technology in an industrial part of Montreal East, providing jobs in the green economy.

Air Transat has made an early investment in the project and has committed to purchasing a significant portion of the future production. Once completed, the plant will annually capture 200 000 tons of CO₂ and produce 50 million liters of sustainable aviation fuel. The project is one of four finalists in the federal government's "Sky's the Limit Challenge" to develop clean fuel technology. It was also awarded the Solar Impulse Efficient Solutions Label which recognizes efficient, clean, and profitable solutions with a positive impact on environment and quality of life.



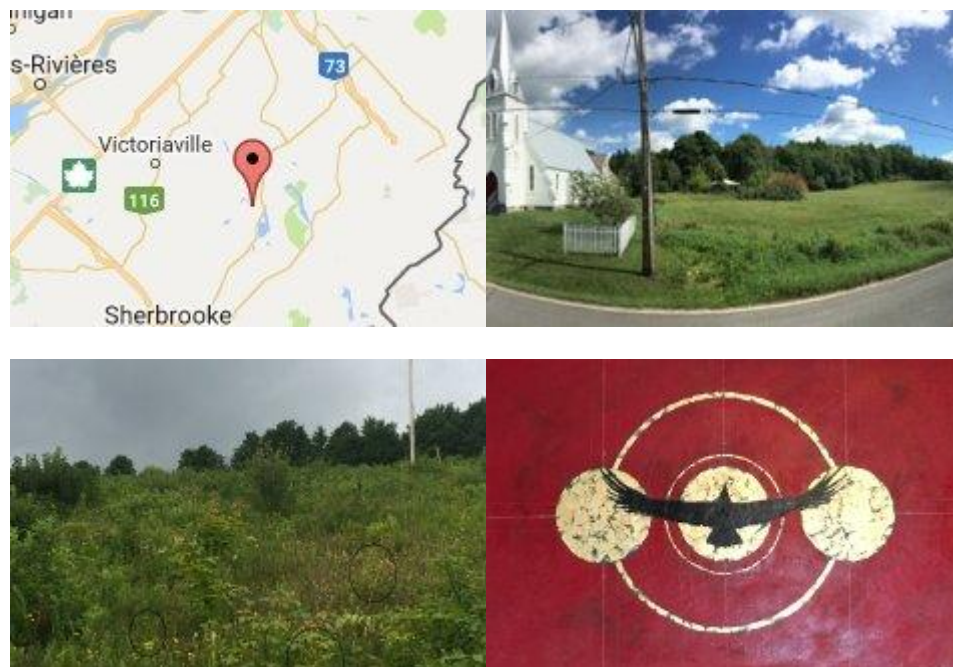
Source: SAF+ Consortium

2. OFFSETS FROM THE SOUTHERN QUEBEC AFFORESTATION PROJECT (SQAP)

The carbon offsets that we purchased to make our delivery flights carbon neutral were from a project created in 2014 to plant on abandoned lands in the historical and pastoral landscape of South-Eastern Quebec.

The Southern Quebec Afforestation Project is publicly listed on the CSA Clean Projects Registry and has been 3rd party verified under ISO-14064-2 by Fournier Toupin CPA Inc. The project was created in 2014 to plant on 15 abandoned lands (or not properly regenerated) in the historical and pastoral landscape of South-Eastern Quebec and will sequester a portion of Southern Quebec's atmospheric carbon for at least 50 years. With a total project area of 75.9 hectares and more than 146,000 trees planted, this project is one of the largest of its kind in the region.

The project will incorporate a large-scale art installation that explores environmental stewardship and action against climate change, adapted from the work of First Nations artist Eruoma Awashish. This work is being reproduced in the form of an art installation, which can be viewed from the air and from space by satellite.



3. CLIMATE-RELATED RISKS MANAGEMENT

TCFD Recommendation: *Describe the organization's processes for identifying and assessing climate-related risks.*

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

To manage and mitigate climate-related risks, we need to have a thorough understanding of those risks and how they impact our airline, our travel business, and the countries and communities in which we operate. This knowledge is a key input to our climate strategy. In the future, we will integrate climate risk analysis into our enterprise-risk management and business planning processes.

As per the Task Force on Climate-related Financial Disclosures (TCFD), climate-related risks fall into two categories:

1. **Transition Risks.** Risks linked to the transition to a lower carbon economy. These consist of policy, technology, legal and market changes that may engender financial and reputational risk for organizations.
2. **Physical Risks.** Risks resulting from the physical impacts of climate change. These include acute weather events and changes to the climate that could cause operational risk for companies. They are divided into acute and chronic subcategories.

In addition to climate-related risks, the Task Force requires us to identify climate opportunities in the following areas: resource efficiency, energy source, products and services, markets, and resilience.

For this initial report, we used a qualitative process using industry and TFCFD sources, internal data and publicly available articles and reports. For **physical risk** assessment, we focused on our airline, major airports, infrastructure that we use and our primary travel destinations. We based our **transition risk** analysis on publicly available climate impact reports such as the IPCC Sixth Assessment Report and Canada's Changing Climate Report. We utilized internal and industry data, analysis, and reports to identify Transat's **climate opportunities**.

In the future, we will continue to refine our risk identification process through our internal risk management and governance processes, quantification, and will consider the use of techniques such as climate scenario analysis. Our key findings are presented below.

TIMEFRAME DEFINITIONS

SHORT-TERM	MEDIUM-TERM	LONG-TERM
2020-2025	2026-2035	2036-2050 and beyond

FINANCIAL IMPACT DEFINITIONS

LOW	MEDIUM	HIGH
Less than \$1 million per year	\$1-10 million per year	Over \$10 million per year

CLIMATE TRANSITION RISKS

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
POLICY AND LEGAL	Current and increasing regulation and government policy designed to combat climate change presents potentially serious risks to the airline and travel industries: <ul style="list-style-type: none"> • Pricing of GHG emissions and carbon taxes 	SHORT AND MEDIUM-TERM	HIGH	Air Transat is subject to a patchwork of regulations that require significant manpower and IT system upgrades.	Air Transat is taking measures to reduce emissions and increase fuel efficiency. We have had a fuel efficiency program since 2004, are acquiring the latest generation A321neo aircraft to replace older generation A310s and are significantly investing in SAF (Sustainable Aviation Fuel).
	Ban on short haul flights	SHORT-TERM	MEDIUM	Several jurisdictions have, or are planning, to ban short haul flights. This could affect our connection strategy and divert demand to other transportation modes.	In partnership with TGV InOui, we have developed Train + Air Service that combines air and railway to 18 cities in France and Belgium. We also offer rail transfers with VIA Rail Canada and are looking at other potential air/rail partnerships.
	Limits on licence to operate	SHORT-TERM	MEDIUM	Policymakers could mandate emissions reductions targets for airlines which would limit our ability to grow. Governments could impose new technologies that could significantly increase capital and operating costs.	We work closely with industry organizations such as NACC, IATA, and ICAO to ensure that government emissions reduction policies are feasible operationally and economically and will have the desired GHG reductions.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
POLICY AND LEGAL	Exposure to litigation	LONG-TERM	MEDIUM	Governments and other stakeholders could potentially sue polluting companies for the effects of climate change. For example, New York City recently sued three major oil companies and the top industry trade group in State court, arguing that the companies are misrepresenting themselves by selling fuels as "cleaner" and advertising themselves as leaders in fighting climate change.	We work with policymakers to identify decarbonization solutions. Our climate and emissions reduction strategy show that we are taking concrete steps to combat climate change.
	Heightened reporting requirements	SHORT-TERM	LOW	Air Transat is subject to a patchwork of regulations that require significant manpower and IT system upgrades.	We have invested in GHG and fuel efficiency software and have developed internal expertise in emissions and fuel reporting.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
TECHNOLOGY	There is a significant risk that the technologies aviation requires for the transition to lower emissions will not be ready quickly enough for us to meet our ambitious GHG goals. The technology may not be available at scale for at least 10-30 years and may be very expensive. Air Transat is using technology to reduce emissions via fleet renewal, use of sustainable aviation fuel, and by using technology to improve aircraft fuel efficiency.	MEDIUM-TERM	HIGH	New generation aircraft have a significantly higher capital cost than purchasing or leasing older or midlife aircraft. Emissions reduction policies may force us to retire older generation aircraft sooner than planned thereby increasing capital costs.	Starting in 2019, Air Transat has embarked on a comprehensive fleet renewal project. In the next two years, we plan to take delivery and operate approximately 17 A321neoLR aircraft which are the most fuel-efficient aircraft in its class. These will replace older generation A310s.
		MEDIUM-TERM	HIGH	Sustainable aviation fuel (SAF) currently costs 2-10 times as much as conventional jet fuel. Fuel is Air Transat's largest cost therefore using SAF in significant quantities could increase operating costs.	Air Transat has made significant investments in sustainable aviation fuel and is part of a consortium that will produce SAF from waste emissions.
		SHORT-TERM	LOW	Investing in new fuel-saving technology is usually expensive but this is offset by cost savings associated with improved fuel efficiency and decreased GHG emissions.	We are always on the lookout for new technologies that will improve fuel efficiency. For example, using e-taxi technology to reduce aircraft taxi emissions at airports and improving engine water washes.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
<p>MARKET</p>	<p>Changing customer perception and behaviour due to climate change presents a risk to both air and destination travel. For example, the "flight shaming" movement that started in Europe has changed the perception of air travel in Europe. This may affect customer demand in several ways. Firstly, customers may decide to travel less or take local vacations. Secondly, the trend to teleworking and virtual meetings could reduce demand for business and meeting travel. Finally, clients may decide to use other transport modes such as automobiles and trains instead of airplanes.</p>	<p>MEDIUM TERM</p>	<p>HIGH</p>	<p>Reduced demand could significantly decrease revenues and increase unit costs, significantly affecting profitability for the Transat group.</p>	<p>We will share our sustainability initiatives to the public, our employees, our suppliers, and other key stakeholders so that they are aware of the efforts that we are taking to reduce our climate impact.</p> <p>We will work with our customers, travel agencies and destinations to provide climate-friendly travel options. Examples are eco-friendly vacation options and tips on sustainable travel. We will also consider the possibility of offering our customers the possibility of purchasing carbon and/or sustainable fuel offsets.</p> <p>The objective is to engage and strengthen our customer relationships in our GHG reduction and sustainability efforts.</p>

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
REPUTATION	Public concern about climate change could put Transat's brand image and reputation at risk. Public stakeholders such as customers, investors and policy groups could apply increasing pressure to make progress towards GHG reduction goals.	MEDIUM-TERM	HIGH	<ul style="list-style-type: none"> • Investor pressure for more aggressive sustainability and GHG reduction initiatives may increase costs and reduce capital availability. • Brand damage could have a significant adverse effect on our business and financial results if customers decide to travel less or fly with airlines that are perceived to be more sustainable and environmentally friendly. • Poor sustainability performance and reputation could make it more difficult to attract and retain talented employees. 	<p>Transat is developing a comprehensive climate change and environmental sustainability strategy that will drive us towards industry, Canadian and international climate goals, such as the Paris agreement.</p> <p>We pledge transparency about our climate change and environmental sustainability impact.</p> <p>We will continue to use all options available to us to mitigate and reduce our carbon emissions.</p> <p>This includes investments in sustainable aviation fuel, technology and potentially the use of carbon offsets.</p>

CLIMATE PHYSICAL RISKS

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
ACUTE	<p>Increases in the number, frequency and seriousness of extreme weather events present a risk to our air operations and at our travel destinations.</p> <p>Extreme weather can severely disrupt air service, cause long delays and result in turbulence-related injuries. Natural disasters resulting from climate change such as hurricanes, floods and fires can damage airport and hotel infrastructure and even lead to the repatriation of customers at destination.</p>	SHORT AND MEDIUM-TERM	HIGH	<p>Severe weather events increase costs such as IROPS (irregular operations), re-booking, accommodation, repatriation, additional fuel burn to avoid severe weather, increased personnel costs, etc.</p> <p>In addition, hurricanes and storms in the Gulf of Mexico could threaten fuel supplies due to refinery and infrastructure shutdown or damage. The worry and uncertainty regarding natural disasters could also suppress demand.</p>	<p>The operational impact of severe weather is continuously monitored by Air Transat's Operations Centre.</p> <p>Our Emergency Response Team responds to severe weather events and takes preventive and corrective actions. Our passenger service and call centres assist passengers impacted by the climate events.</p>

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
<p>CHRONIC</p>	<p>Long-term changes in weather patterns, variability and increased precipitation patterns poses a risk to infrastructure and airline operational ability.</p> <ul style="list-style-type: none"> • Long-term temperature rise decreases air density. This decreases the amount of payload, passengers, and cargo that an aircraft can carry and increased fuel consumption and GHG emissions. In addition, lower air density can cause operating restrictions at high elevation airports, such as Mexico City, that naturally have lower air density due to their elevation. • Sea-level rise from global warming increases the risk of flooding at the coastal airports that we serve, such as Vancouver. • Increased weather variability and changes in precipitation behaviour have the capability to severely disrupt air travel and destination services. 	<p>LONG-TERM</p>	<p>MEDIUM</p>	<ul style="list-style-type: none"> • Reduced payloads from temperature rise will decrease revenues by restricting the number of seats for sale. It will also reduce cargo income because of the lower payload. • Sea-level rise will require some coastal airports to make climate mitigation investments or even to even relocate. Since airports pass on these costs to airlines, it will result in higher fees. • Changing precipitation patterns and acute weather variability will cause flight delays and increase operational costs. It will also make certain of our destinations less attractive to tourists and increase or reduce accessibility of insurance premiums in affected locations. 	<ul style="list-style-type: none"> • Air Transat will integrate the potential impact of climate change into our fleet planning, for example, we will favour aircraft with higher engine thrust ratings that are capable of operating at higher altitudes. • We will also take weather into account when planning which airports and holiday destinations that we serve. • Transat will explore new vacation destinations and we will reinforce our delay response processes and procedures.

CLIMATE OPPORTUNITES

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
RESOURCE EFFICIENCY	Our most critical resource is fuel and fuel efficiency are our greatest resource efficiency opportunity. It reduces fuel consumption and fuel is Air Transat's largest expense. Lower fuel burn decreases emissions and reduces costs associated with GHG taxes and emissions trading schemes.	SHORT-AND MEDIUM TERM	LOW	There are increased costs to acquiring next generation aircraft, but this is offset by the long-term fuel and emissions savings.	<ul style="list-style-type: none"> We will maintain our fleet renewal strategy to replace older generation aircraft with highly fuel-efficient modern aircraft. We will continue to improve and refine our fuel efficiency program by adapting new technologies and techniques.
	The retirement of our owned A310 fleet presented a unique opportunity to recycle the aircraft in an environmentally friendly manner.	SHORT-TERM	LOW	There is a cost for the final teardown, but this is compensated by revenues from the recycled metal and reuse of some aircraft parts and components.	We are working with local suppliers to establish an aircraft recycling centre of excellence in Mirabel, Quebec.
	Increased droughts caused by climate change has provided the incentive and opportunity to reduce water consumption.	SHORT-TERM	LOW	There is a minimal cost to implement water reduction technology, but it produces a major reduction in water consumption.	Our head office was the first LEED EB-certified building in Canada, and we have implemented many measures to reduce water consumption.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
ENERGY SOURCE	Using sustainable aviation fuel provides several opportunities. It significantly reduces lifecycle GHG emissions, decreases price volatility of jet fuel, diversifies fuel supply, and reduces exposure to emissions costs and regulations. Given the nature of the aviation industry new technologies will not be available for at least a decade and SAF is our best alternate energy source.	MEDIUM AND LONG-TERM	HIGH	Sustainable aviation fuel is in short supply and costs multiple times more than conventional jet fuel. We need to work with government policymakers and other stakeholders to make SAF more affordable and available so that we can scale up usage as soon as possible.	<ul style="list-style-type: none"> • We have partnered with the SAF+ consortium to produce SAF from waste industrial gas in east Montreal. This technology is called PTL (power to liquid) or e-fuel and reduces lifecycle GHG emissions by 80%. We are also looking at other potential future SAF sources. • We are engaging with stakeholders such as the Canadian, Quebec, and municipal governments and industry groups to encourage the development of a Canadian SAF industry.
	The transition to clean power has provided many opportunities to use alternative energy sources such as solar and wind power.	SHORT-TERM	MEDIUM	There is an upfront capital cost, but it provides a payback in energy savings and emissions reductions.	We have installed a solar wall at our Montreal headquarters and are looking at using solar power in our other Canadian facilities.
	Given the lack of short term decarbonization options for aviation, carbon offsets are one of the main ways for airlines to reduce emissions, along with SAF usage.	SHORT-TERM	MEDIUM	Carbon offsets will impose a financial burden on airlines but provide concrete emissions reductions and many sustainability co-benefits in the countries and communities in which we operate. This could improve our brand image and result in increased demand and market share.	Air Transat has offset several carbon neutral aircraft delivery flights using a combination of offsets and SAF. We are exploring how we can use carbon offsets for other areas of our business. Air Transat is subject to CORSIA for international flights which will require us to purchase carbon offsets.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
PRODUCTS AND SERVICES	The increasing focus on climate change offers an opportunity to attract customers who desire sustainable low carbon travel. We could develop new products and services that will appeal to sustainability minded travellers. Potential options include offering eco-vacations, carbon offsets, or the possibility of purchasing sustainable aviation fuel.	SHORT TERM	LOW	New product and market development will require human and IT resources, but these costs are expected to be relatively minimal.	We will engage with customers and partners to develop low-carbon products and services that best meets their needs.
MARKETS	Climate change will open opportunities to travel countries and regions that are less affected by the negative effects of global warming. This could help us grow our business and gain a competitive advantage.	MEDIUM AND LONG-TERM	LOW	There will be costs to identify and develop new destinations, but this will be offset by increased revenues.	Transat will consider new markets and destinations in strategic and route/destination planning.

RISK TYPE	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
RESILIENCE	Concern over climate change has presented many opportunities to take advantage of energy efficiency programs and incentives in our office buildings.	SHORT TERM	LOW	There is an initial capital cost to implement the energy efficiency initiatives, but this is usually partially offset by incentives. The improvement in operating costs provides quick payback and increases the valuation of our buildings.	Air Transat has implemented many energy efficiency projects in the last couple of years and significantly reduced electrical consumption, natural gas consumption and GHG emissions. We have taken advantage of government and industry incentives. We will continue to explore future improvement opportunities in our Canadian facilities.
	Global warming is providing increased opportunities to substitute SAF for jet fuel.	MEDIUM AND LONG-TERM	HIGH	SAF is currently much more expensive, but policy decisions to encourage production and usage will help scale up production and make SAF price competitive with traditional jet fuel. When that happens, we will benefit from reduced emissions costs and increased supply chain resilience and reliability.	We will pursue all available options to promote the use of SAF internally and in the airline industry.

4. METRICS & TARGETS

TCFD Recommendation: *Disclose Scope 1 and 2 GHG emissions and related risks, or an appropriate alternative metric.*

Transat is committed to leadership in sustainable tourism. Focus, measurement, and transparency are integral to our continued environmental improvement, in the air and on the ground.

MEASURING OUR CARBON FOOTPRINT

Given the large carbon footprint of flying compared to our other business activities, GHG emissions are one of our most important metrics for measuring and managing climate-related risks and opportunities, as described in the **RISK MANAGEMENT** section. The following metrics are material and relevant and are included in this report:

- **Scope 1 emissions** covers the emissions from sources that are owned or controlled by Transat. This is a critical metric since approximately 99% of our direct GHG emissions come from burning jet fuel. Our scope 1 emissions come from fuel consumed by Air Transat aircraft and our owned vehicles. Scope 1 emissions are reported in absolute terms in metric tons.
- **Scope 2 emissions** includes GHG emissions from heating our hangar and is location based. Scope 2 emissions are reported in absolute terms in metric tons.
- **Scope 3 emissions** come from sources that we do not directly control, such as supply chain, business travel, ground support and baggage handling equipment. Because of the difficulty and complexity of calculating scope 3 emissions we currently do not measure and report them. We plan to do so for future reports.
- **Fuel efficiency** is an important measure of how well we use the fuel consumed. The objective is to safely transport as much payload, passengers, and cargo, as possible using the least amount of fuel. Fuel efficiency is an emissions intensity-based metric, and we report it in kg CO₂/100-PAX-KM and kg CO₂/RTK.
 - **Revenue Passenger Kilometers (RPK)** is the number of revenue passengers multiplied by the total distance traveled. Since it measures the actual demand for air transport, it is often referred to as airline “traffic.”
 - **Revenue Tonne Kilometers (RTK)** is the revenue load in tonnes multiplied by the distance flown. It includes both passengers and cargo.
- **Other aircraft emissions** are other gases that result from the combustion of jet fuel; nitrogen oxides (NO_x), sulfur dioxide (SO_x) and methane (CH₄). They are produced in much smaller quantities than CO₂ but can pose climate-related risks such as global warming and air quality. They are expressed in absolute terms in metric tons.

OTHER REPORTED CLIMATE-RELATED AND SUSTAINABILITY METRICS

Several other metrics are material to climate-related risks and opportunities and are included in this report:

- **Energy use:** This includes the quantity of jet fuel burned in liters, jet fuel intensity in Megajoules and our electrical consumption in kWh.
- **Waste:** The amount of waste that we recycle, compost, and send to landfill in metric tonnes.
- **Water:** We report water use for our major facilities in m3.

INTERNAL CLIMATE-RELATED MANAGEMENT METRICS

In the past we have used an internal carbon price on an ad-hoc basis for select business cases. In the future we will seriously consider adopting the use of an internal carbon price for enterprise-wide business analysis and decisions. Examples include route and destination planning. We do not have revenues from low-carbon product and service opportunities but will report them as they are generated. Currently performance metrics related to climate-based risks and opportunities are not tied to remuneration.

REPORTING METHODOLOGY

The data for this report comes from our internal systems using recommendations from the Task Force on Climate-Related Financial Disclosures. In the future we will further refine our data reporting by using standards such as the Sustainable Accounting Standards Board (SASB) Airline Industry Standard, the Global Reporting Index (GRI) or the Carbon Disclosure Project (CDP) where applicable.

Our Scope 1 aircraft emissions are audited by VERIFAVIA, an independent environmental accredited verification, certification, and auditing body for ICAO's CORSIA, and the EU ETS. VERIFAVIA is the world's leading independent verification body of greenhouse gas emissions for aviation and is accredited by to the ISO 14065:2020 standard for GHG emissions and environmental information. All the other data presented in this report has not been audited but in the future, we plan to do so where appropriate.

NOTES REGARDING THE 2020 EDITION OF THE REPORT

1. Although this is our first Climate-Related Disclosure report, Transat has been issuing emissions, climate-related and other sustainability data for several years. We have been submitting emissions statistics since 2005 for **Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation**. We also report GHG emissions annually to the European Union, IATA and ICAO and publish data on our website and in our CSR reports. Data is used for various purposes and is sometimes combined with those from other airlines for industry-wide statistics (ex. Action Plan).

2. The exceptional circumstances of the COVID-19 pandemic hampered our data collection and verification processes. Reduced availability of personnel and systems caused data gaps and effected the data quality of certain indicators. We may have to adjust and restate them in future reports.

5. ACHIEVING COMMITMENTS TO THE PARIS AGREEMENT

TCFD Recommendation: *Report on how your governance, strategy, policies, and practices contribute to achieving Canada's commitments under the Paris Agreement.*

CANADA'S EMISSION REDUCTION GOALS

The 2016 **Pan-Canadian Framework on Clean Growth and Climate Change** established the plan to meet Canada's emissions reduction targets under the 2015 Paris Agreement:

- Canada committed to reducing its GHG emissions by 30%, compared to a 2005 baseline.

In 2020, Canada announced a strengthened climate plan, A **Healthy Environment and a Healthy Economy** with emissions targets that will exceed its 2030 Paris Agreement commitments:

- Canada's budget for the fiscal year set a new target to cut emissions by 2030 to 36% below 2005 levels. This was recently increased at the US Climate Summit to 40 to 45 per cent.
- Beyond 2030, Canada promises to achieve net-zero emissions by 2050.

AVIATION INDUSTRY EMISSION REDUCTION GOALS

Although flying is currently responsible for a small percentage, approximately two percent, of global CO₂ emissions, demand for air travel is growing rapidly and emissions will increase significantly in the coming years. The aviation industry has been at the forefront of the global business response to climate change, becoming the one of the first industries voluntarily establish global CO₂ emissions reduction targets.

Air Transat, along with major Canadian airlines, entered into the world's first voluntary agreement to reduce GHG emissions from aviation, which was signed in 2005 between Transport Canada and the Canadian aviation industry. The plan set an aspirational goal to improve fuel efficiency from a 2005 baseline by an average annual rate of at least two percent per year from 2005 to 2020.

In addition, our industry trade association, the International Air Transport Association (IATA) appreciates the need to address the global challenge of climate change and has adopted three targets to mitigate CO₂ emissions from air transport:

- Average improvement of fuel efficiency of 1.5% per annum from 2009 to 2020. This short-term goal was met with the industry showing over 2% improvement on a rolling average, a cumulative efficiency improvement of over 17% since 2009.
- Carbon neutral growth after 2019
- A reduction of 50% in net CO₂ emissions from by 2050, as compared to 2005 levels.

TRANSAT'S EMISSION REDUCTION GOALS

Transat is committed to meeting or exceeding Canadian and industry emissions goals. However, for the reasons enumerated in the **STRATEGY** section of this report, aircraft emissions are innately difficult to decarbonize in the short term. This will make it extremely challenging for Air Transat to meet Canada's GHG reduction goals under the Paris Agreement, namely a minimum 30% absolute reductions in emissions over a 2005 baseline by 2030. In addition, the COVID 19 pandemic has made it difficult to project future demand. We have therefore developed short- and long-term aircraft emissions objectives and will work on establishing a 2030 goal for the next Climate-Related Climate Disclosure Report. In addition, we have fixed targets for our facilities that will help achieve and surpass Canada's Paris Agreement commitments.

GREEN IN THE AIR

- Carbon neutral growth from 2019
- The establish of a 2030 goal by the next Climate-Related Disclosure report
- Carbon neutrality by 2050

GREEN ON THE GROUND

- A minimum of 30% GHG emissions reductions from our buildings by 2030
- A minimum 30% reduction in GHG emissions from our owned vehicle fleet and employee commutes to and from work

HOW TRANSAT WILL CONTRIBUTE TO CANADA'S CLIMATE COMMITMENTS

Integrating climate change into Transat's overall governance structure will help us to properly assesses climate-related risks and opportunities, takes appropriate strategic decisions on how to manage those risks and opportunities, set targets, and report on progress towards achieving them. We will align our objectives with Canada and the industry so that we progress towards meeting and exceeding Paris Agreement commitments. See the **GOVERNANCE** section of this report for further details.

Transat's strategy in identifying short-, medium-, and long-term risks and opportunities will help us identify how we can help meet Canada's commitments under the Paris Agreement. See the **STRATEGY** section of this report for further details.

Transat will drive towards meeting Canada's GHG reduction targets under the Paris Agreement through the implementation of emissions reduction policies, practices, and initiatives. More information can be found in the **STRATEGY** section of this report.

APPENDIX

TASK FORCE ON CLIMATE-RELATED DISCLOSURES (TCFD) INDEX

As part of the Canada Enterprise Emergency Funding Corporation's Loan Plan Agreement, Transat has pledged to annually report climate change-related disclosures in accordance with TCFD guidelines. The first climate report covers the year 2020 and conforms to the requirements of a Phase 1 report according to the 2019 Final Report on the Expert Panel on Sustainable Finance. It presents well-defined disclosures on Governance, Strategy, Risk Management, Metrics and Targets and how Transat will contribute to meeting Canada's commitments under the Paris commitments. The TCFD recommendations and Transat's actions are summarized in the following table. For more information, please refer to Transat's Climate-Related Disclosure Report.

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
GOVERNANCE	<ul style="list-style-type: none"> Describe the board's oversight of climate-related risks and opportunities. 	<ul style="list-style-type: none"> The Board of Directors is ultimately responsible for overseeing Transat's risk management system through the Risk Management and Corporate Governance Committee. Starting in 2021, climate-related issues will be a standing agenda item for Risk Management and Corporate Governance Committee meetings. The committee will receive a detailed update at least once per year on Transat and Air Transat's progress regarding climate change and environmental sustainability goals and strategy. This includes board-level oversight of environmental and climate-related risks and opportunities, as well as mitigation actions and progress, including a discussion on the impact and risks they have on the company. See the Climate-Related Disclosure Report for more details. The Board of Directors receives periodic updates on climate-related issues and sustainable strategies depending on the magnitude of the risk or opportunity. At least once per year Transat's Board of Directors receives a full update on Transat's sustainability and climate-related strategy and performance.
GOVERNANCE	<ul style="list-style-type: none"> Describe management's role in assessing and managing climate-related risks and opportunities. 	<ul style="list-style-type: none"> Transat's Sustainability team is responsible for managing climate-related risks and opportunities. This includes tasks such as risk and opportunity identification and analysis, strategy implementation, and reporting. They are also responsible for regulatory compliance including emissions trading schemes such as CORSIA, the EU ETS and the UK ETS. See the Governance section of the Climate-Related Disclosure Report for more details.

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
STRATEGY	<ul style="list-style-type: none"> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. 	<p>Transat has identified the following climate-related risks over the following timeframes:</p> <ul style="list-style-type: none"> Short-term (2020-2025): Pricing of GHG emissions and carbon taxes, ban on short haul flights, limits on license to operate, heightened reporting requirements, accessibility, and cost of sustainable aviation fuel (SAF), reduced demand, reputational risk. Medium term (2026-2035): Availability of new technologies (electric, hydrogen, hybrid), reduced demand, reputational risk, changes in customer perception and behavior due to climate change, increases in the number, frequency and seriousness of extreme weather events, reputational risk. Long-term (2036-2050): Exposure to litigation, operational restrictions, and disruptions due to long-term changes in weather patterns, weather variability and increased precipitation patterns, infrastructure damage because of global warming such as rising sea levels and an increase in severe weather events such as hurricanes, fires, and floods. <p>Transat has identified the following climate-related opportunities over the following timeframes:</p> <ul style="list-style-type: none"> Short-term (2020-2025): Fuel efficiency, fleet renewal to new generation aircraft, use of alternative power in our buildings (ex. solar), carbon offsets, sustainable commuting initiatives for our office employees, customer and stakeholder collaboration and engagement. Medium term (2026-2035): SAF use, new climate-friendly products and services, development of new markets in areas less effected by climate change Long-term (2036-2050): New aircraft and engine technologies, SAF <p>More information can be found in the Risks Management and Strategy sections of the Climate-Related Disclosure Report.</p>

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
<p>RISK MANAGEMENT</p>	<ul style="list-style-type: none"> Describe the organization’s processes for identifying and assessing climate-related risks. 	<ul style="list-style-type: none"> Transat has acknowledged that climate change is one of the most important risks to our current and future business. To manage and mitigate climate-related risks, we need to have a thorough understanding of how they impact our airline, our travel business and the countries and communities in which we operate. This knowledge is a key input to our climate strategy. In the future, we will integrate climate risk analysis into our enterprise-risk management and business planning processes. For this initial report, we used a qualitative process using industry and TCFD sources, internal data and publicly available articles and reports. For physical risk assessment, we focused on our airline, major airports we serve, and infrastructure that we use at our primary travel destinations such as hotels. We based our transition risk analysis on publicly available climate impact reports such as the IPCC Sixth Assessment Report and Canada’s Changing Climate Report. We utilized internal and industry data, analysis, and reports to identify Transat’s climate opportunities. In the future, we will continue to refine our risk identification process through our internal risk management and governance processes, quantification, and will consider the use of techniques such as climate scenario analysis.

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
<p>METRICS & TARGETS</p>	<ul style="list-style-type: none"> • Disclose Scope 1 and 2 GHG emissions and related risks, or an appropriate alternative metric. 	<ul style="list-style-type: none"> • Transat uses multiple metrics to evaluate and manage climate-related risks and sustainability. The key performance indicators include GHG emissions (both absolute and intensity-based), energy and water consumption, and waste handling (recycling, composting and landfill). Refer to the Metrics & Targets and the Data Table Appendix sections of the Climate-Related Disclosure Report for further details, • In the past we have used an internal carbon price on an ad-hoc basis for select business cases. In the future we will seriously consider adopting the use of an internal carbon price for enterprise-wide business analysis and decisions. Examples include route planning and charter opportunities. • We do not presently have revenues from low-carbon product and service opportunities and do not report on climate -related financial metrics. • Transat does not currently use performance metrics related to climate-based risks and opportunities and they are not currently tied to remuneration. • Transat will report Scope 1 and 2 emissions annually. Due to the difficulty of acquiring data, we do not currently report Scope 3 emissions. We will implement the necessary processes and procedures to enable us to do so in the future. • Transat will measure and report on progress against targets annually. Refer to the Metrics & Targets and the Data Table Appendix sections of the Climate-Related Disclosure Report for further details.

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
<p>ACHIEVING COMMITMENTS TO THE PARIS AGREEMENT</p>	<ul style="list-style-type: none"> Report on how your corporate governance, strategies, policies, and practices contribute to achieving Canada's commitments under the Paris Agreement 	<ul style="list-style-type: none"> Air Transat, along with major Canadian airlines, entered into the world's first voluntary agreement with the Government of Canada to reduce GHG emissions from aviation. The plan sets an aspirational goal to improve fuel efficiency from a 2005 baseline by an average annual rate of at least 2 percent per year from 2005 to 2020. In addition, the aviation industry has been at the forefront of the global business response to climate change, becoming the one of the first industries voluntarily establish global CO₂ emissions reduction targets: <ul style="list-style-type: none"> Average improvement of fuel efficiency of 1.5% per annum from 2009 to 2020. Carbon neutral growth after 2019. A reduction of 50% in net CO₂ emissions from by 2050, as compared to 2005 levels. Under the 2015 Paris Agreement, Canada committed to reducing its GHG emissions by 30% below 2005 levels by 2030. Canada has also committed to achieve a net-zero emissions economy by 2050.

DISCLOSURE CATEGORY	TCFD RECOMMENDATION	TRANSAT
<p>ACHIEVING COMMITMENTS TO THE PARIS AGREEMENT</p>	<ul style="list-style-type: none"> Report on how your corporate governance, strategies, policies, and practices contribute to achieving Canada’s commitments under the Paris Agreement 	<p>To achieve and surpass industry and Canadian GHG reduction targets, Transat will deploy the following strategies, policies, and initiatives:</p> <ul style="list-style-type: none"> Shore up corporate governance regarding the identification, reporting, and management of climate-related risks and opportunities. Commit to climate reduction goals and targets. Use fleet renewal to introduce more new generation aircraft into the fleet and retire older less efficient models. Continue to operate and improve our fuel efficiency program. Invest in SAF technology and increase SAF use commensurate with availability and affordability. Use market-based measures such as carbon offsets for regulatory (ex. CORSIA) and voluntary emission reductions. Accelerate the use of clean energy used to power our facilities (solar, wind, biogas, etc.). Involve customers in GHG emissions efforts through initiatives such as education and allowing them to purchase offsets and/or SAF. Form coalitions with other airlines, industry groups and governments to promote the adoption of low carbon technologies such as SAF.

APPENDIX DATA TABLE

CLIMATE-RELATED METRICS

GREENHOUSE GAS (GHG) EMISSIONS

(Total absolute emissions in tonnes CO₂)

	2020	2019	2018	2017	2016
Scope 1 (Jet Fuel)	407,441	1,586,538	1,581,461	1,462,488	1,366,235
Scope 1 (company vehicles)	681	1045	1093	331	319
Total Scope 1	408,122	1,587,583	1,582,554	1,462,819	1,366,554
Scope 2 (purchased natural gas)	1,099	1,523	1,588	750	693
Scope 3	not available	not available	not available	not available	not available
CO ₂ reduction from renewable energy initiatives (solar wall)	247	241	228	241	249

FUEL EFFICIENCY (intensity per RPK and RTK)

	2020	2019	2018	2017	2016
Fuel efficiency (litres per 100 RTK)	36.57	29.91	30.69	31.67	31.77
Unit consumption (liters-100PAX KM)	3.18	2.89	2.95	2.98	2.99

EMISSIONS (intensity per RPK and RTK)

	2020	2019	2018	2017	2016
Emissions (CO ₂ per 100 RTK)	92.52	75.67	77.65	80.13	80.38
Unit emissions (KG CO ₂ -100PAX KM)	8.05	7.31	7.46	7.54	7.56

OTHER GHG AIRCRAFT EMISSIONS

(Total absolute emissions in tonnes CO₂)

	2020	2019	2018	2017	2016
SO _x	2,716	10,577	10,543	9,750	9,108
NO _x	37	145	144	133	125
CH ₄	354	1,379	1,374	1,271	1,187

ENERGY (absolute values in various units)	2020	2019	2018	2017	2016
Jet fuel consumed (litres)	161,683,066	629,578,591	627,563,750	580,352,500	542,146,250
Natural gas consumption (m3)	591,123	818,847	853,848	403,461	372,527
Energy from Jet Fuel (Megajoules)	5,704	22,211	22,140	20,475	19,127
Energy savings renewable energy (m3)	Available 2020-05-31	127,615	120,619	130,172	132,009
Electricity savings renewable energy (kWh)	Available 2020-05-31	6,288	30,114	34,299	60,336
WASTE MANAGEMENT (absolute values in tonnes)	2020	2019	2018	2017	2016
Waste to landfill	173	471	549	222	172
Hazardous waste generated (mass)	5.294	12.836	9.027	4.728	3.050
Hazardous waste generated (volume-litres)	23,630	41,134	15,805	29,354	42,277
Recycled (wood, paper, cardboard and metals)	107.8	117.3	137.2	67.1	29.6 (Transat only)
Waste composted	4.51	1.26 (AT only)	1.26 (AT only)	1.26 (AT only)	1.26 (AT only)
WASTE (absolute values in m3)	2020	2019	2018 (Transat only)	2017 (Transat only)	2016 (Transat only)
Water consumption	8,203	17,898	2,320	164	1,536