CLIMATE-RELATED DISCLOSURE REPORT 2021

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ABOUT THIS REPORT

REPORTING FRAMEWORK AND METHODOLOGY

Apart from loan agreement requirements, Transat A.T. Inc. (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 and welcomes the opportunity to increase the transparency and quality of our sustainability reporting.

This second climate disclosure report adheres to the Final Recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and the Final Report of the Expert Panel on Sustainable Finance. The report includes disclosures on Governance, Strategy, Risk Management, Metrics & Targets, and on achieving Canada's commitments to the Paris Agreement. This report uses the revised 2021 TCFD Implementing Guidance which supersedes the 2017 standard.

This report was elaborated to the best of our ability and the data was reviewed internally. Except for international aircraft emissions covered under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the EU Emission Trading System (ETS) and the UK ETS, 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 climate reporting possible. Performance data in this report is for the calendar year 2021 and where possible, five years of data is provided for historical trend analysis.

ABOUT TRANSAT

Founded in Montreal 35 years ago, Transat has achieved worldwide recognition as a provider of holiday travel particularly as an airline under the Air Transat brand. Voted World's Best Leisure Airline by passengers at the Skytrax World Airline Awards, it flies to international and Canadian destinations, striving to serve its customers with enthusiasm and friendliness at every stage of their trip or stay, and emphasizing safety throughout. Transat has been Travelife-certified since 2018, renewing its fleet with the greenest aircraft in their category as part of a commitment to a healthier environment, knowing that this is essential to its operations and the destinations it serves (TSX: TRZ).

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

Transat believes that our customers should not have to choose between seeing the world and preserving 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 efficiency in our buildings and investments in sustainable fuel technology. As a testament to our commitment, 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. For the past few 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.

The last two years have been the most challenging in Transat's history. The COVID-19 pandemic has devastated the travel industry and impacted our customers, employees, travel destinations and other stakeholders. In addition, societal concerns regarding climate change continue to increase as do expectations from stakeholders such as investors and customers to address this issue. This second annual TCFD report aims to provide an update regarding Transat's risks and opportunities, as they related to climate change and to provide further insight into our decarbonization strategy.

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 climate goals.

Annick Guérard
President and Chief Executive Officer, Transat A.T.Inc.

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.*

Minimizing the impact of our activities on the environment has been a concern of Transat for a long time. As climate change has become an increasingly urgent issue, Transat has taken steps to formalize how we manage climate-related issues. We have identified climate change as a critical issue for our industry and business and we are continuously reviewing our governance processes to ensure that climate change issues are effectively managed and communicated to stakeholders. Our objective is to align with industry targets and contribute to achieving Canada's commitments under the Paris Agreement.

1.1 BOARD-LEVEL OVERSIGHT

We recognize that environmental, social and governance (ESG) issues touch all parts of our business, and that corporate responsibility will be central to our future development, with a particular focus on environment, as demonstrated by our commitment to operating the most fuel-efficient fleet, supporting the production of sustainable electro-fuel in Québec, as well as implementing other decarbonization initiatives.

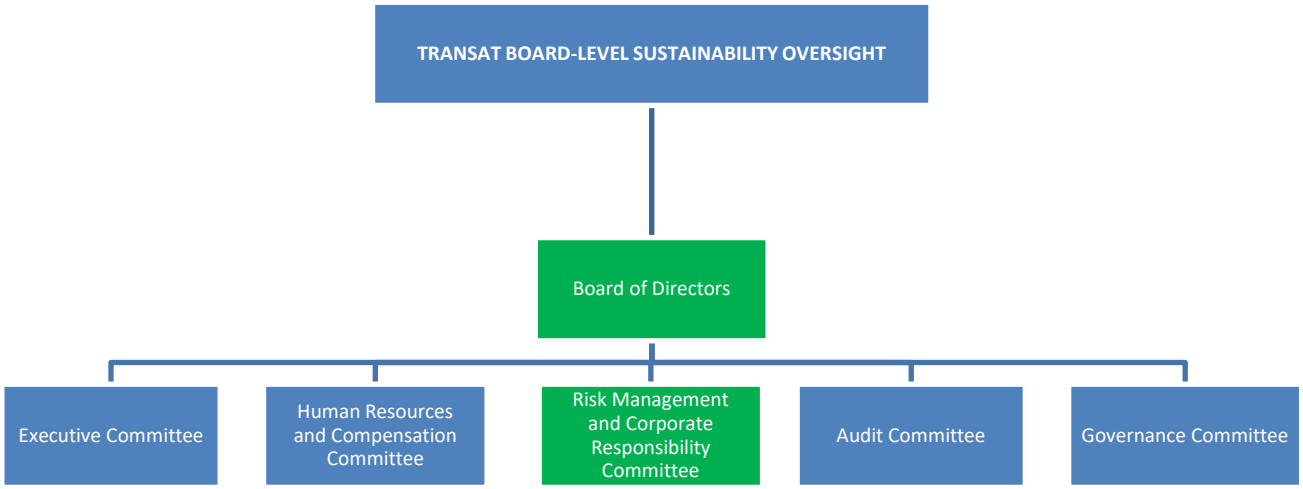
At Transat, the Board of Directors is ultimately responsible for overseeing ESG matters, including our response to climate-related issues. To ensure integration of ESG matters into our strategic plan, we have consolidated the governance and corporate responsibility mandate of our Board committees to align with supporting our goals, notably climate-related challenges.

In November 2021, the Board decided to split the Risk Management and Corporate Governance Committee (formerly the Risk Committee) into two separate committees to better define the mandate of each committee.

- The first committee, formerly the Risk Committee, was renamed the "Risk Management and Corporate Responsibility Committee" (RMCRC). Board oversight of climate-related issues is now through this RMCRC, which monitors key strategic risks including climate change and other sustainability-related issues. The function of the RMCRC is to ensure that the Company has a plan in terms of corporate responsibility, risk management and sustainable development, to review the Company's practices in these matters on a periodic basis and to report updates to the Board. The RMCRC's Charter can be provided upon request and is available on our website.

- The second committee is the “Corporate Governance and Nomination Committee” (CGNC), whose mandate consists of defining and maintaining high corporate governance standards and reviewing the corporations’ practices in such matters. The committee also established the main criteria to be considered for the choice of board candidates. The CGNC’s Charter can be provided upon request and is available on our website.

In 2021, the Board updated its skills matrix to align it with our strategic plan and adapt it to an evolving commercial environment but, more importantly, to ensure that the Board includes members who have the relevant experience and expertise to conduct its mandate effectively. Given the importance of corporate responsibility to Transat, the composition of the Board is changing accordingly. On April 27, 2022, we welcomed Valérie Chort, VP Corporate, Citizenship and Sustainability of RBC, as a new member of the Board.



1.2 MANAGEMENT'S ROLE

Our commitment to corporate responsibility is reflected in our Environmental Policy, our Code of Ethics and our Code of Conduct of Sustainable Practices for Tourism Suppliers and Their Partners, which sets expectations of employees and of those with which the Company does business with.

Day-to-day management of climate-related risks, including monitoring global trends, following performance, annual reporting and managing environmental projects is the responsibility of the Senior Director, Environment and Climate Change. To better support our strategic plan, as of 2022 this position will report into the newly created role of Vice-President Corporate Responsibility (CR), who is responsible for developing and deploying the new corporate responsibility strategy and for overseeing the ESG efforts of the corporation. The Vice-President CR directly reports to the Chief People, Sustainability and Communications Officer and will be responsible for keeping the senior management team informed regarding climate-related risks and opportunities and performance on an ongoing basis, through the Corporate Responsibility Steering Committee. This Committee ensures that ESG and climate-related activities are adequately addressed and resourced, and that key issues are reported to the RMCRC, as appropriate.

2. STRATEGY

TCFD Recommendation:

1. *Describe the climate-related risks and opportunities that the organization has identified over the short, medium, and long-term.*
2. *Actual and potential impacts of climate-related risks and opportunities on the Company's strategy and financial planning.*
3. *Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*
4. *Disclose the actual financial impacts on the organization as well as key points of the organization's plans for transitioning top a low-carbon economy.*
5. *Disclose potential financial impacts on the organization*.

2.1 OUR CLIMATE STRATEGY

Even though the COVID-19 pandemic has presented many challenges to the travel and tourism industries, Transat remains committed to reducing its carbon emissions and contributing to Canada's Climate Change Commitments. Our strategic plan emphasizes three ESG pillars that support a comprehensive policy: employee development, diversity and inclusion, and the environment, with a particular focus on decarbonizing our operations.

In 2021, the objective was to undertake climate-related scenarios analysis to better quantify physical and transitional climate-related risks and evaluate the resilience of our decarbonization strategy. Unfortunately, in 2021 we were forced to suspend our operations for almost six months and the focus shifted to ensuring Transat's continuity and the health and safety of our employees and customers during the pandemic. The uncertainty caused by the pandemic and other geopolitical issues made it extremely difficult to accurately forecast our future growth in the short- and medium-term. Industry associations such as the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA) and, consultancies such as Bain and McKinsey, have published post COVID-19 forecast scenarios, but in 2021 the Russia-Ukraine war, increasing inflation and the rising cost of jet fuel have dampened recovery forecasts and increased uncertainty. We plan on conducting climate-related scenario analysis in the coming years, once there is greater certainty regarding the recovery scenarios of the airline industry following the COVID-19 pandemic particularly as they relate to traffic volume.

The materiality of all identified climate risks and opportunities are prioritized based on their probability, and their quantitative and qualitative impact on the corporation's business. The following timeframes are used to evaluate climate-related risks and opportunities:

Short-term (1-5 years): Risks that, if not addressed, will have a material impact in the near-term, such as new regulatory requirements.

Medium-term (5-10 years): Risks that require near-term planning to ensure they will be addressed. This includes preparing for emerging regulations, anticipating changes in travel following COVID-19 and evaluating availability of sustainable aviation fuel (SAF).

Long-term (10 years +): Risks that do not pose an immediate threat, but that must be monitored to ensure appropriate mitigation plans are in place and to implement any long-term investment requirements necessary to ensure the resilience of our decarbonization strategy.

2.2 CLIMATE-RELATED RISKS AND OPPORTUNITIES

As per the TCFD, climate-related risks fall into two categories:

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.

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, we identify climate opportunities in the following areas: resource efficiency, energy source, products and services, markets, and resilience.

In the short- to medium-term, we anticipate increasing stakeholder pressure to decarbonize, driven primarily by government policy, reputational and technological risks. Below is a more detailed description of the different types of risks and opportunities facing Transat. A summary of the risks and opportunities by type, timeframe and impact can be found in section 3.

Transitional risks & Opportunities

Policy and legal

Existing and emerging regulations and requirements to mitigate climate change present risks in the short-, medium-, and long-term, with potential to increase operating costs and reduce customer demand. With increased political pressure resulting from COP 26 in Glasgow as well as the latest Intergovernmental Panel on Climate Change (IPCC) report, the impact of policy and legal risks will increase in the mid- to long-term as countries increase efforts to meet stakeholder pressure and their obligation under the Paris Agreement, EU Fit for 55, Canada's Climate Action Plan and other regulatory frameworks.

These risks will manifest themselves in the form of increased fuel costs due to taxes or carbon pricing of fossil fuel and carbon taxes specific to aviation industry, SAF blending mandates, as well as operational costs related to increased reporting obligations. Inability to comply with regulations could also result in the loss of the license to operate. Specific examples that are currently impacting Transat include the following:

- Fuel and carbon taxes in several jurisdictions, including Canada, the EU, and the UK.
- Requirements to monitor, report and verify our emissions and purchase allowances or offsets to cover emissions above a baseline. These include CORSIA, the EU TS and the UK ETS.
- SAF blending mandates in Europe.

In addition, countries and cities are implementing or evaluating the implementation of new regulations that would directly or indirectly reduce the demand for air travel.

- Governments across the European Union are imposing bans on short-haul flights, with new legislation taking effect as early as spring 2022.
    - Since March 2022, France has banned short-haul flights on domestic routes where train journeys of two and a half hour or less exist. This would reportedly eliminate 12 per cent of French domestic flights.
    - Other European countries including Spain, Germany, and nations throughout Scandinavia, have proposed similar legislation. In many cases, short-haul route cancellations were a condition of government support during COVID-19.

- 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.

- The UK House of Commons Climate Change Committee recommended limiting passenger numbers and not expanding net airport capacity to curb the sector's carbon emissions.

Market and reputational

Increasing concern over global warming has potential to provoke changes in customer perception and behavior in the mid- and long-term. This is illustrated by the anti-flying social movement which could drive a reduction in demand for travel. In addition, the recent publication of the IPPCC sixth assessment indicates that immediate and aggressive action must be taken to limit future heating to 1.5 C above pre-industrial levels. This has increased focus on the aviation industry, with some passengers signaling their intent to travel less. Slow Travel is another emerging trend that promotes an alternative to mass tourism, promoting less frequent but longer and more sustainable travel. These trends could cause reputational risk if customers perceive that the industry is not doing enough to

mitigate climate change and could decrease demand for our airline as well as our travel distribution network.

Changes in customer perception can lead to reduced revenue and demand for flights and other carbon-intensive forms of travel, such as cruises and all-inclusive packages that are distributed by our travel network. From a market perspective, in the mid- to long-term, reputational risks will drive an increase in demand for, and subsequently increase, the cost of sustainable aviation fuels, carbon offsets, and low emissions aircraft technology.

Opportunities: The COVID-19 pandemic has increased the demand for longer vacations, combination of work/vacation and a preference for sustainable travel options. The increasing number of more socially conscious travelers presents opportunities to strengthen our corporate responsibility strategy to develop new climate-friendly products and services.

Technological

Risks: Technological factors make the aviation sector inherently difficult to decarbonize in the short- to mid-term, due to limited availability of both low-carbon aircraft technology and SAF.

New aircraft technologies such as hydrogen, hybrid and electric will not be available before 2035 and may never be feasible for long-haul operations such as ours. This is because developing new aircraft and engine technology is expensive, complicated and time consuming. In addition, aircraft are extremely expensive to purchase or lease and have long lifespans. Finally, the new technologies will require expensive new infrastructure.

Jet fuel has unique characteristics that make it uniquely suitable for propulsion unmatched by batteries, hydrogen, or other alternatives. Currently, SAF is multiple times 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 remains extremely limited and for technical reasons, present regulations only permit SAF to be blended with fossil jet fuel up to 50%, although work is underway to certify 100% SAF flights in the future.

Opportunities: SAF has the potential to reduce carbon emissions from aviation by over 80%. In the short term, there is insufficient supply of SAF to achieve carbon reduction commitments. However, investment in the production of SAF is an important mid- to long-term opportunity. In addition to a reduction in gross carbon emissions, use of SAF will also reduce Transat's exposure to carbon pricing and policy changes. Conscious of the importance of SAF, Transat is collaborating to advance SAF supply in Canada, including as a founding member of the Canadian Council for Sustainable Aviation Fuels (C-SAF) and a member of the Commercial Aviation Alternative Fuels Initiative (CAAFI). We are also a founding member of the SAF+ Consortium (SAF+) in Montreal. In November 2021, Transat

announced an offtake agreement for 90% of the sustainable e-fuel produced by SAF+ in its first plant over the first 15 years of operation. SAF+'s technology involves producing a synthetic liquid fuel by capturing and combining CO2 from industrial sources with green hydrogen produced in Québec. While there are several types of sustainable fuels, such as biofuels, e-fuel is a particularly promising avenue because it does not compete with other uses for its raw material.

We anticipate that SAF will become more available in the mid-term and that it will achieve price parity with traditional jet fuel in the long-term. We also expect that aircraft will be permitted to use 100% SAF without blending requirements.

Physical risks and opportunities

Risks: Our operations are already susceptible to acute physical risks, and this will increase in the mid- to long-term. More specifically, climate change generates an increase in the number, frequency, and seriousness of extreme weather events over time, which will result in greater disruption to flights and our wider travel network in the mid- to long-term. This could lead to reduced revenues from delays and cancellations as well as reduced demand for flights due to reduced reliability and increased turbulence. Destinations and tourism infrastructure (e.g., Hotels) will be impacted by an increase in the number and severity of serious weather events such as hurricanes. Our southern and Caribbean destinations are particularly at risk.

In the long-term, our operations will also be impacted by chronic risks, specifically those related to rising sea levels and increased temperature. For our airline, this could result in disruption and loss of access to airports infrastructure as well as reduced revenue from reduced flight schedules due to increased temperatures and reduced air density. Chronic risks will also impact our travel distribution network, shifting demand from certain areas. For example, for our beach destinations, greater land area exposed to sea-level rise and storm surge will increase beaches and coastal tourism infrastructure damage and loss.

2.3 TRANSAT'S GHG EMISSION REDUCTION PLAN AND INITIATIVES

IN THE AIR

As is the case for other operators, the combustion of jet fuel is by far the largest source of Transat's GHG emissions (hereinafter "emissions"). Burning less fuel is therefore critical to meeting our emission 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%. We are constantly seeking out

and implementing new techniques and technology to further improve fuel efficiency. With the Montreal Airport, we are currently investigating the possibility of using the TaxiBot semi-robotic pushback tractor to reduce taxi fuel and ground emissions.

- **Fleet renewal**: In 2020, Air Transat retired the last of its older A310 fleet which once numbered 14 aircrafts. They are being replaced by newer generation A321neoLR aircrafts, which is the greenest in its class. It emits 15% less than equivalent 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. As aforementioned, we are deploying numerous efforts to support the development of technology to produce SAF. Notably, by partnering locally with SAF+ and actively pursuing coalitions with governments, suppliers, and industry organizations to promote the development of a "made-in-Canada" SAF industry. Increasing supply and driving costs down are critical towards effectively reducing emissions in the medium and long term.

- **Carbon offsets**: Aside from SAF, offsets are one of the only near-term tools that the travel industry can use to address climate change. Transat is evaluating the use of offsets for both regulatory compliance (e.g., CORSIA) and for voluntary reductions. Focus will be on ensuring that offsets achieve the anticipated carbon reductions. 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.

- **Train + Plane**: Completing a journey by train instead of using a short-haul flight reduces emissions significantly. Transat has been a leader in developing these offers. Air Transat, in partnership with TGV InOui, offers flights between Canada and Paris, with rail travel to 18 cities in France and Belgium. In the future, we will look at similar partnerships in other destination countries with a well-developed rail system.

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

ON THE GROUND AT HOME AND ABROAD

Transat employs the following strategies to reduce emissions across our value chain, with focus on our buildings and the transportation of employees:

- **Energy-efficient buildings**: Transat has implemented many initiatives to improve energy efficiency and reduce emissions of its real estate footprint. For example, we installed a solar wall and improved our HVAC systems and monitoring at our Montreal maintenance hangar. This reduced natural gas consumption by 130 000 m3 per year, a 30% reduction. This is equivalent to a reduction of 240+ metric tons per year in CO2. Our office building located near the Montreal airport was the first LEED EB platinum-certified building in Canada.

- **Telework**: The COVID-19 Pandemic prompted us to embrace the new hybrid work environment, resulting in the adoption of a proactive telework policy, which gives eligible employees the freedom and choice to work almost 100% from home. This policy, which has been central to employee well-being, has also allowed us to significantly reduce our real-estate footprint and associated emissions.

- **Promoting Alternative Transportation for employees**: Transat has implemented many initiatives to reduce employee 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 emission vehicles.

- **Scope 3 emissions**: In the coming years, we will focus efforts on identifying and quantifying material scope 3 emissions across our value chain. This will enable us to develop mitigation measures to reduce emissions from these sources, with an increased focus on our supply chain and our travel distribution network.

3. CLIMATE-RELATED RISKS MANAGEMENT

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

3.1 IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

Climate-related risk management is shared among the VP CR, the Vice-President, Internal Audit and Risk Management and the Corporation's executive officers. Oversight of risks is ensured by the RMCRC and the Audit Committee. As a result of the COVID-19 pandemic, all risks to which the Corporation is exposed were reassessed in detail by the Corporation's officers. As part of this essential process, risks were reprioritized based on their probability, and their quantitative and qualitative impact on the corporation's business. The process identified a total of 49 risks, and climate-related risks were evaluated as high-priority risk. In the future, we will continue to refine our risk identification process through our internal risk management and governance processes.

Climate-related risks and opportunities were identified using industry and TCFD sources, internal data and publicly available articles and reports. The evaluation of our transition risks was complemented by *IPCC Sixth Assessment Report and Canada's Changing Climate Report*. For our physical risk assessment, we focused on our airline, major airports, infrastructures that we use and impacts to primary travel destinations. We utilized internal and industry data, analysis, and reports to identify Transat's climate risks and opportunities. We used Eurocontrol's Adapting Aviation to a Changing Climate, ICAO's Climate Adaptation Report, es, and the IPCC special report, Aviation, and the Global Atmosphere. Our business operations and our strategy were used to assess the potential impact of each identified risk. Level of financial impact is assessed according to table 2.

Table 2: Financial impact definitions

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

Each risk identified is evaluated according to the timeframe and potential financial impact. The table below provides a summary of our risks, according to type, timeframe, impact and provides information regarding risk mitigation and management.

3.2 CLIMATE TRANSITION RISKS

RISK CATEGORY	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT	IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
POLICY AND LEGAL	Existing and emerging regulations and legal requirements designed to combat climate change	SHORT- & MEDIUM-TERM	HIGH	Increased fuel costs due to taxes or carbon pricing on fossil fuels. Increased operational costs due to a direct carbon tax on the aviation industry.	Implementation of the airline's fuel efficiency strategy to achieve reductions in gross carbon emissions, including improvements to the operational efficiency and ongoing fleet renewal. Advocacy and investments to accelerate the availability and commercial viability of SAF.
	Limits on licence to operate	SHORT- & MEDIUM-TERM	MEDIUM	Limit our ability to grow, thus limiting revenue.	We work closely with industry organizations to ensure that government policies are operationally and economically sensible and will yield the desired emission reductions.
	Banning short haul flights	SHORT-TERM	MEDIUM	Impact 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.
	Heightened reporting requirements	SHORT-TERM	LOW	Increased operational costs due to additional reporting obligations.	We have invested in emission and fuel efficiency software and have developed internal expertise in emissions and fuel reporting.
MARKET	Shift in supply and demand with transition to low-carbon economy	MEDIUM- & LONG-TERM	MED	An increase in demand, and cost, for SAF, carbon offsets, and low emissions aircraft technology.	We monitor consumer demand and risks in the supply chain to anticipate market shifts and have proactively committed to adding increasingly fuel-efficient aircraft to our fleet. We have made significant commitments in SAF.

RISK CATEGORY	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT	IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
REPUTATION	Damage to brand due to increased public concern about climate change	MEDIUM-TERM	HIGH	Loss of revenue due to reduced customer demand because of the industry or airline's carbon intensive reputation	We are developing a comprehensive climate change and environmental sustainability strategy and engaging with stakeholders across the value chain to reduce emissions.
	Exposure to litigation	LONG-TERM	MEDIUM	Governments and other stakeholders could sue polluting companies for the effects of climate change.	We work with policymakers to identify decarbonization solutions and our emissions reduction strategy shows that we are taking concrete steps to combat climate change.
TECHNOLOGY	Emerging technology aimed at supporting the transition to a low-carbon economy	MEDIUM-TERM	HIGH	Increased costs to transition existing assets such as the air fleet to more efficient models	In 2019, Air Transat embarked on a comprehensive fleet renewal project. By 2024, we plan to operate approximately 17 A321neoLR aircraft (10 of which have been delivered and are in operation), which are the most fuel-efficient aircraft in their class.

3.3 CLIMATE PHYSICAL RISKS

Climate change will intensify disruptive weather events, including higher-average and extreme temperatures, changing precipitation patterns, altered wind patterns and sea-level rise and storm surges. These weather events pose a risk for aviation operations and infrastructure. Transat's airline already deals with disruptive weather on a regular basis, but such events are likely to become more frequent and more extreme as the climate changes. We will continue to address these risks by strengthening our capacity for resilience.

RISK CATEGORY	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
ACUTE	Increased precipitation	SHORT- & MEDIUM-TERM	MEDIUM	Increased operational costs and decreased passenger demand due to infrastructure damage, operational disruptions, and reduction in airport throughput.	Address via our emergency management and contingency planning processes and customer support and the evaluation of physical risks of airports.
	Wind changes	SHORT- & MEDIUM-TERM	MEDIUM	Increased operational costs due to operational disruptions & route extensions as well as potential increase in en-route turbulence.	Continue to address wind changes in flight planning process.
	Extreme weather events	SHORT- & MEDIUM-TERM	HIGH	Decreased customer demand and shorter operating seasons, as well as increased operating costs and insurance costs, due to operational disruptions and route changes, as well as disruption of ground transport access and damage to infrastructure (hotels, airports, utilities, etc.).	Address via our emergency management and contingency planning processes and customer support. As well as the consideration of extreme weather events in seasonal programing and in evaluation of airports.

RISK CATEGORY	RISK DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT MAGNITUDE	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
CHRONIC	Temperature change	LONG-TERM	HIGH	Higher costs and less revenue from lower passenger, baggage and cargo loads due to in decreased aircraft performance such as lower range, higher noise impact due to changes in aircraft performance and increased heating and cooling requirements.	Consideration of temperature changes when evaluating new aircraft and engines and during programing and flight planning.
	Sea-level rise	LONG-TERM	MEDIUM	Higher airport fees and loss revenue from reduced flight activity due to loss of airport capacity, lower en-route capacity due to lack of ground capacity and damage to airport infrastructure	Address via our emergency management and contingency planning processes and customer support and consideration of chronic risks during route planning.

3.4 CLIMATE OPPORTUNITIES

TYPE	OPPORTUNITY DESCRIPTION	TIMEFRAME	POTENTIAL FINANCIAL IMPACT	POTENTIAL FINANCIAL IMPACT DESCRIPTION	RISK MANAGEMENT AND MITIGATION
RESOURCE EFFICIENCY	Investment in more efficient fleet	SHORT-TO LONG-TERM	LOW	Lower fuel costs, increased efficiency, and better product for customers.	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 adopting new technologies and techniques.
ENERGY SOURCE	Investment in SAF	MEDIUM TO LONG-TERM	HIGH	Decreases price volatility of jet fuel and reduce exposure to emissions-related costs.	We have signed an offtake agreement with SAF+ for 90% of SAF produced in new plant for the first 15 years of operation. We are engaging with stakeholders to encourage the development of a Canadian SAF industry.
	Cost reduction from renewable or alternative energy for ground operations	SHORT-TERM	MEDIUM	Reduced long-term operations costs	We have installed a solar wall at our Montreal maintenance hangar.
MARKET	Investment in carbon offsets, sustainable aviation fuel, and low-emission aviation technology	SHORT- TO LONG-TERM	MEDIUM	Proactively seek opportunities to position ourselves in low-carbon economy and improve our brand image.	We have 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.
PRODUCTS AND SERVICES	Develop/promote low emissions services	SHORT- TO LONG-TERM	LOW	Increased revenue from customers seeking more sustainable travel.	We will continue to engage with customers and partners to demonstrate our commitment to corporate responsibility and decarbonization.
RESILIENCE	Resource diversification by investing in SAF.	MEDIUM- AND LONG-TERM	HIGH	Reduced emissions costs and increased supply chain resilience and reliability.	We will continue to help scale up production of SAF to make it more price competitive with traditional jet fuel.

4. METRICS & TARGETS

TCFD Recommendation:

- *Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.*
- *Explicitly address disclosure of metrics consistent with cross-industry, climate-related metric categories for current, historical, and future periods, where appropriate.*
- *Disclosure of Scope 1 and Scope 2 emissions should be independent of a materiality assessment.*
- *Disclosure of Scope 3 emissions.is encouraged*
- *Disclosure of targets should be consistent with cross-industry, climate-related metric categories, where relevant.*
- *Where available, disclose interim medium-term or long-term targets*.

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. The metrics and targets in this report reflect our material climate-related risks and opportunities as described in Section 3.

4.1 MEASURING OUR CARBON FOOTPRINT

Access to the metrics and targets used by an organization allows investors and other stakeholders to better assess the organization's potential risk-adjusted returns, ability to meet financial obligations, general exposure to climate-related issues, and progress in managing or adapting to those issues. Metrics included in this report are evaluated annually for materiality.

The following metrics have been identified as material and relevant and are included in this report:

- **Scope 1 network emissions (metric tons of Co2-e)**: Are the emissions related to the consumption of jet fuel for our fleet. This is a critical metric since approximately 99% of our direct emissions come from burning jet fuel. For this report, scope 1 emissions were further broken down into emission related to domestic and international flights.

- **Scope 1 other emissions (metric tons of Co2-e)**: Are the other scope 1 emissions from sources owned or controlled by Transat; specifically, emissions from company vehicles, and maintenance hangar heating.

- **Scope 2 emissions (tons of CO2-e)**: Are the emissions associated with the purchase of electricity for our owned or operated buildings. Scope 2 emissions are reported in absolute terms. In our 2020 Climate-Related Disclosure Report, the emissions generated from use of

natural gas to heat our maintenance hangars were included in Scope 2 to separate them from aircraft emissions. In this edition, they have been appropriately included in Scope 1, as “Other emissions”. At this time, only emissions related to Québec operations are included. We will work on identifying appropriate emission factors for electricity consumed in buildings operated in other provinces and other countries going forward.

- **Energy use**: We monitor energy use, specifically, the quantity of jet fuel burned in liters, jet fuel intensity in megajoules, natural gas consumption in m^3 and our electricity consumption in kWh.

- **Energy efficiency**: Carbon intensity data is an important metric to evaluate fuel and operational efficiency. The objective is to safely transport as many passengers and cargo, as possible using the least amount of fuel. For this report, we report it in kg CO2/RPK, where RPK is a common metric used in the airline industry.
    - *Revenue Passenger Kilometers (RPK)* is the amount of revenue passengers multiplied by the total distance travelled. Since it measures the actual demand for air transport, it is often referred to as airline “traffic.”

- **Other aircraft emissions**: Include other gases that result from the combustion of jet fuel; nitrogen oxides (NOx), sulfur oxides (SOx) and methane (CH4). They are produced in much smaller quantities than CO2 but can pose climate-relate risks such as global warming and air quality. They are expressed in absolute terms in metric tons.

4.2 EXCLUDED METRICS

Scope 3 emissions include those from sources that we do not directly control, such as emissions related to purchasing of goods and services, transportation of passengers to and from the airport, ground support and baggage handling equipment that is outsourced, employee commuting and business travel. Air transport remains the most significant source of emissions related to the travel industry. While we implemented initiatives to reduce scope 3 emissions (ex: reducing employee travel, virtual meetings, etc.), due to the complexity and time required to calculate these emissions, they are not currently reported. Relevant emissions would be related to emissions related to transportation of flight crew members on aircraft and other transport modes not operated by Transat and emissions related to our supply chain. We will work on calculating and evaluating the materiality of these emissions, and other relevant scope 3 emissions, going forward.

The exceptional circumstances of the COVID-19 pandemic hindered our data collection processes over the last year. Reduced availability of personnel impacted the data quality of our indicators related to water and waste. They were excluded from this report due to data gaps, but also because they are

not material and are not used to assess climate-related risks and opportunities. We will continue to strengthen and optimize our processes for the collection of extra-financial data going forward.

4.3 INTERNAL CLIMATE-RELATED MANAGEMENT METRICS

An internal carbon price is employed on an ad hoc basis for select business cases. In the future, we will 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 at this time have revenues related to low-carbon product and service opportunities but will continue to monitor cost saving related to energy efficiency initiatives.

Currently, performance metrics related to climate-based risks and opportunities are not tied to remuneration. However, the executive team has long-term renumeration objectives related to the establishment of a new corporate responsibility strategy, with a focus on decarbonization.

4.4 REPORTING METHODOLOGY

The data for this report comes from our internal systems using recommendations from the TCFD. In this edition, we have used the 2021 TCFD Implementing Guidance which updates the 2017 version. We continue to monitor advancements of International Sustainability Standards Board (ISSB) and will adopt new reporting standards where appropriate.

Our aircraft emissions from international flights are audited by VERIFAVIA, an independent environmental accredited verification, certification, and auditing body for ICAO's CORSIA, and the EU and UK ETS. VERIFAVIA is the world's leading independent verification body of greenhouse gas emissions for aviation. Emissions from domestic flights are calculated using the same procedures and systems as for international flights but are not audited because they are not subject to CORSIA or any other regulatory requirements. All the other data presented in this report has not been audited.

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*.

5.1 CANADA'S EMISSION REDUCTION GOALS

The 2016 **Pan-Canadian Framework on Clean Growth and Climate Change** was the foundation for meeting Canada's emissions reduction targets under the 2015 Paris Agreement: Under this framework, Canada committed to reducing its emissions by 30%, compared to a 2005 baseline.

In 2020, Canada announced a strengthened climate plan, **A Healthy Environment, and a Healthy Economy**. This plan committed Canada to exceed its current 2030 target, reducing emissions by at least 85 million tons beyond the reductions that will be driven by the Pan-Canadian Framework resulting in a 32% to 40% emission reduction below 2005 levels in 2030.

In March 2022, the Government of Canada introduced **Canada's 2030 Emissions Reduction Plan**, which provides a roadmap for the Canadian economy to achieve 40-45% emissions reductions below 2005 levels by 2030, building upon the actions outlined in Canada's previous climate plans. The **Canadian Net-Zero Emissions Accountability Act** established in law Canada's 2030 emissions reduction target under the Paris Agreement of 40 to 45 per cent below 2005 levels and net-zero by 2050 and requires Canada to publish a series of plans and progress reports to support the achievement of those targets.

5.2 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 expected to continue to grow. The aviation industry has been at the forefront of the global business response to climate change, becoming one of the first industries to voluntarily establish global CO2 emissions reduction targets.

Air Transat, along with major Canadian airlines, entered into the world's first voluntary agreement to reduce 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. Air Transat and the National Airlines Council of Canada (NACC) are working with the Canadian government to establish a Long-Term Aspirational Goal (LTAG) consistent with Canadian and international climate targets.

In addition, IATA appreciates the need to address the global challenge of climate change and has adopted three targets to mitigate CO2 emissions from air transport:

- An 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.

- Carbon neutral growth after 2019. Carbon neutral growth on international routes to countries participating in the scheme will be covered using offsets under the ICAO CORSIA program. Emissions growth on routes not covered by CORSIA must be covered using other mitigation measures such as SAF, voluntary offsets, efficiency and infrastructure improvements and technology.

- At the 77th IATA Annual General Meeting in 2021, a resolution called Fly Net Zero was passed by IATA member airlines, including Air Transat, committing them to achieving net-zero carbon emissions from their operations by 2050. This pledge brings air transport in line with the objectives of the Paris Agreement to limit global warming to 1.5°C. At COP26, 23 nations including Canada, signed the International Aviation Climate Declaration. The Declaration recognizes the need for aviation to "grow sustainably" and reiterates ICAO's role to implement short, medium, and long-term climate goals for the industry. The Declaration pledges to ensure the maximum effectiveness of the CORSIA, and the development and deployment of SAF.

5.3 TRANSAT'S EMISSION REDUCTION GOALS

Transat is committed to meeting Canadian and industry emissions goals. As previously mentioned, aircraft emissions are innately difficult to decarbonize in the short term and the COVID- 19 pandemic has made it difficult to project future traffic volume. As such, we are working on a mid- to long-term action plan towards 2050 and will include mid-term targets in upcoming TCFD Reports.

GREEN IN THE AIR

- Carbon neutral growth from 2019
- An intermediate GHG reduction target, 2030 or 2035, will be established
- 2050 Net Zero

GREEN ON THE GROUND

- 30% GHG emissions reductions from our buildings by 2030 (2019 baseline)
- 30% GHG emissions reductions from our owned vehicle fleet (2019 baseline)

TRANSAT'S CONTRIBUTION 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, take 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 emission 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

DATA TABLE : CLIMATE-RELATED METRICS

GREENHOUSE GAS EMISSIONS (tonnes CO2)	2021	2020	2019	2018	2017
Scope 1 International flights	107 671	-	-	-	-
Scope 1 Domestic flights	15 689	-	-	-	-
Total Scope 1 flight emissions	123 360	407 441	1 586 538	1 581 461	1 462 488
Scope 1 (Other-company vehicles)	not available currently	681	1045	1093	331
Scope 1 (Other-airline hangar)	473	1099	1523	1588	750
Total Scope 1	123 833	409 221	1 589 106	1 584 142	1 463 569
Scope 2 (purchased electricity in Qc)	19,42	26,97	28,86	26,07	28,83
Total Emissions	**123 834**	**409 236**	**1 589 128**	**1 584 163**	**1 463 589**
FUEL EFFICIENCY					
Unit consumption (liters per 100PAX KM)	3,15	3,18	2,89	2,95	2,98
EMISSION INTENSITY					
Unit emissions (KG CO_2-100PAX KM)	7,97	8,05	7,31	7,46	7,54
OTHER GHG AIRCRAFT EMISSIONS (Total absolute emissions in tonnes CO2)					
SOx	822	2 716	10 577	10 543	9 750
NOx	11	37	145	144	133
CH_4	107	354	1 379	1 374	1 271
ENERGY					
Jet fuel consumed (litres)	48 952 381	161 683 066	629 578 591	627 563 750	580 352 500
Energy from Jet Fuel (Megajoules)	3 033	5 704	22 211	22 140	20 475
Natural gas consumption (m3)	254 614	591 123	818 847	853 848	403 461
Electricity consumption (Kwh)	7 994 996	11 015 356	11 751 852	10 742327	11 785 011