Climate-Related Disclosures
TCFD 2021 | Task Force on Climate-related Financial Disclosures

AIR CANADA
A STAR ALLIANCE MEMBER
Caution Regarding Forward-Looking Information

Air Canada’s public communications may include forward-looking statements within the meaning of applicable securities laws. These statements may involve, but are not limited to, comments relating to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, are based on assumptions, are subject to important risks and uncertainties and cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including the factors identified in this TCFD report and in Air Canada’s public disclosure file available at www.sedar.com.

Air Canada has and continues to establish targets, make commitments, and assess the impact regarding climate change, and related initiatives, plans and proposals that Air Canada and other stakeholders (including government, regulatory and other bodies) are pursuing in relation to climate change and carbon emissions. Air Canada has incurred, and expects to continue to incur, costs to achieve its goal of net zero carbon emissions and to comply with environmental sustainability legislation and regulation and other standards and accords. The precise nature of future binding or non-binding legislation, regulation, standards and accords, which is receiving increased focus of multiple stakeholders locally and internationally, cannot be predicted with any degree of certainty nor can their financial, operational or other impact. There can be no assurance of the extent to which any of our climate goals will be achieved or that any future investments that we make in furtherance of achieving our climate goals will produce the expected results or meet increasing expectations. Moreover, future events could lead Air Canada to prioritize other nearer-term interests over progressing toward our current climate goals based on business strategy, economic, regulatory and social factors, business strategy or potential pressure from investors, activist groups or other stakeholders. If we are unable to meet or properly report on our progress toward achieving our climate change goals and commitments, we could face adverse publicity and reactions from other investors, customers, advocacy groups, or other stakeholders, which could result in reputational harm or other adverse effects to the Company.

The forward-looking statements contained in this TCFD report represent Air Canada’s expectations as of the date of this TCFD report and are subject to change after such date. However, Air Canada disclaims any intention or obligation to update or revise any forward-looking statements whether because of new information, future events or otherwise, except as required under applicable securities regulations.

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About this report

The focus on climate change is global and there is a demand for climate-related disclosure that is consistent, comparable, and useful for our stakeholders. We are advancing our ongoing commitment to climate action and aligning our disclosure to the Task Force on Climate-Related Financial Disclosures (TCFD) framework. This is our first TCFD report and future climate reporting will evolve with our climate strategy and actions. The goal of this report is to effectively communicate, to all stakeholders, our governance structure, strategies, risk management practices and metrics as they relate to climate change. We have been reporting on our climate programs since 2005, with our first public disclosure in 2007 through the CDP, and through our corporate sustainability report since 2011. Our prior corporate sustainability reports (CSR) and data trends can be found here.

What is the Task Force on Climate-Related Financial Disclosures?

The TCFD was established in 2015 by the Group of 20 (G20) Financial Stability Board with a stated goal to develop recommendations for more effective climate-related disclosures.
Message from Vagn Sørensen, Chair of the Board

Air Canada’s Board of Directors believes that sharing the impacts of climate change on Air Canada’s business, and the actions the airline is taking is fundamental in fostering a more sustainable future and trust with its stakeholders.

Sustainability has been top of mind for Air Canada and its Board of Directors for many years. The oversight around environmental, social, and governance (ESG), including related programs, initiatives and other efforts, has been further developed by the Board in 2021. As a result, all Board committees have accountability within their functions, with the Safety, Health, Environment and Security Committee of the Board having oversight over key climate issues such as climate related strategy, mitigation and resilience.

We trust this report provides our stakeholders with confidence in Air Canada’s commitment to ESG standards, and our drive to understand and act in respect of the risks and opportunities surrounding climate change.
As an international airline, Air Canada is global in both its network reach and its dealings with the industry. Our global presence carries a responsibility towards our people and our planet. Air Canada believes in the importance of collaboration among industry stakeholders and is engaged in many initiatives to better understand and positively impact environmental protection locally and globally.

Our sustainability journey is not a new one, as Air Canada has long been involved in environmental initiatives, collaborating with governments, research institutes, industry organizations, strategic partners and others in seeking to address climate change.

In 2005, we signed the world’s first voluntary agreement with the Government of Canada and other Canadian aviation stakeholders to reduce Greenhouse Gas (GHG) emissions from aviation.

Air Canada was named Eco Airl ine of the year in 2018 by airline industry publication Air Transport World (ATW) in its 44th Annual Airline Industry Achievement Awards. In recognizing Air Canada’s environmental accomplishments, ATW cited our commitment to emissions reductions by supporting the development of alternative fuels and many programs and partnerships, including by being the first airline in the world to join the World Bank’s IMF Carbon Pricing Leadership Coalition, and the lead airline of Canada’s Biojet Supply Chain Initiative.

Since 2019, Air Canada has been reporting to Transport Canada in relation to the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which applies to certain international flights and is aimed at achieving the aviation industry’s carbon neutral growth target. Air Canada is a signatory, through the National Airline Council of Canada (NACC), to the Canadian Action Plan to Reduce Greenhouse Gas Emissions from Aviation. We were the first Canadian airline to join the UN Global Compact Network, which encourages businesses around the world to adopt more sustainable and socially responsible practices.

Our industry operates in what is known as a “hard-to-abate” sector. Real progress will require decarbonization of aviation operations and not simply carbon offset initiatives, requiring partnership, innovation, and significant resources and attention. We are committed to playing our role and being leaders in pursuit of this goal. Real progress will require new technology solutions, which need time to reach commercial availability. We will continue to pursue and invest in sound solutions as we seek to overcome these challenges.

Both our industry and Air Canada have a long way to go, but our commitments have enabled us to begin and pursue our efforts toward achieving our long-term goal of net-zero greenhouse gas (GHG) emissions by 2050.

As we challenge ourselves to do better, including in the area of ESG, Air Canada is focused on making a positive impact. Our objective is to foster business development while helping to protect our planet to create long-lasting positive changes in the airline industry. Through time-bound goals, we aim to create a more sustainable airline industry for our employees, passengers and their communities, now and well into the future.

Our sustainability commitment is reflected in this report, which is based on the Task Force on Climate-Related Financial Disclosures framework and outlines our governance, strategy and targets, specific metrics, and risks and opportunities for our business and industry as we address climate-related challenges.

I am pleased to release our first TCFD aligned report.

Message from Michael Rousseau, President and Chief Executive Officer

AWARDS AND COMMITMENTS

[Image]
Our history of climate change action
And what is ahead

OUR ACHIEVEMENTS

2007
Carbon Offset Program
Air Canada becomes one of the first airlines worldwide to offer a voluntary carbon offset program to customers.

2012
Biofuel Flight
Operation of a Toronto to Mexico City flight using biofuel resulted in a total net carbon reduction of over 40 per cent by reducing weight onboard, applying operational efficiencies, and obtaining clearance to fly direct through airspace.

2021
Climate Action Plan
Air Canada announces its long-term commitment to advancing climate change sustainability through its business in the form of a Climate Action Plan. The Plan sets the ambitious goal of achieving net-zero GHG emissions throughout our global operations by 2050.

2021
Canadian Council for Sustainable Aviation Fuels (C-SAF)
Air Canada is a founding member of C-SAF, whose mission is to accelerate the commercial production and supply of affordable SAF in Canada.

2030
Midterm Targets
To ensure meaningful progress towards our net-zero 2050 goal, Air Canada has set 2030 targets for air operations of 20 per cent net GHG reduction, and a 30 per cent net GHG reduction from ground operations, using 2019 as a baseline.

2050
Net-Zero* GHG Emissions
Our long-term goal is to achieve net-zero GHG emissions by 2050. To reach this objective, we will leverage the opportunities that arise in fleet and operations, technology and innovation, SAF and clean energy and carbon reduction and removals to further our position as a leader in the Canadian aviation industry’s climate efforts.

Fuel efficiency progress over the years
In 2020, the COVID-19 pandemic impacted Air Canada’s operations resulting in a significant decrease of routes flown by Air Canada and by Air Canada Rouge, which directly contributed to a reduction in the amount of jet fuel consumed annually. The decline in fuel efficiency observed is primarily attributed to the COVID-19 pandemic and its impact on operations. Significantly reduced load factors and irregular operations driven by the COVID-19 pandemic also impacted efficiency levels.

Introduction | Governance | Strategy | Risk Management | Metrics and Targets

| Our History |

*Net zero is understood to refer to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere.
Definition source: https://netzeroclimate.org/what-is-net-zero/
Board of Directors and Board-Level Committees

Air Canada is governed by a 12-member Board of Directors. The Board has four standing committees, each composed of independent directors: the Governance and Nominating Committee, the Audit, Finance and Risk Committee, the Safety, Health, Environment and Security Committee and the Human Resources and Compensation Committee. The roles and responsibilities of each committee are set out in formal written charters which are reviewed annually to ensure they continue to align with the evolution of each committee, to reflect best practices, and applicable regulatory requirements. The committees meet at a minimum on a quarterly basis. The President and CEO is invited to and attends Committee meetings regularly. Four committees provide supervisory oversight on specific climate-related topics:

— The Governance and Nominating Committee assists the Board in the discharge of its oversight responsibilities concerning safety, health, environment, and security matters, including the strategies, policies, systems and processes of the Company and its subsidiaries. This committee is also responsible for climate-related matters at Air Canada and has oversight over key areas such as climate strategy, climate mitigation and climate resilience. It reviews the effectiveness of the Company’s risk management framework in relation to safety, health, environment (including climate change), security matters and compliance with statutory and regulatory obligations. In addition, this committee reviews and makes recommendations on the five-year plans of Air Canada’s Climate Action Plan to the Board.

— The Safety, Health, Environment and Security Committee assists the Board in the discharge of its oversight responsibilities concerning safety, health, environment, and security matters, including the strategies, policies, systems and processes of the Company and its subsidiaries. The committee is overseeing the development of ESG disclosures, processes and controls. It regularly provides insights to the Board and has oversight responsibility regarding Air Canada’s Enterprise Risk Management (ERM) Program, while other committees also play a role in the oversight of specific risks within their mandates.

— The Audit, Finance and Risk Committee assists the Board with Air Canada’s financial reporting and audit process, including in monitoring the performance of the internal controls, and performs such other functions as may be delegated from time to time by the Board. The committee is overseeing the development of ESG disclosures, processes and controls. It regularly provides insights to the Board and has oversight responsibility regarding Air Canada’s Enterprise Risk Management (ERM) Program, while other committees also play a role in the oversight of specific risks within their mandates.

— The Human Resources and Compensation Committee assists the Board in the discharge of its human resources and compensation responsibilities, including the oversight of compensation philosophy and policies and the components thereof such as safety, sustainability and social impact goals. It also includes succession plans, key talent management strategies and practices, and certain employee and pension matters.

* As of the date of publication of this report, the Chair of the Board is an ex-officio member of all standing Committees and attends committee meetings regularly.
Air Canada’s Environmental Affairs department is responsible for identifying, monitoring, and assessing climate related risks and opportunities for Air Canada. In 2021, this department reported to the Vice President, Safety. The Vice President, Safety reports directly to the President and Chief Executive Officer (CEO), who is the highest-level management position with direct responsibility for climate-related issues. Identified risks and opportunities are reviewed quarterly, including by the Vice President, Safety for input and guidance, at which time potential mitigation strategies are considered.

The CEO is a member of the Air Canada Board of Directors and has overall management responsibility for Air Canada’s climate action strategy. The CEO chairs Air Canada’s Corporate Environmental Board (CEB), which provides direction and strategic advice on all of Air Canada’s major environmental and climate-related risks and opportunities. The CEO’s environmental responsibilities, as chair of the CEB, are to ensure executive management’s commitment to Air Canada’s Environmental Policy, and the Environmental Management System. The CEB is comprised of business unit heads and is joined from time to time by members of other departments.

The CEB meets quarterly with members of Air Canada’s Environmental Affairs department to review potential environmental risks and opportunities, progress on initiatives and discuss future directions for the Company. Progress on key topics and initiatives are reported to the Safety, Health, Environment and Security Committee of the Board.
Climate Cross Functional Working Group and Steering Committee

In addition to the CEB, a cross functional working group is tasked with selecting and advancing projects aligned with Air Canada’s Climate Action Plan and other climate-related environmental programs. Members include representation from several branches, such as Finance, Corporate Real Estate, Procurement, Flight Operations, Network and Fleet Planning, Corporate Communications, Marketing and eCommerce, Air Canada Vacations, Operations and Government Relations. This group meets on a regular basis to monitor progress in this regard. Members are subject matter experts in their respective fields and are responsible for updating all levels of their branch on Air Canada’s Climate Action Plan. Gathering members from various Company branches is part of our integration strategy to build institutional knowledge for climate-related topics throughout the Company, horizontally across branches and vertically within them. The Cross Functional Working Group reports to and receives guidance from a Climate Steering Committee, a deliberative and decision-making body that also provides direction, advice, and strategic project oversight, and resolves escalated issues. The Climate Steering Committee consists of all members from the Executive Committee, as well as the Senior Vice-President, Operations/Express Carriers, the Senior Vice President, Loyalty, the Vice President, Safety, and the Senior Director, Environmental Affairs. The Environmental Affairs lead also provides periodic updates on the progress of the Cross Functional Working Group to the Safety, Health, Environment and Security Committee of the Board.
Air Canada’s Climate Action Plan

Our Ambitious Goal

Air Canada’s Climate Action Plan includes an ambitious long-term goal of net-zero GHG emissions by 2050. This long-term goal is aligned with both climate science (1.5°C scenario) and the Government of Canada’s commitment to the 2015 international agreement on climate change also known as the Paris Agreement.

In defining this pathway, and to help ensure meaningful progress, Air Canada has also set 2030 absolute midterm (interim) targets:

— 20 per cent GHG net reductions from our air operations by 2030 compared to our 2019 baseline.

— 30 per cent GHG net reductions from our ground operations by 2030 compared to our 2019 baseline.

— In addition, Air Canada has committed to invest $50 million in sustainable aviation fuels (SAF) and carbon reduction and removal development.

20% GHG net reductions from air operations compared to 2019 baseline by 2030

30% GHG net reductions from ground operations compared to 2019 baseline by 2030

$50 Million Investment Fund

For Sustainable Aviation Fuels (SAF) and carbon reduction and removal development by 2030
Net-zero GHG emissions by 2050

Air Canada’s ambitious long-term goal of achieving net-zero GHG emissions by 2050 is aimed at Scope 1, Scope 2, and certain Scope 3 emissions relating to its operations (such as GHG emissions from jet fuel consumption from Air Canada Express carriers and GHG emissions from natural gas and electricity consumptions from our tenants).

20 per cent absolute net GHG reductions from air operations

Air Canada has set an absolute net GHG reduction of 20 per cent from its air operations by 2030 compared to 2019 levels. This absolute midterm (interim) target covers 99 per cent of Air Canada’s GHG emissions and includes emissions from jet fuel consumption from Air Canada and Air Canada Rouge flights (Scope 1), as well as GHG emissions from jet fuel consumption from carriers operating under the Air Canada Express brand (Scope 3 emissions).

30 per cent absolute net GHG reductions from ground operations

Air Canada has set an absolute net GHG reduction of 30 per cent from its ground operations by 2030 compared to 2019 levels. This absolute midterm (interim) target covers approximately 1 per cent of Air Canada’s total GHG emissions and includes GHG emissions from our Canadian ground operations: natural gas, diesel, gasoline, and propane consumption (Scope 1), electricity consumption (Scope 2), and natural gas and electricity consumptions from our tenants (Scope 3). Air Canada will work on how it may expand the monitoring and reporting of Scope 3 emissions as part of the implementation of the 2021-2025 Climate Action Plan, and will report on this process in future TCFD disclosures.

Carbon neutral growth

Under the Canadian Aviation Regulations, Air Canada is subject to the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). This program requires airlines and other aircraft operators to measure any growth in CO₂ emissions above 2019 baseline levels during a pilot phase of the program (2021-2023). For subsequent compliance periods, the baseline will be re-evaluated. Any growth above the applicable baseline will have to be offset either by purchasing CORSIA eligible units (generated from offsets) or by purchasing CORSIA eligible fuels (sustainable and low-carbon fuels). Air Canada will be attributed its share of compliance obligations for each compliance period using a specific formula, considering the average CO₂ emissions growth of the aviation sector and its individual operator growth factor.

Air Canada’s Fleet Modernization Program offers meaningful fuel efficiency improvements and meaningful contributions to its emissions reduction efforts.

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<tr>
<th>Board of Directors</th>
<th>Executive Leadership</th>
<th>Cross-functional Working Group</th>
<th>Targets</th>
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<tbody>
<tr>
<td>SCOPE 1 AIR EMISSIONS</td>
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<tr>
<td>° Jet fuel consumption (Mainline and Rouge)</td>
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<td>GROUND EMISSIONS</td>
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<tr>
<td>° Natural gas consumption</td>
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<tr>
<td>° Diesel, gasoline and propane consumption for mobile equipment</td>
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<tr>
<td>° Fugitive emissions</td>
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<tr>
<td>SCOPE 2 GROUND EMISSIONS</td>
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<td>° Electricity consumption</td>
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<tr>
<td>SCOPE 3 AIR EMISSIONS</td>
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<td>° Jet fuel consumption (Air Canada Express carriers)</td>
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<td>GROUND EMISSIONS</td>
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<tr>
<td>° Natural gas and electricity (tenants)</td>
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Air Canada has been active in the development of the aviation industry’s approach to understanding and addressing climate change. In 2005, through the Air Transport Association of Canada, we became a signatory to the world’s first voluntary agreement to reduce GHG emissions from aviation along with the Government of Canada and other Canadian aviation stakeholders. Since then, Air Canada has been actively involved in IATA’s work in reducing international aviation emissions. In 2009, Air Canada endorsed the global aviation industry climate action plan and targets to mitigate CO2 emissions. Targets were set based on the analysis of a scenario derived from the then modelled forecast of increased demand in aviation services globally, and the goal of reducing the climate impact of that increased demand. Although the targets were set before the Paris Agreement, the industry specific climate strategy was based on the impacts of a 2°C global warming scenario, as then endorsed by the Intergovernmental Panel on Climate Change (IPCC).

Air Canada later initiated work on an Air Canada-specific climate strategy, preparing for transition to a low carbon economy, conducting extensive climate scenario target-setting analysis, taking into consideration both Canada’s domestic climate commitments, as well as science-based targets. The analyses looked at Air Canada’s forecasted emissions at both 2030 and 2050 timeframes and potential pathways to achieve associated targets.

Calibrating the path to net-zero is complex and subject to meaningful risk and uncertainty. To get there, we are focusing on short to midterm actionable goals through a series of five-year period implementation plans, the first effective from 2021 to 2025. These 5-year plans will be focused on elements that we expect can be meaningfully achieved over their timeframe, and where opportunities are most readily achievable (for instance, in ground and facility operations), while staying engaged on the development of long-term opportunities such as technological advancements and low-carbon fuels.

Under the current five-year plan, Air Canada plans to cap its GHG emissions at its projected 2030 target levels, procure a minimum of 1 per cent of Air Canada’s jet fuel use in SAF by 2025 (as part of its commitment to invest $50 million in SAF and other carbon reduction and removal developments), and continue working towards the electrification of its ground equipment.

The aviation industry includes many participants, many of whom can play a meaningful role in reducing GHG emissions. Air Canada is accordingly engaged with other stakeholders in the air transport system to advance and explore other opportunities to that end. Progress in these efforts will be discussed in future TCFD disclosures.

Remaining agile in the face of a constantly evolving climate landscape is a guiding principle in the success of the Climate Action Plan. Climate research, global industry targets, and the expectations of citizens can advance rapidly as new scientific data is made available and society responds through changes in legislation of climate policies, presenting both risk and opportunity. The pandemic has also impacted aviation’s global emissions profile, as the industry continues to recover. Air Canada continues to closely monitor the Science Based Targets Initiative (SBTi), which has been actively gathering momentum in recent months, particularly in the corporate world. Staying agile means we will keep a sharp focus on the broad range of climate developments and evolving methodologies and incorporate guidance elements where meaningful and practicable.
Risks and Opportunities

Air Canada has identified key climate-related risks and opportunities over the short, medium, and long terms. The tables below outline our current understanding of key climate-related risks and opportunities with potential impact to our business operations over short (1-3 years), medium (3-5 years) and long (5-15 years) timeframes. The tables also outline our approach in seeking to manage risks and leverage opportunities using our strategic pillars. Climate risks include transition risks from the shift to a low-carbon economy, and physical risks such as those from more extreme weather events and changing climate patterns.

Air Canada will continue to work to further assess climate risks and opportunities and their impact. Future TCFD disclosures will report on this work including new targets and metrics that may emerge.

### Climate-related risks

<table>
<thead>
<tr>
<th>Policy and Legal</th>
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<tr>
<td><strong>Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).</strong></td>
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<tr>
<td>Pursuant to the Canadian Aviation Regulations, Air Canada is subject to regulations under CORSIA, a market-based measure program adopted by ICAO, a United Nations agency. The stated purpose of CORSIA is to cap annual emissions from international flights, with the goal of achieving carbon-neutral growth from 2020 (with 2019 as the adjusted baseline for the current 2021-2023 phase). Offsetting obligations under CORSIA are determined through a systematic approach, where the growth of the sector affects each operator's obligation. Regulatory requirements under programs such as CORSIA could have significant financial impacts on the aviation industry.</td>
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<th><strong>Description</strong></th>
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<tr>
<td>The potential financial impact of CORSIA relates to the cost of carbon offsets. We do not expect significant CORSIA compliance obligations for the current (2021-2023) phase, considering the reduction in flying due to the impact of COVID-19 on Air Canada, and aviation generally.</td>
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<th><strong>Potential Financial Impact</strong></th>
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<tr>
<td>Time-Horizon:</td>
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<tr>
<td><strong>Short-Term</strong></td>
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<tr>
<td>• There is no estimate at this time. Due to the COVID-19 pandemic and its impact on global aviation international emissions and baseline discussions to occur at the 41st ICAO Triennial Assembly in the Fall of 2022, estimates on the program cannot be developed with reasonable certainty as the timeline could affect costs for airlines.</td>
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<td><strong>Medium to Long-Term</strong></td>
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<th><strong>Risk Mitigation</strong></th>
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<td>Currently, the best way to manage CORSIA costs would be by minimizing fuel consumption while maintaining growth. Air Canada is working towards reducing its CO₂ emissions in several ways, including:</td>
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<td><strong>Fleet modernization:</strong> Air Canada’s Fleet Modernization Program offers meaningful fuel efficiency improvements and meaningful contributions to its emissions reduction efforts.</td>
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<td>• In May 2020, Air Canada announced the permanent retirement of certain older aircraft from its fleet, including some Airbus A319, Embraer 190 and some select Boeing 767 aircraft, leaving it with a more modern and fuel-efficient fleet.</td>
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<td>• Air Canada’s Boeing 787-8 and Boeing 787-9 aircraft deliver an improved fuel efficiency rate of approximately 20 per cent over the aircraft they replaced. Air Canada is also currently renewing its narrow-body fleet with Airbus A220 and the Boeing 737 MAX aircraft. These aircraft are expected to average around 20 per cent less fuel consumption per seat, emit roughly 20 per cent less CO₂ and 50 per cent less nitrogen oxide than the aircraft they replace. The average age of the Air Canada fleet (including Air Canada Rouge) is 10.8 years (as of July 2022).</td>
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<tr>
<td>• In 2022, Air Canada completed orders for the acquisition of 30 extra-long-range versions of the Airbus A321XLR. The new aircraft is expected to yield significant environmental benefits, with a projected fuel efficiency gain of up to 17% for typical transcontinental flights and up to 23% on transatlantic flights when compared to older generation aircraft.</td>
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<td><strong>Weight reduction program:</strong> Air Canada has a strong incentive to reduce weight on board its aircraft. Since 2016, over 115 fuel-efficiency projects have contributed to a reduction of more than 145,000 tCO₂e.</td>
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<tr>
<td>• In 2022, Air Canada completed orders for the acquisition of 30 extra-long-range versions of the Airbus A321XLR. The new aircraft is expected to yield significant environmental benefits, with a projected fuel efficiency gain of up to 17% for typical transcontinental flights and up to 23% on transatlantic flights when compared to older generation aircraft.</td>
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<td><strong>The development and use of sustainable aviation fuel (SAF):</strong> Since 2011, Air Canada has maintained an internal working group whose role is to support the development of SAF, build partnerships with suppliers, and participate in the development of a Canadian SAF supply chain. The use of SAF will be a critical component to reducing our GHG emissions from air operations. Air Canada currently sources SAF through its Leave Less Travel Program.</td>
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## Environmental Risk

### Policy and Legal

**Provincial and Federal Carbon mechanisms**

In Canada, Air Canada is subject to provincial and federal carbon pricing mechanisms and related initiatives. These risks evolve as these initiatives develop and as new ones are brought forward.

**Financial:**
- **Actual:** $4,719,697
- Cost represents the total costs of the provincial and federal carbon mechanisms for year 2021.
- The increase in federal carbon tax (through the Greenhouse Gas Pollution Pricing Act (Canada)) increases Air Canada’s costs. In December 2020, the Government of Canada announced its strategy to further reduce GHG emissions by 2030, including a gradual hike in the federal carbon tax on fuels to $170 a tonne by that year. By April 2022, the carbon tax had increased to $50/tCO2 and is scheduled to increase by $15 a tonne each year from 2022 to 2030. By 2030, the carbon tax is expected to add $0.44 per liter to the price of jet fuel.

**Time-Horizon:**
- Short, Medium and Long-Term

**Operational Efficiencies:** Air Canada is working closely with Avanade to optimize routes in order to reduce fuel consumption and has adopted operational fuel efficiency measures like the continuous descent approach and single-engine taxiing.

**The development and use of SAF:** Air Canada has shown leadership in the development of SAF in Canada. Over several years, Air Canada has partnered in various Canadian efforts such as those of the Green Aviation Research & Development Network (GARDN) and other partners to support major projects. These partnerships included the Civil Aviation Alternate Fuel Contrail and Emissions Research (CAAFCER) and the Canadian Biojet Supply Chain Initiative (CBSCI) whose goal is to understand and optimize the operationalization of SAF in Canada. As announced in February 2022, Air Canada is also a founding member of the Canadian Council for Sustainable Aviation Fuels (C-SAF) whose mission it is to accelerate the production and supply of SAF in Canada. As part of the Climate Action Plan, Air Canada has committed to investing $50 million in SAF and other carbon reduction and removal developments by 2030.

### Technology and Innovation

Although technologies relating to hydrogen, electric and hybrid aircraft present an exciting future opportunity for the aviation industry, these technologies are not yet in market on a commercial scale.

**Financial Impact:**
- The financial impact, which will depend on a wide variety of factors including the evolution of technologies, cannot be assessed or quantified.
- Financial impact may generally be associated with operating traditional jet-fuelled aircraft while waiting for alternative aircraft to come to market as well as the cost of sourcing and implementing new technologies.

**Time-Horizon:**
- Long-Term

Unlike other transportation sectors which already have access to lower emission technologies, alternative propulsion for aviation is not expected to come to market in the short to medium term. As a result, the commercial scale and costs of these technologies are currently unknown. Air Canada is actively involved in following innovative technologies as they mature. We will look for opportunities to support their commercial scale-up while at the same time promoting safety and performance.
### Market

**Description**
Some organizations are focused on decreasing their corporate travel to improve their own carbon footprint. The evolving nature of business models and remote-work practices adopted during the COVID-19 pandemic, such as the use of videoconferencing and other remote-work technologies, as well as the interest in more sustainable practices could impact demand for air travel.

**Potential Financial Impact**
The impact, which may depend on a wide variety of factors, has not been assessed or quantified financially. This risk and its impact may be difficult to assess or quantify with any reasonable degree of certainty. Financial impact could be associated with the potential decrease in demand for air travel.

**Risk Mitigation**
Air Canada aims to inform public perception of aviation and customer behavior through communication and disclosure and continued meaningful actions towards achieving our climate objectives. Air Canada includes information on its climate action strategy and performance through various disclosure mechanisms including this TCFD report, the Corporate Sustainability Report, dedicated environment website, press releases, social media, and other communication channels. In addition, Air Canada discloses information through certain reporting channels targeted to specific audiences, such as the CDP, Eco Vadis, or the Sustainable Air Freight Alliance (SAFA) questionnaires. Air Canada also engages with its customers through the following programs:

- **Carbon offsets**: A voluntary program that allows travelers to offset GHG emissions associated with their flights through contributions to select offset projects. Through this program, Air Canada is providing opportunities for passengers to invest capital directly into GHG reduction projects.
- **Aeroplan**: Air Canada offers a program that allows Aeroplan Members to redeem points to offset GHG emissions associated with their flights by voluntarily contributing to offset projects in Canada and internationally. By offering an offset program, Air Canada is providing opportunities for passengers to invest capital directly into GHG reductions projects.
- **Leave Less Travel Program**: Air Canada offers corporate customers the opportunity to offset their business air travel with SAF, carbon offsets or a combination of both. Corporate customers can also request a carbon footprint report of their business travel.

Air Canada plans to expand its customer climate offerings of SAF and carbon offsets.

### Reputation

**Description**
Any perceived climate inaction by airlines in general or by Air Canada may adversely impact Air Canada's reputation and lead customers to seek alternative providers or alternative means of travel.

**Potential Financial Impact**
The impact, which may depend on a wide variety of factors, has not been assessed or quantified financially. This risk and its impact may be difficult to assess or quantify with any reasonable degree of certainty. The potential financial impact may be associated with the increased concern about climate change and negative perception of aviation, air travel and Air Canada, leading customers to seek alternative providers or alternative means of travel or to reduce their travel overall.

**Risk Mitigation**
In March 2021, Air Canada launched its Climate Action Plan, including our ambitious goal towards net-zero GHG emissions by 2050 with 2030 interim targets. Air Canada includes information on its climate action through various disclosure mechanisms including the Corporate Sustainability Report, and provides information on the Company's climate action strategy and performance through various communications channels, including its annual Corporate Sustainability Report, dedicated environment website, press releases, social media and other communication channels. In addition, Air Canada discloses information through certain reporting channels targeted to specific audiences, such as the CDP, Eco Vadis, or the Sustainable Air Freight Alliance (SAFA).
### Physical Risk

<table>
<thead>
<tr>
<th>Description</th>
<th>Potential Financial Impact</th>
<th>Risk Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acute</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of Climate and Weather on the Operation</td>
<td>Climate change (including rise in temperature) could increase both the severity and intensity of weather-related events such as turbulence, thunderstorms and other disruptive weather events, jet stream, floods (rain fall) and forest fires.</td>
<td>The impact, which may depend on a wide variety of factors, has not been assessed or quantified financially. This risk and its impact may be difficult to assess or quantify with any reasonable degree of certainty. The potential financial impact may be associated with increased operational costs relating to weather related disruptions.</td>
</tr>
</tbody>
</table>

| **Chronic** |                           |                |
| Impact of Climate and Weather on Destinations | Climate change could create changes in the ecosystem of tourist destinations, which could result in decreased travel to those destinations. | The impact, which will depend on a wide variety of factors, has not been assessed or quantified financially. The potential financial impact may be associated with decreased demand for travel to destinations impacted. | Through its Systems Operations Control Centre, Air Canada monitors weather events to ensure a safe operation and to plan and respond to potential disruptions in service. Air Canada’s Network Planning department automatically builds in scheduling assumptions where regular seasonal weather events negatively impact customer travel. The Network Planning branch also monitors annual weather occurrences to evaluate new chronic weather patterns that could affect customer bookings. |

<table>
<thead>
<tr>
<th>Time-Horizon:</th>
<th>Short-Term</th>
</tr>
</thead>
</table>

| Time-Horizon: | Long-Term |
Air Canada’s Climate Action Plan builds on its existing value streams and activities and is based on four key carbon reduction pillars:

1. **Fleet and Operations**: With its fleet renewal program, Air Canada will continue deploying more energy-efficient aircraft. We will continue to integrate climate factors in route and fleet planning. On the ground, we expect to phase out carbon-intensive ground equipment, and plan on further advancing electric vehicles use and seek other electrification opportunities.

2. **Technology and Innovation**: Air Canada will, over time, evaluate the viability, safety and performance of new electric, hydrogen, or hybrid operational technologies, and will look for other innovative opportunities elsewhere in its operations.

3. **SAF and Clean Energy**: To further its work on sustainable aviation fuels, Air Canada has committed to invest $50 million in SAF by 2030 and other low carbon aviation fuel (LCAF) development and is actively evaluating the practical applications of renewable energy sources such as biogas and renewable electricity, and energy transition measures.

4. **Carbon Reductions and Removals**: Air Canada will explore carbon negative emission technologies and other direct emission reduction and removal strategies, in addition to further developing its regulatory carbon offset compliance actions and customer offerings.

Air Canada’s Fleet Modernization Program offers meaningful fuel efficiency improvements and meaningful contributions to its emissions reduction efforts.
## Climate-related opportunities

<table>
<thead>
<tr>
<th>Resource Efficiency</th>
<th>Description</th>
<th>Potential Financial Impact</th>
<th>Leveraging of Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fleet and Operations</strong></td>
<td>Use of more efficient aircraft: Air Canada’s new, more fuel-efficient fleet will meaningfully help mitigate the Company’s carbon footprint.</td>
<td>The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially. <strong>Time-Horizon:</strong> — Short, Medium and Long-Term</td>
<td>Air Canada’s renewed and more modern fleet further advances Air Canada’s fuel efficiency efforts. Air Canada has permanently retired certain older and less fuel-efficient aircraft from its fleet – for example, Boeing 767, Airbus A319, and Embraer 190 aircraft. Their retirement reduces Air Canada’s cost structure and lowers its carbon footprint. In 2022, Air Canada announced it is acquiring 30 extra-long-range versions of the Airbus A321XLR aircraft, with deliveries beginning in 2024. This new aircraft type is expected to yield meaningful environmental benefits, with a projected fuel efficiency gain of up to 17% for typical transcontinental flights and up to 23% on transatlantic flights.</td>
</tr>
</tbody>
</table>

| Energy Source | Sustainable Aviation Fuel: Air Canada’s participation, policy work and investment in SAF research and development is focused on supporting and advancing the development of SAF in Canada, which would lower net carbon emissions, carbon pricing costs, and decrease the use of fossil fuels. | The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially. **Time-Horizon:** — Long-Term | Air Canada has demonstrated leadership in the development of SAF in Canada, and has committed to investing $50 million in SAF, and in carbon reduction and removal programs by 2030 as part of its Climate Action Plan. Air Canada partnered with the Green Aviation Research & Development Network (GARDN) and other partners to support major projects, which included the Civil Aviation Alternate Fuel Contrail and Emissions Research (CAAFCER) and the Canadian Biojet Supply Chain Initiative (CBSCI). Air Canada has engaged with various stakeholders to accelerate the research, development, and establishment of a SAF supply chain in Canada. As a founding member of C-SAF, Air Canada is supporting the development of SAF in Canada. |

| **SAF and Clean Energy** | Sustainable Aviation Fuel: Air Canada’s participation, policy work and investment in SAF research and development has the potential to advance the development of SAF in Canada, which would lower net carbon emissions, carbon pricing costs, and decrease the use of fossil fuels. | The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially. **Time-Horizon:** — Medium-Term | The Clean Fuel Regulation (CFR) provides an opportunity to encourage production of Canadian sustainable and low-carbon aviation fuels, which have several technical barriers, such as the availability of renewable feedstocks, and the requirement of production pathways that must comply with aviation fuel certification requirements. An adapted CFR recognizes the specificity of sustainable and low-carbon aviation fuels production in comparison with other renewable fuels and considers cost barriers. As a member of NACC, Air Canada supports and participates actively in policy work done on the CFR to ensure an efficient CFR that will assist in driving the Canadian production of sustainable and low-carbon aviation fuels. |

<p>| <strong>Sourcing Clean Energy for Facilities</strong> | Air Canada also intends to evaluate the practical applications of renewable energy sources. | The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially. <strong>Time-Horizon:</strong> — Medium-Term | Air Canada will look to evaluate the practical applications of renewable energy sources, such as biogas and renewable electricity, and other energy transition measures for its facility operations. |</p>
<table>
<thead>
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<tbody>
<tr>
<td>Fleet and Operations</td>
<td>One area of focus is the use of alternative energy in our fleet of ground support vehicles, such as baggage tractors.</td>
<td>The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.</td>
<td>Although Air Canada’s ground operations make up a small fraction of the Company’s overall emissions, Air Canada looks to adopt new technologies and innovative practices to reduce GHG emissions wherever available and feasible. To date, 2,316 vehicles (42.8 per cent of the fleet) are powered by less carbon intensive means like electricity. Air Canada is engaged with airport authorities at our largest Canadian hubs to expand the facilities to support alternative fuel charging stations in key areas of these airports.</td>
</tr>
<tr>
<td>Technology and Innovation</td>
<td>Hydrogen, electric, and hybrid aircraft technologies present an exciting future opportunity for the aviation industry.</td>
<td>The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.</td>
<td>Although these products are not expected to come to market in commercially meaningful way in the short or medium term, Air Canada will remain actively involved in following these innovative technologies as they mature and look to support the commercial scale-up while always promoting safety and performance.</td>
</tr>
<tr>
<td>Products and Services</td>
<td>Air Canada looks to offer customers products and services to mitigate the impact of their flight.</td>
<td>The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.</td>
<td>Air Canada offers a voluntary program that allows travelers to offset GHG emissions associated with their flights through contributions to select offset projects. Through this program, Air Canada is providing opportunities for passengers to invest directly into GHG mitigation measures. Air Canada offers a voluntary program that allows Aeroplan Members to redeem points to offset GHG emissions associated with their flights by contributing to offset projects in Canada and internationally. Through this program, Air Canada is providing opportunities for passengers to invest capital directly into GHG reductions projects. Corporate customers can also request a carbon footprint report of their business travel. In October 2021, Air Canada launched the Leave Less Travel Program, which offers corporate customers the opportunity to offset all or part of their air business travel with SAF, carbon offsets, or a combination of both.</td>
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### Resource Efficiency

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Sustainable Aviation Fuels

Leadership in the SAF ecosystem

Air Canada is at the forefront of pivotal Canadian aviation initiatives supporting and advancing the research and commercialization of SAF within an ecosystem consisting of airlines, airports, fuel suppliers, technology providers, feedstock producers, aerospace manufacturers, academia, finance, and government.

Air Canada is a founding member and was actively engaged in the development of the Canadian Council for Sustainable Aviation Fuels (C-SAF). C-SAF’s mission is to accelerate the commercial production and supply of affordable SAF in Canada by catalysing the SAF ecosystem to develop and enable SAF value chains, to design and advocate for innovative SAF policies and programs, to define a SAF strategy and roadmaps, and to contribute thought-leadership for SAF development in Canada.

Air Canada is a founding member of, and the first Canadian carrier to join, the Aviation Climate Taskforce (ACT), formed to tackle the challenge of rising CO2 emissions from commercial aviation. The new, non-profit organization, made up of 10 global airlines and the Boston Consulting Group, was established in 2021 to accelerate research and advance innovation related to emerging decarbonization technologies, including through the development of sustainable aviation fuels.

Air Canada is also a signatory to the Clean Skies for Tomorrow 2030 Ambition Statement uniting companies dedicated to transition to net-zero emissions for aviation. The coalition’s mission is to accelerate the supply and use of sustainable aviation fuel to reach 10% of global jet aviation supply by 2030. The development of this supply globally and its use contributes to the industry’s collective actions.

Sustainable aviation fuel is not currently available in Canada.

Meanwhile, demand is growing as the airline industry looks to reduce its carbon footprint. The International Air Transport Association (IATA) lists sustainable aviation fuel as one of the key elements to help the aviation industry achieve its ambitious 2050 emissions reduction goals.

We understand that SAF is the only technology solution currently commercially available that can meaningfully abate emissions from the Company’s flight operations. While SAF can reduce lifecycle GHG emissions by up to 80% compared with conventional jet fuel and has the added benefits of having a limited impact on performance and providing energy diversification, SAF alone will not suffice, and new technology solutions as well as significant cooperation and investments will be required to achieve 2050 emissions reduction goals.
Members of Air Canada’s value chain play an important role in helping the Company achieve its long-term goal of achieving net-zero emissions by 2050.

Air Canada has developed a Supplier Code of Conduct (SCC), which forms an integral part of Air Canada supplier contracts. The SCC is principle-based and sets out our expectations of suppliers with a goal of aligning supplier behaviours to Air Canada standards in the following key areas:

- Having an effective environmental management plan in place
- Expectations towards the reduction of suppliers’ environmental footprint and demonstrating and promoting environmental stewardship

The SCC includes provisions regarding forced and child labour matters, human rights, health and safety matters, and ethical behaviours. The Code also includes environmental requisites, such as:

- Having an effective environmental management plan in place
- Expectations towards the reduction of suppliers’ environmental footprint and demonstrating and promoting environmental stewardship

The SCC seeks to promote transparency and accountability in the supply chain, and that its principles are taken into account as part of our procurement and purchasing decisions. To contract with Air Canada, suppliers must confirm they adhere to the SCC or an acceptable equivalent. We are committed to working with our suppliers to support compliance with the SCC, including through our right to seek confirmation or to audit whether they meet our expectations.

As part of Air Canada’s Procurement Policy, sustainable practices are also being put in place. The procurement process at Air Canada will integrate economical, environmental, and social factors in purchasing decisions, and climate-related criteria will be included in this process.

In addition to its procurement practices, a meaningful component in our strategy to help address climate change involves the products and services offered by Air Canada. Through education and engagement on the Climate Action Plan within the Company, new products and services which support our climate goal are developed such as:

- Leave Less Travel Program
- Customer offset options
- Corporate customer carbon footprint reporting

The COVID-19 pandemic has also impacted aviation’s global emissions profile, as the industry continues to recover. Air Canada continues to closely monitor the Science Based Targets Initiative (SBTi, a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) driving climate action in the private sector by enabling organizations to set science-based emissions reduction targets, which has been actively gathering momentum in recent months, particularly in the business world. Staying agile means we will keep a sharp focus on a broad range of climate developments and evolving methodologies and incorporate elements of guidance where meaningful and practicable.
Air Canada identifies, assesses, and mitigates climate-related impacts and risks through its Enterprise Risk Management (ERM) and Environmental Management System (EMS) processes.

ERM Framework and Structure

Risks that may be material to Air Canada are identified and monitored on an ongoing basis through Air Canada’s Enterprise Risk Management (ERM) framework. Air Canada’s ERM framework has been developed to support governance and oversight over the Company’s strategic risks and is aligned to the ISO 31000 standard and COSO ERM 2017 framework. ERM risk reporting is maintained by the Corporate Audit and Advisory department, which provides an independent update as to the state of each enterprise risk on a quarterly basis and more frequently as required. Material climate-related risks are identified through the corporate EMS and integrated into the ERM framework.

Insight is provided on a regular basis to the Board of Directors through the Board’s Audit, Finance and Risk Committee, which has specific oversight responsibilities of the Company’s enterprise risks. For more information about Air Canada’s enterprise risk management and governance, refer to Air Canada’s 2021 Annual Report.

Environmental Management System

Through its certified EMS, the Air Canada Environmental Affairs department is responsible for identifying, monitoring, and assessing climate and environmental-related risks and opportunities and for implementing programs to address the impacts of its operations.

An EMS is a structured documented system of policies and procedures through which Air Canada identifies the environmental aspects of its activities, manages its impacts, and sets the Company’s environmental objectives, targets, and performance indicators. In support of its efforts to reduce waste, pollution and GHG emissions, and to improve environmental performance, Air Canada advanced to a third-party certified EMS system through the IATA Environmental Assessment (IEnvA) Program. IEnvA is an environmental management system certification program, specifically developed for the airline sector, which demonstrates equivalency to the ISO 14001:2015 environmental management systems standard. Air Canada is proud to have been the first airline in North America to be IEnvA Stage 2 certified, the highest level of IEnvA compliance.

IEnvA Stage 2 requires an airline to develop and implement, among other things:

- An Environmental Policy
- Procedures to identify, assess, and manage environmental aspects and impacts
- Environmental significance/risk rating criteria
- Environmental management plans to address environmental issues that include:
  - Environmental objectives and associated plans to achieve those objectives
  - Control mechanisms to achieve and maintain environmental compliance and performance
- Environmental training programs
- Environmental communications plans
- Emergency response procedures.

The EMS aspect identification process identifies environmental aspects and impacts associated with the Company’s activities. Aspects are determined through various sources and methods including professional skills and knowledge, professional advice, industry publications, conferences, and media scans. Risks associated with emerging climate legislation as well as changes to existing domestic and international legislation are continuously monitored and documented. In addition to legislation, the EMS aspect identification process also considers technological risks, shifts in markets (considering both customer and supply chain) and reputational risks, among other risks.

Evaluating the significance of environmental aspects requires that compliance obligations, financial implications, stakeholder concerns and environmental impacts (likelihood of an event’s occurrence and the severity of its consequence) be tested for each identified environmental aspect while taking into consideration internal/external environmental influences. From this analysis, environmental management plans are established for significant aspects (such as climate change) and supported by the affected Branches. Progress on the environmental management plan is communicated on a quarterly basis to the CEB.

Climate-related risks assessments are identified in relation to all risks that affect Air Canada’s strategic plans. Several climate-related risk types are considered including current and emerging regulations, legal, technology, market, reputation, as well as physical risks (acute and chronic).

Risk Management Oversight

The management of opportunities and risks is an integral part of Air Canada’s business processes. Strategic decisions are made by the executive team with consideration of risk implications to the business and its stakeholders. Overall risk information is reviewed by the Board or the relevant Board committee on a quarterly basis, or more frequently when required. In addition, Board committees review and discuss with management, on a regular basis, all key enterprise risk exposures based on their respective terms of reference set out in committee charters and the steps taken to monitor, control and mitigate those exposures and effectively manage risk.
Climate Disclosures

Since 2007, information on Air Canada's carbon footprint, targets, and climate strategy has been reported through the CDP, a global disclosure system that has been in place for 20 years and is used to assist investors, companies, cities, states, and regions in managing their environmental impacts. The CDP questionnaire incorporates elements of the TCFD framework. Air Canada has steadily increased its score since its first disclosure and holds a B- for its Climate Change 2021 CDP score report. To access Air Canada's CDP response, visit www.cdp.net.

We have engaged PricewaterhouseCoopers LLP to perform an independent, limited assurance engagement on certain indicators, including the Scope 1 and Scope 2 emissions contained in this TCFD report. For information regarding the scope of the assurance and statement, please read the limited assurance statements at www.aircanada.com/citizensoftheworld. Through its Corporate Sustainability Report, Air Canada also obtains an independent, limited assurance engagement on Scope 1 and Scope 2 emissions, energy consumption, and other indicators. For information regarding the scope of the assurance and statement, please read the limited assurance statements at www.aircanada.com/citizensoftheworld.

The disclosures contained in this report have been reviewed by the company's disclosure committee. Disclosure procedures for the data contained herein are documented (including how the data should be gathered and analyzed by the responsible parties with appropriate subject-matter expertise), and reviewed. This is monitored and reviewed periodically for effectiveness. The Corporate Sustainability team is also tasked with monitoring ESG disclosures, commitments and progress at the corporate level. Periodic reports are shared with the relevant Board committees having oversight over ESG matters. Finally, Air Canada is currently reviewing how it may further develop and mature its control environment, including by leveraging automation to advance data extraction, validation and internal controls regarding key climate data.

Air Canada's Corporate Sustainability Report also details Air Canada's other sustainability programs and achievements. The report is available at www.aircanada.com/citizensoftheworld.

Quantitative emissions data follows below.
## Scope 1

<table>
<thead>
<tr>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross direct (Scope 1) GHG emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity, heating, cooling, and steam generation</td>
<td>tCO₂e</td>
<td>24,752</td>
<td>27,698</td>
<td>34,534</td>
</tr>
<tr>
<td>Transportation of materials, products, waste, employees and passengers (including jet fuel)</td>
<td>tCO₂e</td>
<td>4,887,972</td>
<td>5,005,854</td>
<td>13,170,133</td>
</tr>
<tr>
<td>Fugitive emissions</td>
<td>tCO₂e</td>
<td>534</td>
<td>562</td>
<td>520</td>
</tr>
<tr>
<td>Biogenic CO₂ emissions (SAF)</td>
<td>tCO₂e</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total gross direct GHG emissions</strong></td>
<td>tCO₂e</td>
<td>4,913,258</td>
<td>5,034,113</td>
<td>13,205,187</td>
</tr>
</tbody>
</table>

— Air Canada has prepared its Scope 1 GHG emissions in accordance with the methodology and guidelines described in the GHG Protocol, A Corporate Accounting and Reporting Standard, Revised Edition. Air Canada follows the operational control approach.
Scope 2

<table>
<thead>
<tr>
<th>Unit</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross location-based energy indirect (Scope 2) GHG emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>tCO₂e</td>
<td>7,144</td>
<td>10,139</td>
<td>10,647</td>
</tr>
<tr>
<td>Total gross indirect emissions</td>
<td>tCO₂e</td>
<td>7,144</td>
<td>10,139</td>
<td>10,647</td>
</tr>
</tbody>
</table>

— Air Canada has prepared its Scope 2 GHG emissions in accordance with the methodology and guidelines described in the GHG Protocol, A Corporate Accounting and Reporting Standard, Revised Edition.

— Air Canada Scope 2 emissions relate to Air Canada’s indirect electricity consumption. Considering the worldwide operations of Air Canada, Air Canada reports its Scope 2 emissions with the location-based and operational control method to ensure consistency across its global network.
Scope 3

<table>
<thead>
<tr>
<th>Other indirect emissions categories and activities</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>tCO₂e</td>
<td>572,090</td>
<td>574,983</td>
<td>1,611,501</td>
<td>1,650,321</td>
</tr>
</tbody>
</table>

Total gross indirect emissions

- Air Canada’s Scope 3 emissions relate to certain emissions from third parties engaged in its operations (such as GHG emissions from jet fuel consumption from Air Canada Express carriers and GHG emissions from natural gas and electricity consumptions from tenants).
- Air Canada has prepared its Scope 3 GHG emissions with the data currently available in accordance with the methodology and guidelines described in the GHG Protocol, A Corporate Accounting and Reporting Standard, Revised Edition.