AIR CANADA

2023 Task Force on Climate-related Financial Disclosures summary

A STAR ALLIANCE MEMBER

Caution regarding forward-looking and other information

Air Canada's public communications may include forward-looking statements within the meaning of applicable securities laws. Forward-looking statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements may involve, but are not limited to, comments relating to guidance, strategies, expectations, planned operations or future actions. Forward-looking statements are identified using terms and phrases such as "preliminary"; "anticipate"; "believe"; "could"; "estimate"; "expect"; "intend"; "may"; "plan"; "predict"; "project"; "will"; "would"; and similar terms and phrases, including references to assumptions. Forward-looking statements, by their nature, are based on assumptions including those described herein and are subject to important risks and uncertainties. Forward-looking statements cannot be relied upon due to, among other things, changing external events and general uncertainties of the business of Air Canada. Actual results may differ materially from results indicated in forward-looking statements due to a number of factors, including those discussed below.

Factors that may cause results to differ materially from results indicated in forward-looking statements include economic conditions as well as geopolitical conditions such as the military conflicts in the Middle East and between Russia and Ukraine, Air Canada's ability to successfully achieve or sustain positive net profitability, industry and market conditions and the demand environment, competition, Air Canada's dependence on technology, cybersecurity risks, interruptions of service, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from anthropogenic sources), Air Canada's dependence on key suppliers (including government agencies and other stakeholders supporting airport and airline operations), employee and labour relations and costs, Air Canada's ability to successfully implement appropriate strategic and other important initiatives (including Air Canada's ability to manage operating costs), energy prices, Air Canada's ability to pay its indebtedness and maintain or increase liquidity, Air Canada's dependence on regional and other carriers, Air Canada's ability to attract and retain required personnel, epidemic diseases, changes in laws, regulatory developments or proceedings, terrorist acts, war, Air Canada's ability to successfully operate its loyalty program, casualty losses, Air Canada's dependence on Star Alliance® and joint ventures, Air Canada's ability to preserve and grow its brand, pending and future litigation and actions by third parties, currency exchange fluctuations, limitations due to restrictive covenants, insurance issues and costs, and pension plan obligations as well as the factors identified in Air Canada's public disclosure file available at www.sedarplus.ca and, in particular, those identified in section 18 "Risk Factors" of Air Canada's 2023 MD&A.

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 greenhouse gas (GHG) emissions. The achievement of our commitments and targets depends on many factors, including the combined actions of governments, industry, suppliers and other stakeholders and actors, as well as the development and implementation of new technologies. In particular, our 2030 GHG emission-related targets and our related 2050 aspiration are ambitious, and heavily dependent on new technologies, renewable energies and the availability of a sufficient supply of sustainable aviation fuels (SAF), which continues to present serious challenges. In addition, Air Canada has incurred, and expects to continue to incur, costs to achieve its goal of net-zero GHG 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, on which local and international stakeholders are increasingly focusing, 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 stakeholder environmental, social and governance 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, and 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 investors, customers, advocacy groups or other stakeholders, which could result in reputational harm or other adverse effects to Air Canada. The forward-looking statements contained or incorporated by reference in this TCFD summary represent Air Canada's expectations as of the date of this TCFD summary (or as of the date they are otherwise stated to be made) 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.

We voluntarily report information in this report that is not material in respect of Air Canada under applicable securities laws. Accordingly, no information contained herein is incorporated by reference or forms part of any continuous disclosure document under these laws.

TCFD summary

Air Canada has prepared a summary of climate-related information aligned with the recommendations from the Task Force on Climate-related Financial Disclosures.

TCFD Index

Recommended disclosures	TCFD summary location
Governance	
A. Describe the Board's oversight of climate-related risks and opportunities.	Governance, page 4
B. Describe management's role in assessing and managing climate-related risks and opportunities.	Governance, page 4
Strategy	
A. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	Climate-related risks, page 7
B. Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning.	Climate-related risks, page 7
C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C lower scenario.	Climate-related risks, page 12
Risk management	
A. Describe the organization's processes for identifying and assessing climate-related risks.	Risk management, page 12
B. Describe the organization's processes for managing climate-related risks.	Risk management, page 12
Metrics and targets	
A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets, page 14
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Metrics and targets, page 14
C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Metrics and targets, page 6

Overview of climate and other sustainability governance

Air Canada's Board of Directors evaluates sustainability-related matters that affect Air Canada, such as climate, safety, human capital and DEI, on a regular basis. It oversees management recommendations on how to allocate resources including with regard to Air Canada's best interests and long-term performance and value creation.

Air Canada has multiple levels of oversight and management for environmental, social and governance matters.

Our Board and its committees

The Board of Directors has oversight of Air Canada's climate and other sustainability activities and strategies, and all Board committees are mandated to perform their activities having regard to them. Some matters that benefit from focused attention are reserved to certain committees.

The Board annually reviews its committee charters with respect to climate and other sustainability reporting including in light of evolving sustainability disclosure standards.

Board of Directors

- As part of the strategic planning process, evaluates and reviews public issues of significance that may affect Air Canada's business, operations and stakeholders.
- Oversees, through the Audit, Finance and Risk Committee, the development of climate and other sustainability disclosures, processes and controls.
- Oversees, through the Governance and Nominating Committee, Air Canada's overall activities, policies and programs with respect to climate and other sustainability matters, including sustainability and diversity, equity and inclusion policies.
- Oversees, through the Human Resources, Compensation and Pension Committee, the integration of certain climate and other sustainability matters in Air Canada's approach to compensation, human resources management strategies and organizational culture.
- Oversees, through the Safety, Health, Environment and Security Committee, Air Canada's safety, health, environment and security policies and practices.

Board Committees

Audit, Finance and Risk

- Monitors trends relating to, and oversees the development of, control mechanisms and the integration of climate and other sustainability criteria in financial or other corporate reporting.
- Reviews the audit scope and approach of the internal and external auditors relating to climate and other sustainability matters.
- Reviews certain public disclosures and recommends them to the Board where appropriate.

Governance and Nominating

- Reviews, monitors and evaluates trends and Air Canada's progress in its overall efforts with respect to climate and other sustainability matters and their integration in its governance.
- Facilitates information sharing among the Board committees in respect of climate and other sustainability matters.
- Reviews and recommends to the Board the Board Diversity Policy and any updates to the Air Canada Code of Conduct.
- Reports regularly to the Board on its activities, findings and conclusions, including on policies, practices and progress on key climate and other sustainability matters, and provides guidance to the Board about the general strategy and direction with respect to such matters.

Human Resources, Compensation and Pension

- Assists the Board in its human resources, compensation and pension responsibilities, including monitoring trends in respect of climate and other sustainability matters and their integration in compensation matters, reviewing whether Air Canada's human resources management strategies and organizational culture are aligned with its climate and other sustainability practices and strategies and reviewing the key measurable objectives of Air Canada's diversity, equity and inclusion action plan and monitoring progress on the achievement of such objectives.

Safety, Health, Environment and Security

- Assists the Board in its oversight responsibilities concerning safety, health, environment and security matters, including the strategies, policies, systems and processes of Air Canada and its subsidiaries.
- Oversees Air Canada's approach and progress in areas relating to climate change and environmental initiatives.
- Reviews the effectiveness of Air Canada's risk management framework in relation to safety, health, environment (including climate change), security matters and compliance with statutory and regulatory obligations.
- Reviews and makes recommendations on certain corporate planned climate action initiatives to the Board.

Our management

Our Corporate Sustainability Working Group tracks and co-ordinates our corporate sustainability initiatives, under the oversight of a Corporate Sustainability Steering Committee, made up of members of our Executive Committee. Our Head of Investor Relations and Corporate Sustainability leads the Corporate Sustainability Working Group, which comprises senior management subject matter experts from diverse functions. Several other working groups are tasked with advancing climate and other sustainability initiatives, such as in respect of customer engagement, climate, diversity, equity and inclusion, accessibility, official languages, community investments and human trafficking.

Control of ESG disclosures

Air Canada acknowledges the necessity of ensuring the integrity and consistency of its sustainability disclosures. Sustainability reporting contributes to maturing our sustainability program, and we will evolve and strengthen our existing control environment to ensure that the reliability of our disclosures meets the expectations of stakeholders and the evolving regulatory landscape. From the outset, we adopted a posture of continuously improving our sustainability disclosures and, accordingly, the way we report specific data has strengthened over time and is likely to continue doing so in the future.

Some of the information provided prior to this report, including our related plans and strategies, is now outdated. We are thus committed to building continuous process improvement into the methodologies, data and assumptions that underlie our strategy, analysis and other information included in this report (including those used to calculate GHG emissions).

Control environment

Air Canada's management is responsible for establishing and maintaining internal controls over material disclosures and voluntary reporting of sustainability matters. First, for effective governance, the corporate sustainability team oversees the overall disclosure framework and is responsible for collecting and reviewing with the various subject matter experts the information contained in this report, to ensure consistency, accuracy, timeliness, relevance, reliability and for assurance readiness, as the case may be. Second, this report has undergone extensive reviews by our sustainability working groups and steering committee and by our disclosure committee.

Going forward, we intend on implementing the Internal Controls over Sustainable Reporting (ICSR) control framework that mirrors the Internal Controls over Financial Reporting (ICFR) framework. This will require a review of the current process applied to all sustainability disclosures. Similar to the ICFR framework, in designing such a control environment, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, may not prevent or detect misstatements.

Oversight

The Audit, Finance and Risk Committee monitors the development and, through the work of internal and external auditors, the effectiveness of relevant sustainability controls and reviews sustainability disclosures prior to their publication. The committee also reviews the results of assurance engagements.

Assurance

We aim to secure the appropriate level of assurance of our sustainability disclosures by developing and maturing our sustainability program. Air Canada's Corporate Audit and Advisory department provides assurance through execution of its annual audit plan, which includes risk-based audits and ICFR.

The internal audit group is mandated and PricewaterhouseCoopers LLP was engaged to perform limited assurance on certain KPIs including Scope 1 and Scope 2 greenhouse gas emissions. We will continue to assess and determine the appropriate controls and level of assurance required for our key sustainability disclosures, working toward a reasonable level of assurance over time. The Limited Assurance report is available here.

Strategy

Air Canada's climate action initiatives are aimed to align with the Government of Canada's 2050 climate change targets, the International Air Transport Association (IATA) 2021 resolution for the global air transport industry to achieve net-zero carbon emissions by 2050 and the International Civil Aviation Organization (ICAO) member states' collective long-term global aspirational goal of net-zero carbon emissions by 2050. These ambitions align with the Paris Agreement and, to succeed, they will require the co-ordinated efforts of the entire airline industry (e.g., airlines, airports, air navigation service providers, manufacturers) and significant government support.

We analyzed decarbonization curves for warming goals well below 2°C and 1.5°C in order to forecast GHG emissions for 2030 and 2050 and help us assess the measures that will be necessary in support of our goals. In March 2021, Air Canada announced its climate ambition that sets out mid-term targets in support of its long-term aspirational goal of net-zero GHG emissions by 2050. Those mid-term targets are:

- 20% GHG net reductions from our air operations compared to a 2019 baseline by 2030
- 30% GHG net reductions from our ground operations compared to a 2019 baseline by 2030
- $50 million investment fund for new technologies such as SAF as well as new aircraft or carbon reduction and removal technologies.

As noted, our ambitions, particularly for our net reduction target for our air operations, are dependent on new technologies and the availability of sufficient sustainable aviation fuels (SAF) and other renewable energies. Air Canada cannot achieve them alone; governments play an essential role in these efforts, and industry and others in the climate action chain must each play their part.

Four key carbon reduction pillars were identified to be central to the advancement of our climate objectives and position us to leverage emerging climate-related opportunities:

- Fleet and operations
- Innovation
- SAF and renewable energy
- Carbon reductions and removals

Air Canada's climate action initiatives build on existing value streams and activities based on these four key carbon reduction pillars.

The path to net zero is complex and subject to significant risk and uncertainty. Air Canada is focusing on short- to mid-term actionable goals through a series of five-year period implementation plans, the first of which began in 2021. These five-year plans will focus on elements that Air Canada expects can be meaningfully achieved over their timeframe and where opportunities are most readily achievable (e.g., 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 (compared to a 2019 baseline), procure a minimum of one per cent of Air Canada's jet fuel use in SAF by 2025 and continue working toward the electrification of its ground equipment.

Climate research, global industry targets and the expectations of citizens can evolve and 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 aviation industry includes many participants, many of which 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 opportunities.

Significant investments and research are being dedicated by the airline and other industries such as the development of innovative propulsion technologies and other efficiency improvements. We will remain open to every new opportunity that will help make a difference in achieving our goals.

Climate change will affect our business operations and our stakeholders. Scenario analysis should support the quantitative analysis of climate threats including financial impact, likelihood and magnitude.

Operational performance, damage or loss of critical aviation infrastructure or changes in demand are among the many potential effects of climate change on our business and our resiliency. We established a Climate Change Risks Management and Adaptation workstream in 2022 whose mandate is to study Air Canada's ability to adapt to the impacts of climate change on our business by (a) identifying and assessing climate change risks that are relevant for our business, (b) building climate knowledge to guide resilient decisions, (c) developing business climate resilience planning to address and manage the identified risks and (d) setting up a climate resilience framework to reiterate as the situation changes. This initiative results from collaboration between various internal branches and departments including Risk Management and Assurance, Flight Operations, Emergency Response and Environmental Affairs.

Climate-related risks

Risks		Potential financial impact	Horizon	Management method
Carbon pricing mechanisms and new regulations	Fuel and related costs are among Air Canada's largest expenses, influenced by factors such as market conditions, geopolitical events, carbon pricing and climate change regulations. Air Canada and the airline industry are also subject to new and evolving laws, including in relation to climate change and GHG emissions, such as the federal and provincial carbon pricing mechanism and related initiatives. This also includes ICAO's (the UN agency for aviation) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the stated purpose of which is to achieve carbon-neutral growth from 2020 (with 2019 as the adjusted baseline).	The cost related to applicable carbon taxes and purchase carbon offset credits under CORSIA.	Short term	To lessen the financial impact of CORSIA, which implements a cap on annual emissions from international flights through a carbon pricing mechanism, Air Canada is working toward reducing its GHG emissions. Actions that support our efforts to reduce emissions include: • Air Canada is advancing its environmental performance by further renewing its fleet with an ongoing transition to more fuel-efficient aircraft. Air Canada is acquiring extra long-range versions of the Airbus A321XLR aircraft, with deliveries expected to begin in 2025. This new aircraft type is anticipated to have a lower environmental impact than the aircraft it is replacing. • The A220, A321 and Boeing 737 MAX aircraft will complete the renewal of Air Canada's narrow-body fleet. In 2023, Air Canada sourced 18 Boeing 787-10 Dreamliner aircraft and five additional 737 MAX 8s, continuing the transition to more modern aircraft. In 2023, Air Canada announced the acquisition of 18 Boeing 787-10 Dreamliner aircraft, contributing to our fuel-efficient fleet. In addition, in 2022, Air Canada entered into a purchase agreement for 30 ES-30 hybrid-electric regional aircraft, under development by Heart Aerospace of Sweden. The regional aircraft will generate fewer GHG emissions when flying on battery power, yield significant operational savings and benefits and provide low-emission connectivity to local communities over the long term. The purchase remains subject to conditions including in relation to the design and specifications of the aircraft. • Fuel efficiency: Since 2016, over 120 fuel-efficiency projects have contributed to a reduction of more than 162,000 tCO_2e. • SAF is a critical component to reducing our GHG emissions from air operations. Air Canada currently sources SAF through various suppliers across the world. 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.
Transition to lower emissions technology and products	Airline industry emissions are hard to abate and new technologies such as hydrogen, electric and hybrid aircraft are not yet in market on a commercial scale.	The financial impact will include operating conventional jet-fuelled aircraft while waiting for alternative aircraft to come to market as well as the cost of sourcing and implementing new technologies. The potential impact is dependent on multiple factors and cannot be estimated with any reasonable degree of certainty.	Long term	Alternative propulsion for aviation is not expected to come to market in the short or medium term, unlike other transportation sectors that already have access to lower-emission technologies, 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. In 2022, we agreed to purchase 30 ES-30 hybrid-electric aircraft under development by Heart Aerospace in Sweden, subject to conditions. The regional aircraft are being designed to generate fewer GHG emissions when flying on battery power and are expected to yield significant operational savings, benefits and connectivity to local communities over the long term.

Risks		Potential financial impact	Horizon	Management method
Changing customer behaviour and expectations	Some organizations or leisure travellers may be focused on decreasing their travel to lower their overall carbon footprint. The evolving nature of business models and remote-work practices, such as the use of video conferencing and other remote-work technologies, as well as the interest in more sustainable practices could impact demand for air travel.	Decreased revenues due to reduced demand for products and services	Medium term	Air Canada recognizes its customers' concerns and expectations. We communicate and disclose our climate action strategy and performance through various communications methods. Air Canada also engages with its customers through the following programs: • Carbon offsets: A voluntary program that allows travellers to purchase carbon offset credits in an amount equivalent to the estimated GHG impact of their flight(s). • When customers book a flight using Aeroplan points or a combination of points and cash, Air Canada will offset its estimated Scope 1 GHG emissions for the customer's flight using carbon offset credits provided by Chooose. The total carbon offset credits retired will be equivalent to an estimate of the GHG emissions associated with the portion of the itinerary operated by Air Canada (including Air Canada Rouge and Air Canada Express), once the flight is completed. • Leave Less Travel Program: Air Canada offers corporate customers and cargo freight forwarders the opportunity to purchase Scope 3 environmental attributes associated with SAF, carbon offset credits or a combination of both related to their own business air travel or cargo shipments on Air Canada. This program is one of the many initiatives being implemented to help customers with their own environmental sustainability goals. Corporate and cargo customers can also request a GHG emissions report of their business travel and/or freight transportation with Air Canada.
Increased partner and stakeholder concern or negative partner and stakeholder feedback	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.	If perceptions negatively influence consumer choice and loyalty, this could possibly impact revenues due to reduced demand for products and services	Medium term	Air Canada understands the importance of addressing climate change concerns and communicating with its stakeholders to raise awareness and provide updates on its environmental efforts. We communicate and disclose our climate action strategy and performance through various communications methods. Air Canada discloses information through certain reporting channels targeted to specific audiences, such as CDP, TCFD, EcoVadis or Smart Freight Centre's Airline ESG Survey. In 2023, Air Canada increased its CDP Climate Score to B from B- and issued a TCFD supplement to its 2021 TCFD report.
Reputational risk	Risks related to inaction (or perceived inaction) in respect of the environment.	If perceptions negatively influence consumer choice and loyalty, this could possibly impact revenues due to reduced demand for products and services	Short term	Air Canada maintains an environmental policy and ensures it is in compliance with all laws and regulations. Air Canada is also diligent in ensuring that it maintains transparency and that its statements related to environmental sustainability are substantiated and verifiable. Air Canada's reputation could be negatively impacted by a perceived lack of action on climate change.
Acute weather events	Climate change (e.g., temperature rise) 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.	Increased indirect operating costs and loss in revenue	Short term	Through its System Operations Control (SOC), Air Canada monitors acute weather events to ensure a safe operation and to plan and respond to potential disruptions in service. Air Canada also established a Climate Change Risks Management and Adaptation workstream in 2022 to further assess and evaluate this risk and potential responses for climate adaptation of our operations.

Risks		Potential financial impact	Horizon	Management method
Chronic weather events	Climate change could create changes in the ecosystem of tourist destinations, which could result in a shift away from certain travel destinations.	Decreased revenues due to reduced demand for products and services	Long term	Through SOC, 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 builds in scheduling assumptions where regular seasonal weather events negatively impact customer travel. Network Planning also monitors annual weather occurrences to evaluate new chronic weather patterns that could affect customer bookings. Air Canada will continue to assess and evaluate this climate risk and potential response through its Climate Change Risks Management and Adaptation working group.

Climate-related opportunities

Opportunities		Potential financial impact	Horizon	Management method
Our activities in seeking to adapt or mitigate the effects of climate change may create the opportunities noted below:				
Fleet efficiency	Use of more efficient aircraft: Air Canada's new, more fuel-efficient fleet will help mitigate the intensity of its GHG emissions.	The actual impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Medium term	Air Canada's renewed and more modern fleet further advances Air Canada's fuel efficiency efforts. The carrier has permanently retired certain older and less fuel-efficient aircraft from its fleet, reducing Air Canada's cost structure and helping mitigate its carbon footprint. Air Canada is acquiring extra long-range versions of the Airbus A321XLR aircraft, with deliveries expected to begin in 2025. This new aircraft type is anticipated to have a lower environmental impact than the aircraft it is replacing. The A220, A321 and Boeing 737 MAX aircraft will complete the renewal of Air Canada's narrow-body fleet. In 2023, Air Canada sourced 18 Boeing 787-10 Dreamliner aircraft and five additional 737 MAX 8s, continuing the transition to more modern aircraft. In 2023, Air Canada announced the acquisition of 18 Boeing 787-10 Dreamliner aircraft, contributing to our fuel-efficient fleet. In addition, in 2022, Air Canada entered into a purchase agreement for 30 ES-30 hybrid-electric regional aircraft, under development by Heart Aerospace of Sweden.
Use of low-carbon energy sources	Air Canada's participation, policy advocacy and investment in SAF research and development.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Medium term	Air Canada has supported the development of SAF in Canada and has committed to investing in SAF. Air Canada has engaged with government and other stakeholders to accelerate the research, development and establishment of a SAF supply chain in Canada, including as a founding member of C-SAF, a not-for-profit organization that wants to accelerate the commercial production and deployment of SAF in Canada.
Use of supportive policy incentives	Air Canada's participation, policy work and investment in SAF research and development.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Medium term	The Clean Fuel Regulation (CFR), published in June 2022, encourages production of Canadian sustainable and low-carbon aviation fuels in comparison with other renewable fuels and considers cost barriers. As a member of National Airlines Council of Canada (NACC), Air Canada supported 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. As of July 1, 2023, SAF is eligible to generate credits under the program.
Use of low-carbon energy sources	Although these facilities make up a small fraction of our overall emissions, Air Canada is actively including renewable energy sources like renewable natural gas (RNG) and renewable electricity certificates (RECs) and is evaluating energy transition measures for its facility operations.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Short term	Air Canada's Renewable Energy Taskforce identifies opportunities to reduce GHG emissions from facilities. Renewable natural gas in our Montréal-owned facilities was about 10 per cent of overall volumes in 2023, and we also began adding volumes in our owned facilities in Vancouver. In 2023, we began purchasing renewable energy certificates for all electricity consumption across Canada (except Quebec, B.C. and Manitoba, as their electricity carbon intensity is already low).

Opportunities		Potential financial impact	Horizon	Management method
Electrification of mobile equipment	Air Canada looks to adopt new technologies and innovative practices to reduce GHG emissions wherever available and feasible. Our focus includes the electrification of our fleet of ground support equipment, such as baggage tractors, although our ground operations make up a small fraction of our overall emissions.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Short term	Since 2022, we have engaged with many Canadian airport authorities to accelerate the installation of electric infrastructure like the deployment of charging stations to support our electrical ground support equipment (e-GSE) rollout across the country. Airports across Canada continued to roll out supporting infrastructure in 2024. For example, Vancouver Airport Authority installed 30 charging stations in 2023. Toronto Airport Authority currently has 35 units in its charging infrastructure, with plans to install additional units. Air Canada continues to move forward with investments in our ground operations as well. In 2023, 20 new e-GSE units were added to the fleet across Canada. The transition to e-GSE is accelerating in 2024 as supply chains for this equipment advance production.
Use of new technologies	Hydrogen, electric and hybrid aircraft technologies present a future opportunity for the aviation industry.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Long term	Although these products are not expected to come to market in a commercially meaningful way in the short or medium term, Air Canada remains actively involved in following these innovative technologies as they mature and looks to support the commercial scale-up while always promoting safety and performance. In 2022, Air Canada agreed to purchase 30 ES-30 hybrid-electric aircraft under development by Heart Aerospace in Sweden, subject to conditions including in relation to the design and specifications of the aircraft.
Development of new products or services through R&D and innovation	Air Canada looks to offer customers products and services to mitigate the impact of their flight.	The impact of this opportunity, which will depend on a variety of factors, has not been assessed or quantified financially.	Short term	Air Canada offers a voluntary program that allows travellers 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 support GHG mitigation projects. The Leave Less Travel Program offers corporate and cargo customers the opportunity to reduce or offset their business air travel or freight transportation with SAF's environmental attributes, carbon offsets or a combination of both. Corporate and cargo customers can also request a GHG emissions report of their business travel or freight transportation on Air Canada. As of December 31, 2023, Air Canada sold environmental attributes associated with about 2.4 million U.S. gallons of SAF. Air Canada is looking to expand its customer climate offerings of SAF and carbon offsets.

Climate scenario analysis

In 2009, we endorsed the global aviation industry climate action plan and targets to mitigate CO_2 emissions. International industry 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. These targets were established before the Paris Agreement was introduced, which underscores the goal to limit the global temperature increase to below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C.

The climate-science consensus was refined in the late 2010s, including with the release of the 2018 IPCC Special Report outlining the impacts of differences between a global heating rise of 1.5°C versus 2°C. In 2019, we began the development of our climate strategy, focusing on transitioning to a low-carbon economy and potential goals aligned with climate science. We considered Canada's climate commitments and the IPCC's latest guidance available at the time. Similar to IATA and ICAO goals, we concluded on the need for long-term and mid-term goals and to develop potential pathways to achieve these goals. These analyses were used as transition scenarios for our qualitative assessment.

Risk management

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. Risks that may be material to Air Canada are identified and monitored on an ongoing basis through Air Canada's Enterprise Risk Management (ERM) program, which provides insight on a regular basis to the Board of Directors through the Board's Audit, Finance and Risk Committee.

Board oversight

Risk management is an integral part of Air Canada's corporate governance. The Board of Directors has established board committees (Audit, Finance and Risk Committee; Safety, Health, Environment and Security Committee; Governance and Nominating Committee; and Human Resources, Compensation and Pension Committee) to assist in the oversight responsibilities.

Risk information is reviewed by the Board or the relevant Board committee on a quarterly basis. 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 that seek to monitor/control and mitigate those exposures to satisfy themselves as to the effective risk management of the individual risks. These processes seek to appropriately mitigate rather than eliminate risk.

The Audit, Finance and Risk Committee is responsible for the oversight of the ERM program and the work carried out by the Corporate Audit and Advisory department, as stated in its committee charter.

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.

Risk management framework and structure

Air Canada's enterprise risk management framework has been developed to support governance and oversight over Air Canada's most important strategic risks and is aligned to the ISO 31000 standard and COSO ERM 2017 framework.

Policies and processes are in place to review other risks such as security, fraud, cybersecurity, privacy, environment and fuel price.

Sound business practices and ethical behaviour are also fundamental to Air Canada's risk governance culture. Air Canada has in place (and updates, as required) a Corporate Policy and Guidelines on Business Conduct (Code of Conduct), which sets out guiding principles and ethical standards that apply to all of Air Canada's corporate activities. A confidential, anonymous reporting process and ethics committee are also in place to oversee adherence to the Code of Conduct.

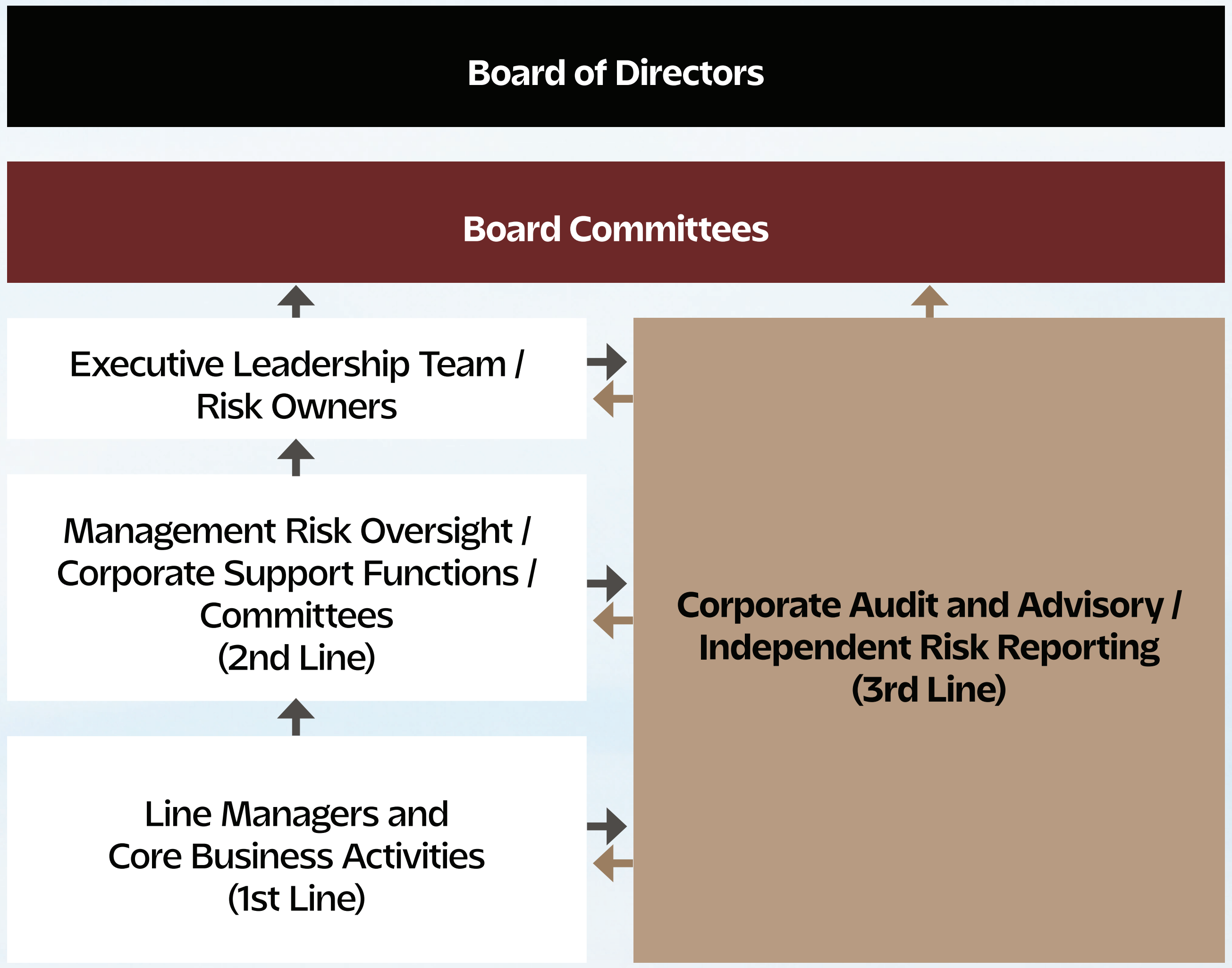
Air Canada's risk management structure is aligned with the "Three Lines Model" approach to risk management:

First line — Business functions are expected to integrate risk management when performing their day-to-day core commercial and operational activities.

Second line — Support functions establish policies, provide guidance and expertise and risk oversight (e.g., Safety, Security, Legal and Compliance, Finance/Treasury/Tax, Sourcing and Procurement, Government Affairs, People, Environment, IT Operations and Cybersecurity).

Third line — Corporate Audit and Advisory department provides an independent and objective perspective on Air Canada's governance, risk management practices and controls.

Air Canada's ERM and governance structure is as follows:



Although the risk management framework described in this section is aligned with industry best practices, there can be no assurance that it will be sufficient to prevent the occurrence of events that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.

As Canada's largest airline, we align with industry standards and are aiming to measure our impacts, where reasonably possible.

From 2007 to 2023, information on Air Canada's carbon footprint, targets and climate strategy was reported through the CDP. Established in 2000, the CDP is a global disclosure system used to help investors, companies, states, regions and cities manage their environmental impacts. The CDP questionnaire incorporates elements of the TCFD framework. To access Air Canada's latest CDP response, visit www.cdp.net. We have engaged PricewaterhouseCoopers LLP to perform an independent, limited assurance engagement on certain 2023 indicators, including the Scope 1 and Scope 2 emissions contained in this summary. For information regarding the scope of the assurance and statement, please read the limited assurance report. For information regarding the standards, methodologies, assumptions and calculation tools used to compile the metrics disclosed in this report, please read Air Canada's GRI Charts. 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.

Historical emissions data

Gross direct (Scope 1) GHG emissions

	Unit	2019 (baseline)	2023	2022	2021	2020
Electricity, heating, cooling and steam generation	tCO_2e	31,416	26,671	26,678	23,141	25,086
Transportation of materials, products, waste, employees and passengers (including jet fuel)	tCO_2e	13,158,608	11,321,894	9,470,056	4,883,689	5,001,467
Fugitive emissions	tCO_2e	499	823	416	736	537
Biogenic tCO_2 emissions (SAF)	tCO_2e	-	16,078	5,686	-	-
Total gross direct GHG emissions	tCO_2e	13,190,523	11,365,466	9,502,836	4,907,566	5,027,090

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 metrics and targets. Air Canada's 2023 Scope 1 GHG emissions are covered by the limited assurance report of PricewaterhouseCoopers LLP.

Gross direct (Scope 2) GHG emissions (location-based)

	Unit	2019 (baseline)	2023	2022	2021	2020
Electricity	tCO_2e	11,481	6,125	8,404	6,942	9,415
Total gross indirect emissions (restated)	tCO_2e	11,481	6,125	8,404	6,942	9,415
Total gross indirect emissions (historical)	tCO_2e	10,489	-	8,705	7,144	10,139
Variance (restated compared to historical data)	tCO_2e	992	N/A	-301	-202	-724

Air Canada's 2023 Scope 2 GHG emissions (location-based) are covered by the limited assurance report of PricewaterhouseCoopers LLP.

Gross direct (Scope 2) GHG emissions (market-based)

	Unit	2019 (baseline)	2023	2022	2021	2020
Electricity	tCO_2e	11,481	3,017	8,404	6,942	9,415
Total gross indirect emissions	tCO_2e	11,481	3,017	8,404	6,942	9,415

Air Canada's 2023 Scope 2 GHG emissions (market-based) are covered by the limited assurance report of PricewaterhouseCoopers LLP.

Air Canada is dedicated to improving its data quality and accuracy on a continual basis. In 2023, some changes related to the methodology, emission factors and global warming potentials were made to improve and update historical data. More information is available in Air Canada's GRI charts at www.aircanada.com/citizensoftheworld.

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 market-based methods, with the operational control approach to ensure consistency across its global network.

Gross direct (Scope 3) GHG emissions

Gross other indirect (Scope 3) GHG emissions	Unit	Baseline (2019)	2023	2022	2021	2020
Upstream scope 3 emissions	tCO_2e	1,605,161	937,417	1,006,648	566,627	569,722
Category 1 - Purchased goods and services	tCO_2e	1,605,161	937,417	1,006,648	566,627	569,722
Category 2 - Capital goods	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 3 - Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 4 - Upstream transportation and distribution	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 5 - Waste generated in operations	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 6 - Business travel	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 7 - Employee commuting	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 8 - Upstream leased assets	tCO_2e	NA	NA	NA	NA	NA
Downstream Scope 3 emissions	tCO_2e	8,860	5,271	6,554	6,675	8,086
Category 9 - Downstream transportation and distribution	tCO_2e	NA	NA	NA	NA	NA
Category 10 - Processing of sold products	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 11 - Use of sold products	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 12 - End-of-life treatment of sold products	tCO_2e	TBD	TBD	TBD	TBD	TBD
Category 13 - Downstream leased assets	tCO_2e	8,860	5,271	6,554	6,675	8,086
Category 14 - Franchises	tCO_2e	NA	NA	NA	NA	NA
Category 15 - Investments	tCO_2e	TBD	TBD	TBD	TBD	TBD
Total gross indirect GHG emissions	tCO_2e	1,614,021	942,688	1,013,202	573,302	577,807

Notes: TBD means "To be determined (currently under investigation)" and NA means "Not applicable to Air Canada."

Air Canada's Scope 3 emissions relate to certain emissions from third parties engaged in its operations (e.g., 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. Air Canada's Scope 3 GHG emissions are not covered by the limited assurance report of PricewaterhouseCoopers LLP.