

TCFD-aligned report

Talon Air



Details

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Acronyms and abbreviations

CO ₂	carbon dioxide
CO ₂ e	carbon dioxide equivalent
GHG	greenhouse gas
RCP	Representative Concentration Pathway
SAF	Sustainable Aviation Fuels
TCFD	Task Force on Climate-Related Financial Disclosures
US	United States





Introduction

Ensuring customer satisfaction and safety, as well as maximising revenue generation for everyone participating in Talon Air's air charter programmes, is the highest priority for Talon Air. To ensure that these objectives are met, it is important to assess how risks related to climate change might impact business strategy. To this end, Talon Air undertook a climate scenario analysis following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time in 2022.

Created in 2017 and spearheaded by Mark Carney and Michael Bloomberg with the endorsement of more than 1000 stakeholders, the TCFD framework seeks to guide organisations in disclosing relevant information about how climate change might impact their business strategies, particularly in the areas of governance, strategy, risk management, and targets and metrics.

The purpose of the climate scenario analysis – carried out with support from an external consultant – was to identify and analyse the impact of relevant climate-related risks and opportunities, but also to review the existing governance structures and processes the company already has in place to manage the respective issues.

The outcomes of the climate risk scenario analysis, as well as a short description of the methodology and key assumptions underpinning the analysis, are disclosed in the first section of the report.

The second section of this summary report provides an overview of the governance and risk management processes followed by Talon Air to identify, assess, and manage all relevant risks, including, to some extent, climate change-related risks.

The final section of the summary report provides an overview of the metrics and targets adopted by the company, including a summary of the greenhouse gas (GHG) emissions by scope, and the initiatives Talon Air has in place to reduce emissions and implicitly the exposure to climate risks.





Strategy

The possible impacts of climate change-related risks on Talon Air were assessed by exploring various climate scenarios.

Talon Air is headquartered in New York City. Although it offers charter flights throughout North America, its operations are concentrated in the United States (US).

The analysis evaluated the impacts that both physical and transition risks might have on Talon Air, particularly in the medium (2030) and long term (2050).

A climate scenario analysis was carried out to understand how climate change might impact Talon Air, with a focus on the company's operations in the US.

The following scenarios were considered for the analysis:

Table 1: Scenarios considered for the climate risk assessment

Risk type	Scenario
Physical risks	RCP 8.5, a high-impact scenario The Representative Concentration Pathway (RCP) 8.5 assumes that the GHG emissions will continue rising at today's rate until the end of the century, with little mitigation efforts. Under this scenario, significant increases in the frequency and intensity of extreme weather events are projected to occur already by the middle of the century.
	A business-as-usual scenario This scenario models the implications that the current and announced policies would have on the energy sector in the next decades.
Transition risks	A below 2°C scenario In line with the Paris Agreement, this scenario explores what policies, technologies, and market changes would need to be put in place to reach the goal of limiting the global temperature rise to well below 2°C by the end of the century compared to pre-industrial levels.

Talon Air is not only a private jet charter company, but it also operates, maintains, and staffs a fleet of private jets; the company is thus directly exposed to climate change-related risks. Physical risks such as tropical cyclones and heavy precipitation might damage the airport infrastructure, cause delays, and disrupt Talon Air's operations. New policies in the area of carbon pricing could increase the operating costs for the company. An overview of how such risks might impact Talon Air is provided below.



2.1 Key findings: physical risks

The physical risks selected for the scenario analysis were extreme temperatures, flooding, tropical cyclones / windstorms, convective weather, and clear air turbulence / wind shear.

country, which might increase the costs associated with aircraft maintenance. Under the RCP 8.5 scenario, these types of weather hazards are expected to become more severe and more frequent, especially in the long term.

It was found that heat waves are projected to become more frequent and severe, particularly in urban areas such as New York. At the same time, more frequent extreme precipitation events, along with storms and sea level rise, might in turn increase the intensity and frequency of riverine and coastal flooding. Considerable damage to the airport infrastructure and disruptions in flight operations might occur as a result of these events.

The figure below shows which physical risks are expected to change the most, and their potential impacts on Talon Air.

A qualitative rating was assigned, ranging from low to high, which reflects the future changes in the frequency and / or severity of the hazard from current conditions. The figure summarises the climate risk ratings for each risk under a RCP8.5 scenario for a long-term horizon.

More intense tropical cyclones and convective weather might also cause delays and interruptions in flight operations. In the US, an increase in thunderstorms is projected in the central and south-eastern half of the

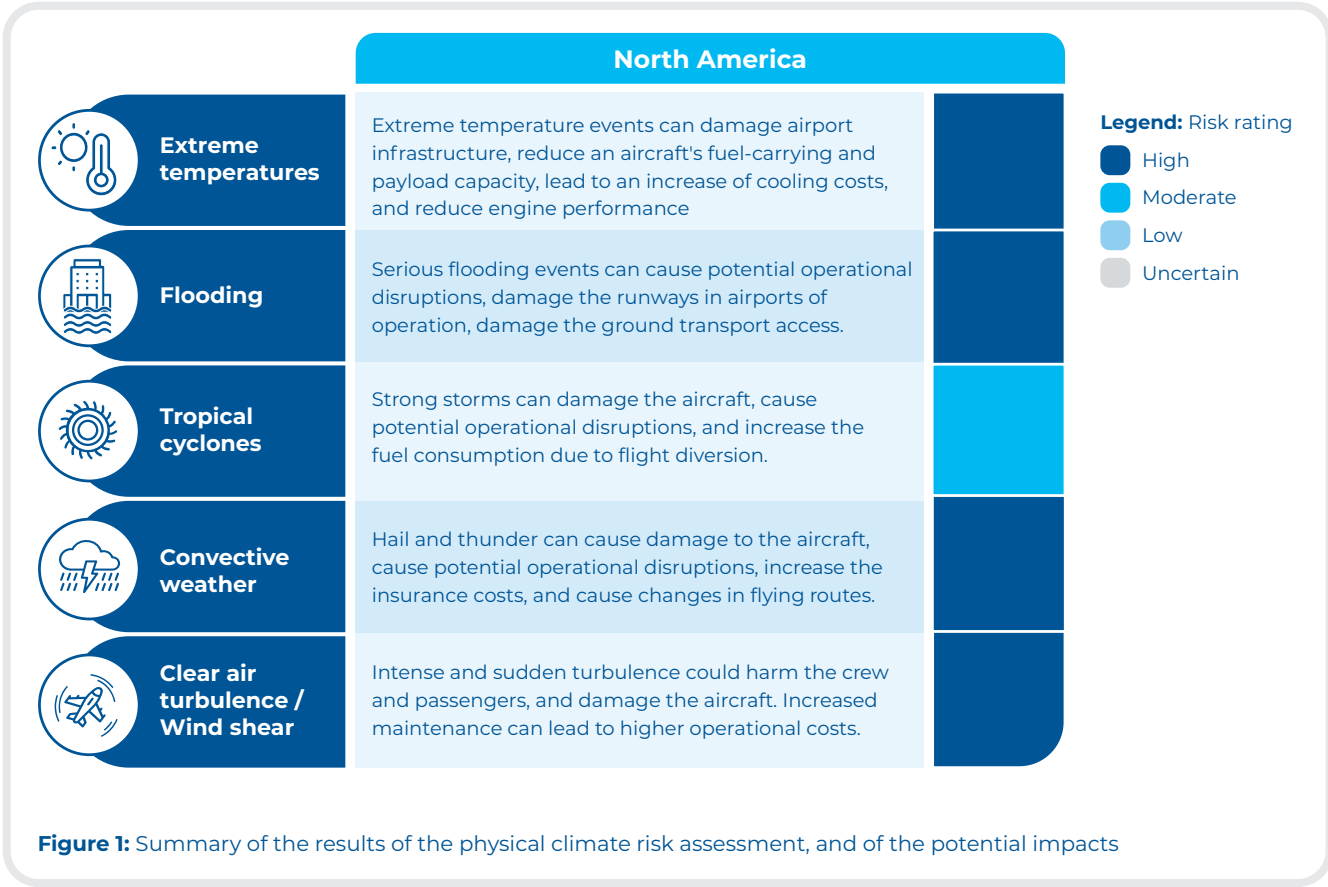


Figure 1: Summary of the results of the physical climate risk assessment, and of the potential impacts

2.2 Key findings: transition risks

The transition risks evaluated related to changes in customer preferences and behaviour, reduced demand for air travel due to rising flight costs, the carbon pricing risk, and changes in the market of biofuels.

Customer preference for flying is expected to shift to alternative, low-carbon modes of transportation, particularly in advanced economies such as the US. This trend is projected to become more pronounced in a below 2°C scenario, although certain technologies developments, if adopted on a commercial scale, might reduce the emission intensity of flights and reverse this trend.

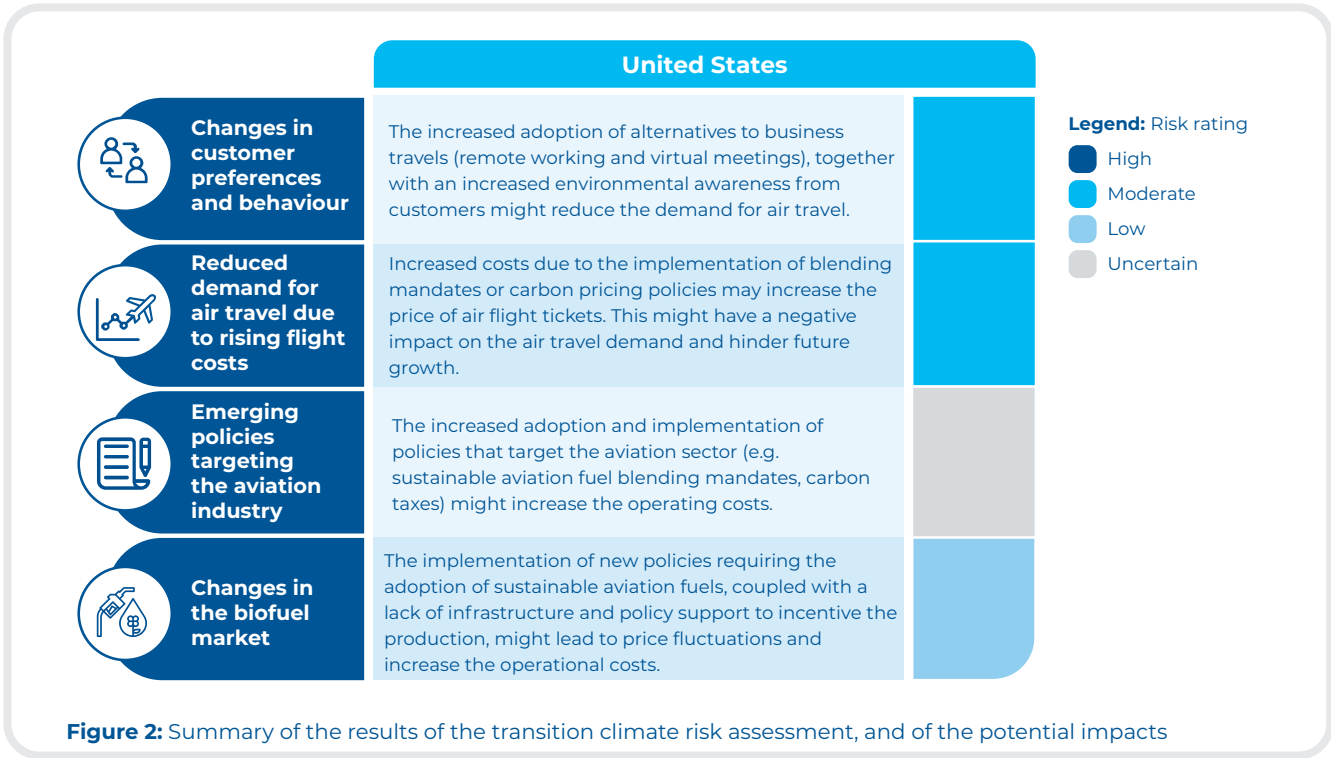
Another factor that could reduce the demand for air travel might be higher ticket costs. Some of the sources reviewed project an increase of up to 10% in the price of air tickets due to carbon taxes or policies that require the adoption of sustainable aviation fuels (SAFs). The changes are more significant in a below 2°C scenario, as stronger support for alternative means of transport, such as high-speed rail systems, is expected in a scenario with a higher level of climate ambition. However, in the US specifically, the adoption of high-speed rail systems is expected to take place at a slower pace than in other advanced economies that already have adequate infrastructure and policy support.

In regard to risks deriving from emerging policies targeting the aviation industry, currently in the US the existing carbon pricing schemes are implemented at a state level, and do not include the aviation industry. This is not expected to change significantly in the short term, and the evolution in the medium term is uncertain.

Concerning the risk related to changes in the market of biofuels, strong policy support to incentivise the adoption of SAFs has been announced by the US government. This might reduce the price volatility of biofuels as well as the production costs, facilitating the adoption of SAFs by the aviation industry in the medium term. For example, the Sustainable Aviation Fuel Grand Challenge initiative launched in 2021 in the US set as a goal the production of three billion gallons of sustainable fuel by 2030, with the aim of further driving emission reductions in the aviation industry.

The figure below reflects how the transition risks are expected to change in a below 2°C scenario, and their potential impacts on Talon Air.

The risk rating took into account the strength and direction of the change relative to current conditions. The figure summarises the climate risk ratings for each risk in a below 2°C scenario for a medium-term horizon.



Governance and Risk Management

Existing governance structures
and risk management processes to
support the further integration of
climate-related risks

Vista governance structures and risk management processes, including in relation to sustainability and climate issues, are applicable to Talon Air and to all entities in which Vista has a significant investment.

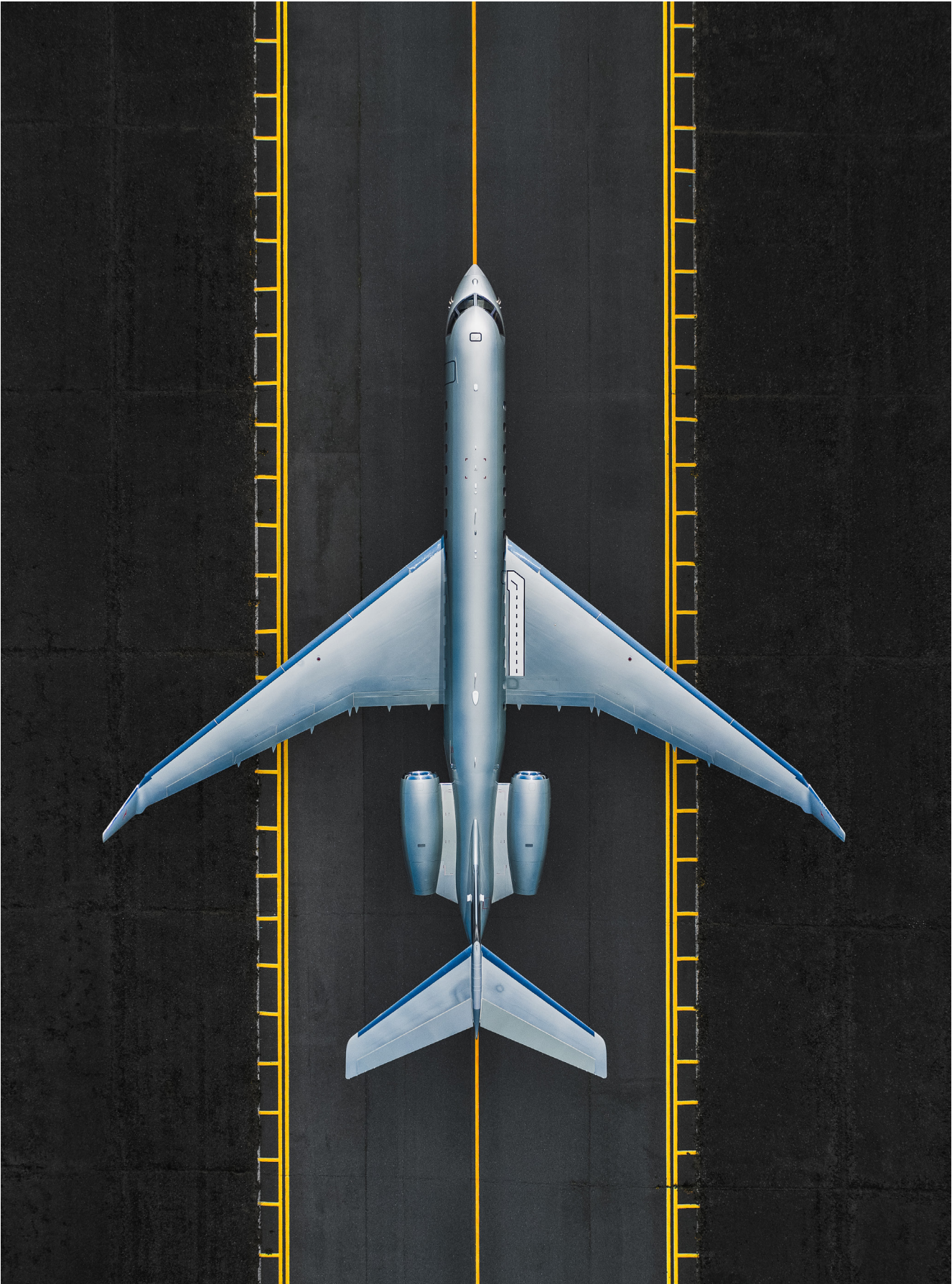
A summary of the responsibilities and roles within Vista that relate to safety, risk management, and sustainability is provided below.

Table 2: Responsibilities and roles relating to safety, risk management, and sustainability

Department	Responsibilities and roles
Executive Committee	<ul style="list-style-type: none">Oversees climate-related issuesMonitors responsibilities linked to risks and opportunitiesApproves the company’s climate strategy and targets
Sustainability Department	<ul style="list-style-type: none">Monitors the climate strategy and targetsSupports the development of the GHG inventoryCoordinates the reporting activities regarding sustainability and climate change issues
Safety Review Board	<ul style="list-style-type: none">Evaluates the status of the implementation of safety policies, including policies relating to weather hazardsDefines safety performance indicatorsReviews the hazard identification and mitigation processes
Safety Action Group	<ul style="list-style-type: none">Provides updates on the risk assessments performedCoordinates the implementation of actions related to safety risk controlsAssesses the safety impact of operational changes or new technologies

The risks relating to market and compliance requirements as well as risks that concern weather hazards are closely monitored to ensure that there are strategies in place to respond to such issues. For more

information about Vista risk management process, please refer to the [VistaJet 2021 TCFD-aligned Report](#).



Metrics and Targets

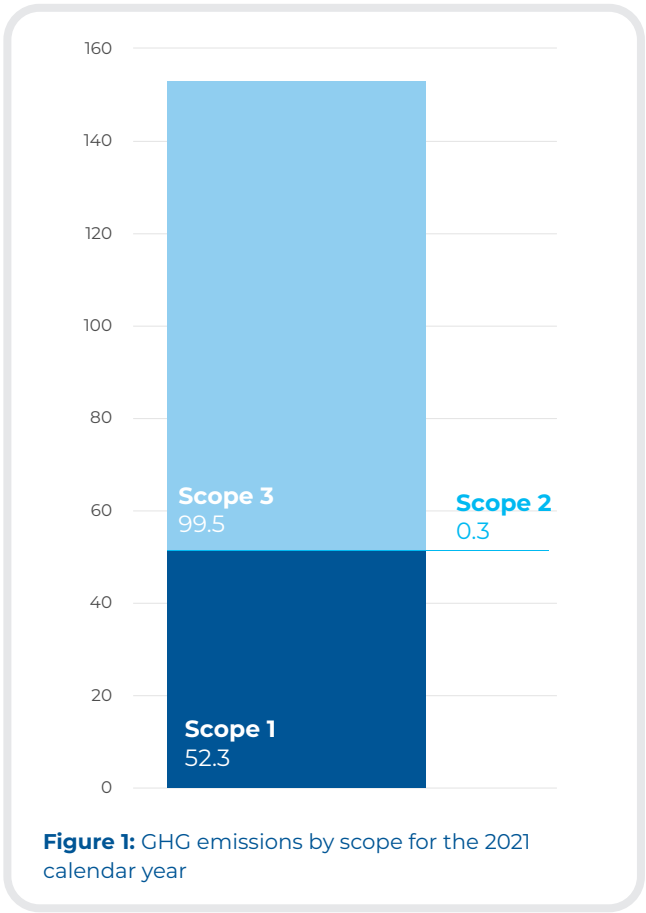
Measuring emissions and establishing initiatives to reduce them is key to addressing the risks related to climate change.

Starting from 2022, Talon Air is set to conduct GHG inventories following the guidelines of the ‘The Greenhouse Gas Protocol: GHG Protocol: A Corporate Accounting and Reporting Standard, Revised Edition’ (GHG Protocol) and the complementary ‘Corporate Value Chain (Scope 3) Accounting and Reporting Standard’.

In line with best practices, Talon Air has started to report its Scope 1, Scope 2 and Scope 3 emissions from the 2021 calendar year.

Table 3: Scope 1, Scope 2 and Scope 3 definitions based on the GHG Protocol

Scope	Description
Scope 1	Emissions directly generated from sources owned or controlled by the company
Scope 2	Emissions generated by the generation of purchased electricity
Scope 3	Emissions indirectly generated as a result of the activities of the company from sources that the company does not own or control



Talon Air’s total carbon footprint for the year 2021 was estimated at 152,034 tonnes of carbon dioxide equivalent (tCO2e). Both direct and indirect emissions were measured, and a breakdown by scope (Scope 1, Scope 2 and Scope 3) can be seen in Figure 3. Scope 3 has the highest contribution to the overall GHG emissions, accounting for 65.46% of the total footprint, followed by Scope 1 with 34.42% and Scope 2 with 0.12%.

An important aspect of Talon Air’s business model is aircraft repair and maintenance, and refurbishments, which extends the lifetime of an aircraft while ensuring its optimal performance. This has a positive impact on sustainability as it enables a lower use of resources that would be needed to produce a new aircraft. Furthermore, as part of its charter operations, Talon Air gives customers the possibility to book discounted “empty leg” flights (those routes that have no scheduled passengers on board) which reduces unnecessary carbon emissions caused by flying empty aircraft to a destination.





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