TCFD-aligned report
XOJET Aviation

south pole

XOJET AVIATION

Details

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Acronyms and abbreviations

CO_2	carbon dioxide
CO_2e	carbon dioxide equivalent
EU	European Union
GHG	greenhouse gas
RCP	Representative Concentration Pathway
SAF	Sustainable Aviation Fuels
TCFD	Task Force on Climate-Related Financial Disclosures
US	United States

01

Introduction

As one of the largest private jet companies in North America, offering services to customers' preferred destinations around the world, it is key for XOJET Aviation to understand how climate change could impact its business strategy in order to mitigate and adapt to the risks related to climate change. To this end, XOJET Aviation undertook a climate scenario analysis following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), for the first time in 2022.

01 Introduction

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 XOJET Aviation 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 XOJET Aviation has in place to reduce emissions and implicitly the exposure to climate risks.

02

Strategy

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

XOJET Aviation's operations are concentrated in North America, Europe, and Asia, with flights also operated in Australia, South America and to a lesser extent, Africa.

The physical risk analysis focused on how climate change-related risks might impact XOJET Aviation in all these regions, while the transition risk analysis focused on key developments in the United States (US), European Union (EU) and at a global level. The climate scenario analysis evaluated how the risks might materialise in the medium (2030) and long term (2050).

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.
Transition risks	**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. **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.

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.

The analysis found that extreme temperature events, such as heat waves, are projected to become more frequent and intense in all the six regions. Severe and prolonged heat waves can compromise the aircraft performance and cause runway damage, suspending flight operations.

Tropical cyclones / windstorms, as well as extreme precipitation events that might exacerbate the risk of flooding, are projected to occur more frequently in all regions except Africa. These hazards might disrupt the flight operations and damage airport infrastructure.

The analysis found the largest increase in risk of convective weather in North America and Europe, while clear air turbulence / wind shear is projected to become more common and severe in Australia and South America, in addition to North America and Europe.

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

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.

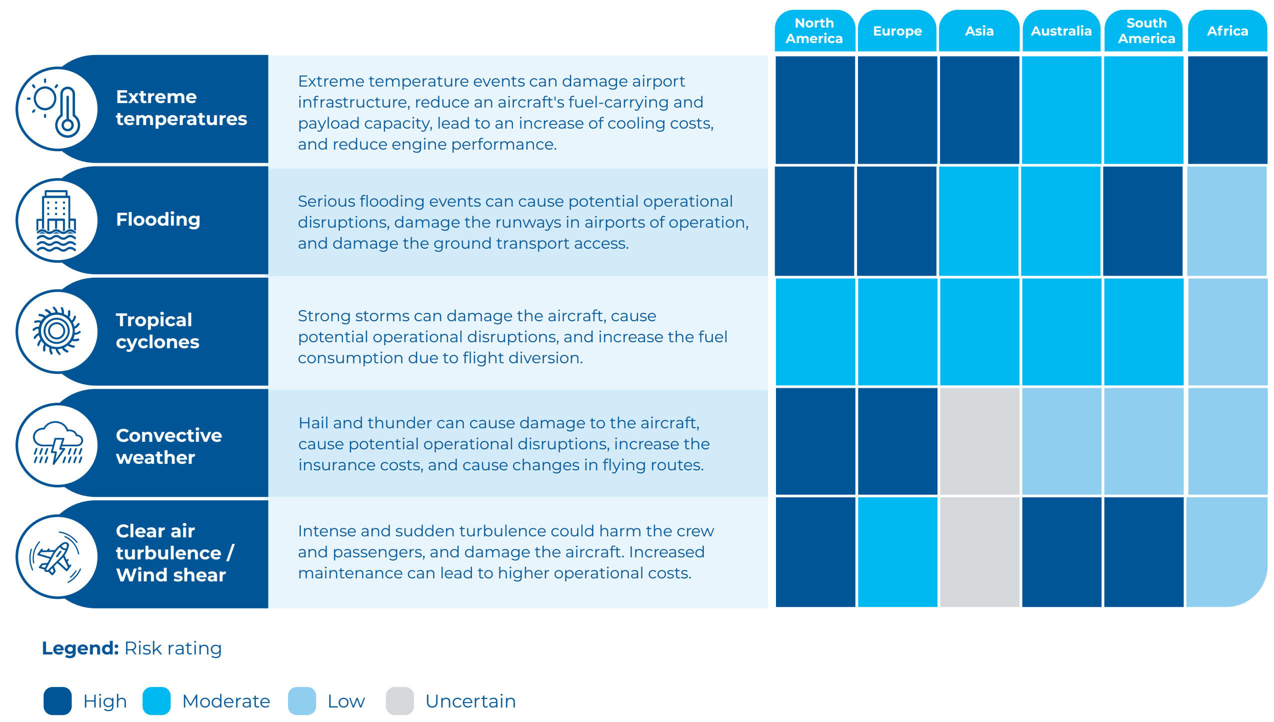


Figure 1: Summary of the results of the physical climate risk assessment, and of the potential impacts

2.2 Key findings: transition risks

The transition risks analysed included issues related to changes in customer preferences and behaviour, reduced demand for air travel due to rising flight costs, and carbon pricing risk, as well as changes in the biofuel market.

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

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. Such changes are expected to take place particularly in regions with existing infrastructure in place to accelerate the adoption of high-speed rail systems, for example in the EU. In the US, the adoption of high-speed rail systems is expected to take place at a slower pace due to a lack of adequate infrastructure, policy support and incentives.

The carbon pricing risk varies greatly depending on the region. In the US, existing carbon pricing policies are implemented at a state level and do not cover the domestic aviation market. Whether this will change or not in the future is uncertain in both scenarios. However, the EU Emission Trading System does cover the aviation industry, and the carbon price is projected to increase significantly in a below 2°C scenario compared with a business-as-usual scenario. Moreover, the Carbon Offsetting and Reduction Scheme for International Aviation, which covers international flights, is expected to become mandatory after 2027. An increase in operation costs as a result of these policies could make certain flight operators pass on the costs, increasing the price of the tickets, consequently impacting the demand.

Strong policy support to incentivise the adoption of SAFs has been announced by both the US and the EU. 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, to further drive emission reductions in the aviation industry. In the EU, the ReFuelEU Aviation initiative, if adopted, would also increase the uptake of SAFs by the aviation industry. Such initiatives would reduce the price volatility of biofuels as well as the costs, reducing XOJET Aviation's exposure to the risk in both scenarios. Apart from the US and EU, no other regions or countries have announced policy support for SAFs, which could result in supply challenges for XOJET Aviation for some routes, especially in a business-as-usual scenario.

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

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.

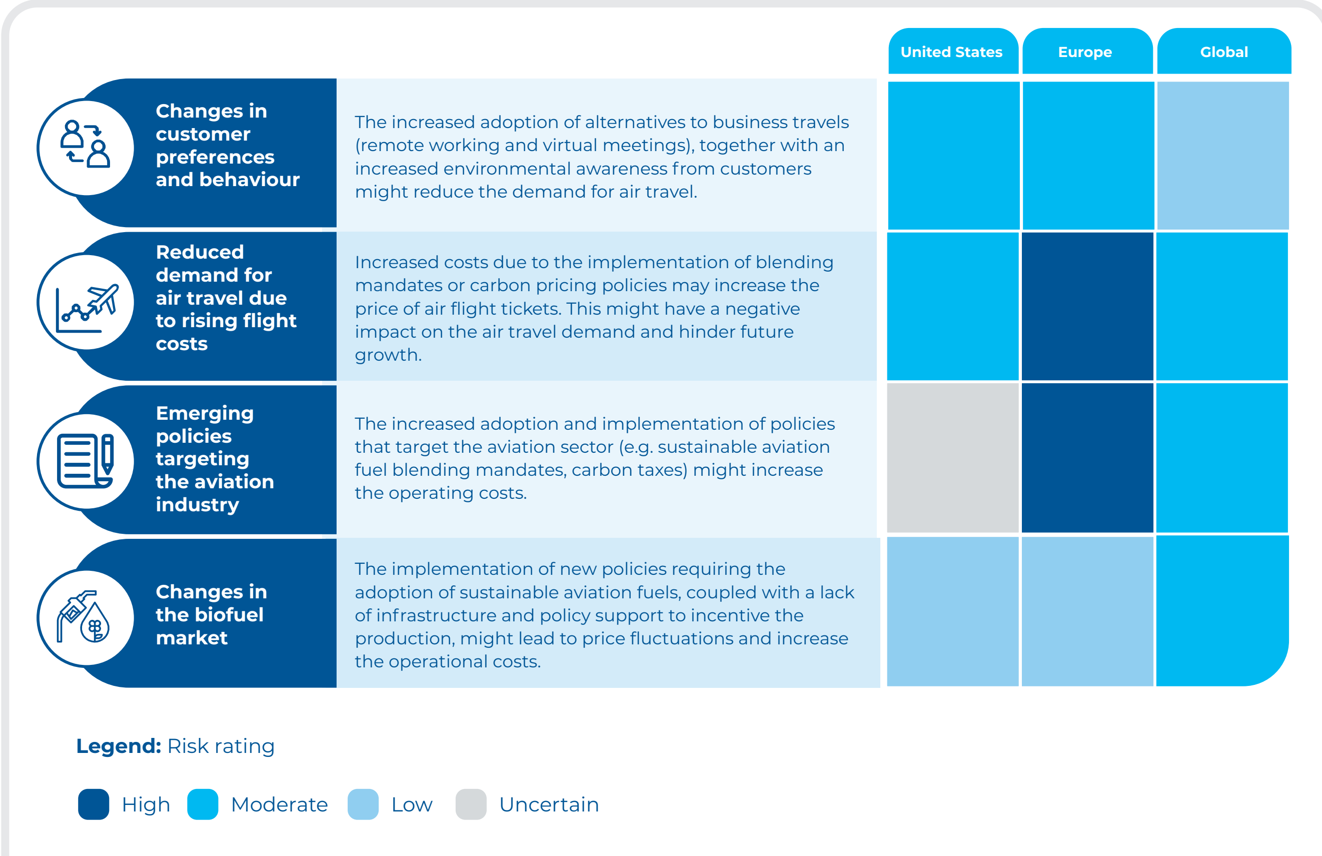


Figure 2: Summary of the results of the transition climate risk assessment, and of the potential impacts

03

Governance and Risk Management

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

03 Governance and Risk Management

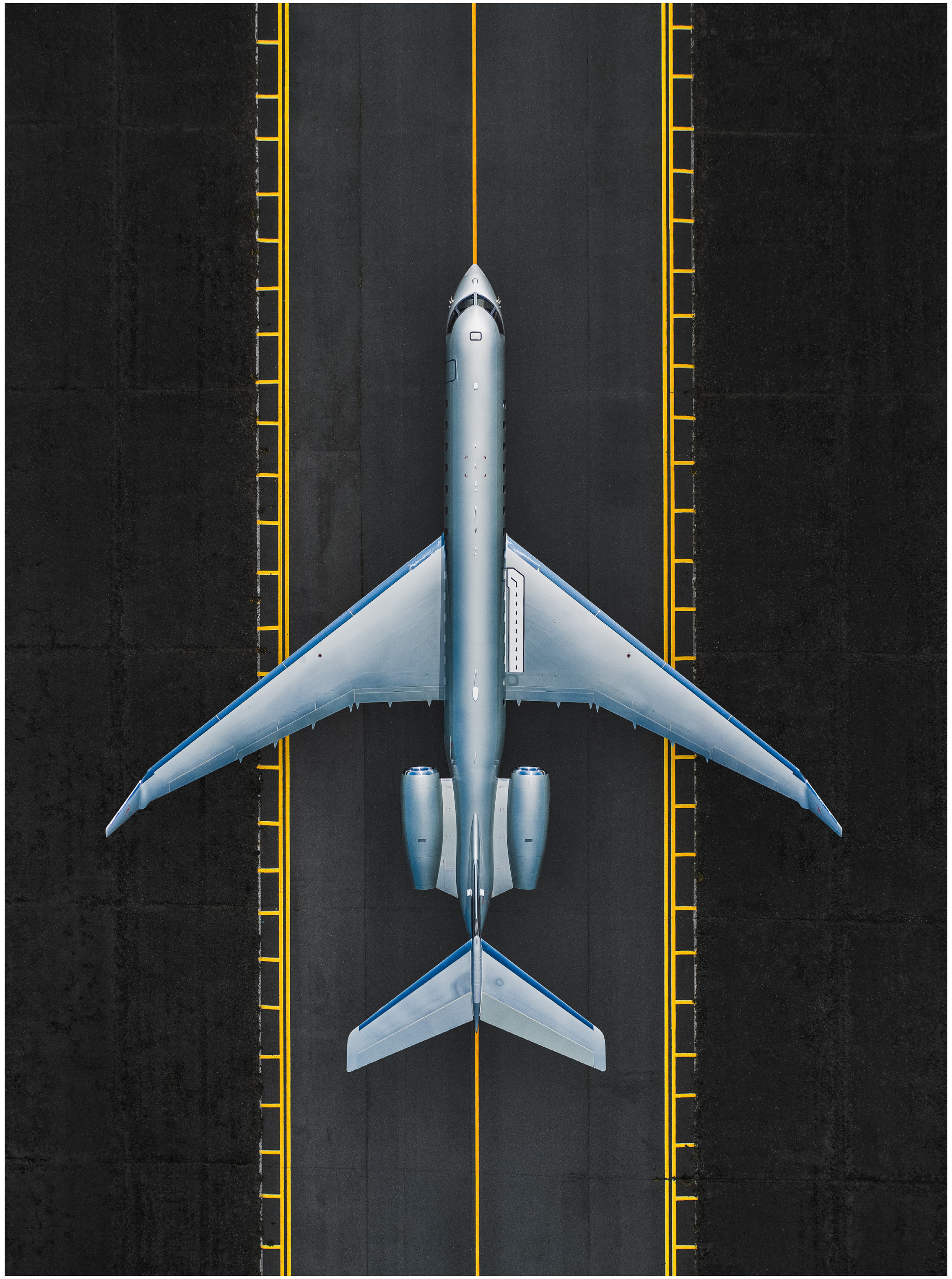
Vista governance structures and risk management processes, including in relation to sustainability and climate issues, are applicable to XOJET Aviation and to all entities in which Vista has a significant investment.

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	• Oversees climate-related issues • Monitors responsibilities linked to risks and opportunities • Approves the company's climate strategy and targets
Sustainability Department	• Monitors the climate strategy and targets • Supports the development of the GHG inventory • Coordinates the reporting activities regarding sustainability and climate change issues
Safety Review Board	• Evaluates the status of the implementation of safety policies, including policies relating to weather hazards • Defines safety performance indicators • Reviews the hazard identification and mitigation processes
Safety Action Group	• Provides updates on the risk assessments performed • Coordinates the implementation of actions related to safety risk controls • Assesses 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.



04

Metrics and Targets

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Starting from 2022, XOJET Aviation 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, XOJET Aviation 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

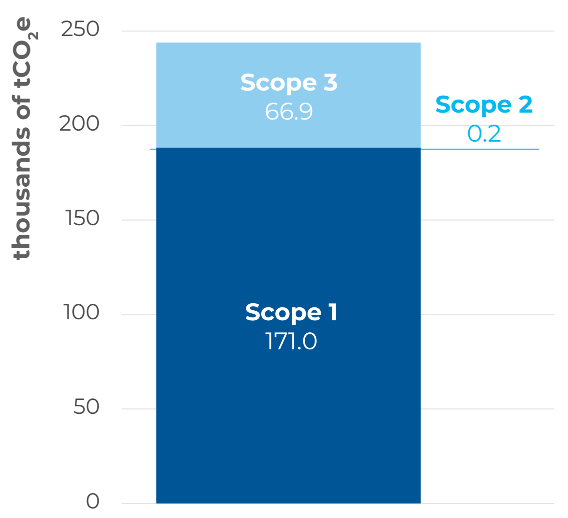

Figure 3: GHG emissions by scope for the 2021 calendar year

XOJET Aviation's total carbon footprint for the year 2021 was estimated at 238,010 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 1 has the highest contribution to the overall GHG emissions, accounting for 71.83% of the total footprint, followed by Scope 3 with 28.11% and Scope 2 with 0.07%.

As part of its services, XOJET Aviation offers bespoke aircraft management solutions for both corporations and individuals. As a result of these solutions focused on optimizing the flight operations, considerable fuel savings are achieved.

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