



# Committed to a sustainable future amid a global pandemic

*Corporate Sustainability  
Progress Report*

*May 18, 2021*



**TSX: CHR**



# Message from our President and CEO



I am confident that the work we have done in the last few years to solidify and diversify our business has positioned us well to manage through these challenging times and for years to come. As vaccines are rolled out and new testing capabilities continue to emerge, we look at the year ahead with renewed hope and optimism about the future of the aviation industry. Meanwhile, we remain focused on ensuring the safety of our people and customers, maintaining appropriate liquidity levels, strengthening our relationships with customers, and positioning Chorus for the future.

There have been other defining moments amid this pandemic. The past year has shone a light on many social injustices. At Chorus, we see a growing need to focus on inclusion, mental health support, the importance of community, and appreciation for the values of respect and kindness.

We are committed to building a sustainable and more inclusive future, while continuing to focus on improving our transparency and accountability in relation to environmental, social and governance (ESG) issues. As part of our efforts to take a more effective approach to ESG management, Chorus' Board of Directors has recently assigned primary responsibility for the oversight of Chorus' ESG strategy and reporting to the Board's Governance, Safety and Sustainability Committee.

Chorus management has also established a Corporate Sustainability Steering Committee and a Corporate Sustainability Working Group. Led by Chorus' Executive Vice President and Chief Strategy Officer, the Steering Committee is responsible for the approval and delivery of Chorus' corporate sustainability strategy and areas of focus and provides direction to the Working Group.

The Corporate Sustainability Working Group is comprised of subject-matter experts from diverse functions within the Chorus group of companies. This Working Group is tasked with developing and updating the Chorus corporate sustainability plan, implementing and monitoring the company's ESG initiatives, and reporting on the progress of these initiatives to the Steering Committee.

Over the past year, the pandemic and issues of social injustice have amplified the need for change. These events reinforce Chorus' view that a long-term, sustainable approach centred around the rigorous management of ESG issues is more important than ever - not only to the success of our company, but also for the betterment of our communities and preservation of the planet we all share.

Joseph D. Randell

The worst pandemic in a century devastated the world in 2020, and the airline industry was hit especially hard. The purpose of this update is to provide our stakeholders with an overview of the pandemic's impact on Chorus and the actions we have taken to mitigate the impact of the COVID-19 pandemic on our business and position Chorus for recovery.

The COVID-19 pandemic and the resulting government restrictions have created unprecedented challenges for the passenger aviation industry worldwide. Even though Chorus' business model does not directly expose it to the market risks ordinarily faced by airlines, substantially all its source revenue is derived from airline customers, through its capacity purchase agreement (CPA) with Air Canada and its leasing of aircraft to airline customers globally.

The impact on our employees, our customers, and the communities we serve has been significant. Decreased passenger travel demand for aviation services caused by onerous travel restrictions and health concerns relative to COVID-19 reduced Chorus' Jazz operations significantly, as well as for our aircraft leasing customers around the world, and challenged our ability to transition our Voyageur crews to and from international humanitarian air service bases.

Despite extended periods of great stress and uncertainty, Chorus employees have shown incredible energy, resilience, and commitment in maintaining the safety and integrity of our operations. I commend them for their determination to ensure we weather this crisis.

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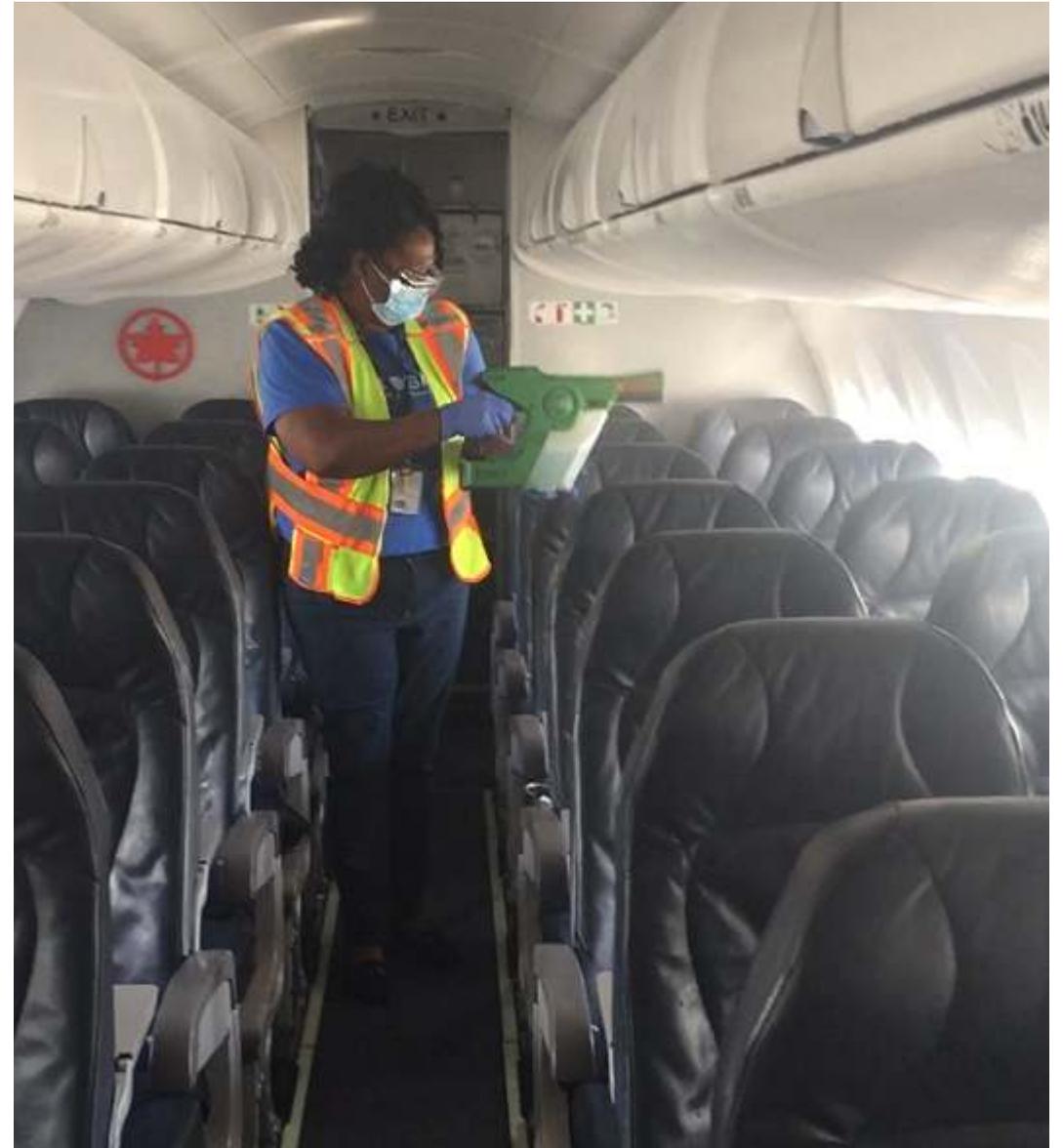


# Keeping our customers and employees safe

Chorus' priority, first and foremost during the COVID-19 pandemic, has been the safety of our employees and customers. Chorus' subsidiaries, Jazz and Voyageur, implemented pandemic business continuity plans to safeguard critical operations and protect employees and travellers from the threat of COVID-19.

Jazz implemented Air Canada CleanCare+ on all its Air Canada Express flights. The program is designed to reduce the risk of exposure to COVID-19 through measures such as enhanced aircraft grooming, mandatory preflight customer temperature checks and mask wearing, in addition to required health questionnaires and providing all customers with care kits for hand sanitizing and hygiene. Our safety protocols also include the provision of enhanced personal protective equipment for airport agents and crews, and the reinforcement of safety practices such as frequent handwashing.

Since the onset of the pandemic, both Jazz and Voyageur have been managing our pandemic response, developing protocols and procedures as required, and keeping employees informed with new developments. We implemented protocols to enhance the safety of our workforce at all company facilities, including face coverings, social distancing, increased personal protective equipment measures and enhanced cleaning procedures. These guidelines are consolidated and updated in COVID-19 employee handbooks, tailored for each operation, for quick and easy reference. All employees are required to comply with the preventative measures, policies, and protocols outlined in their handbook.



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## Keeping our customers and employees safe (cont'd)

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Chorus enhanced flexible work options and provided many employees with the technology to continue their work from home, where feasible. In an effort to reduce the risk to employee workplace safety and to protect the integrity of our operations, employees in certain critical functions have been split into groups, each working from a different location. This approach has been particularly successful in Jazz's System Operations Control Centre (SOCC), the operational brain of the airline. Staffed on a rotating shift basis to provide operational coverage 24/7, SOCC supports the functions of flight dispatch, commercial operations, crew scheduling, payload, maintenance operations control, maintenance planning and materials coordination. Employees have been separated into two groups: one group at our primary SOCC at the Jazz Operations Centre, and a second group at the alternate SOCC located at the Chorus headquarters. The two locations mirror each other, making it a seamless experience for employees assigned to one workspace exclusively.

Social distancing requirements established in early 2020 had a tremendous impact on the mandatory annual recurrent training of Jazz pilots and flight attendants normally delivered in classrooms. Recognizing the need to continue training crew members in order to safeguard the essential operations conducted by Jazz, we moved quickly to develop online training material to conduct these training classes remotely. This program was successfully launched on April 2, 2020, following Transport Canada's approval, with over 100 virtual classes held by the end of last year.

Aviation is a highly regulated industry. Regulatory compliance requires that both Jazz and Voyageur conduct regular safety audits throughout their operations. The travel restrictions imposed due to the pandemic made it unfeasible to conduct onsite observations. In order to continue meeting regulatory requirements, Jazz and Voyageur adopted remote auditing processes to maintain the safety oversight of their operations. Remote auditing is particularly helpful in the safety oversight of Voyageur's overseas bases.

Now more than ever, Chorus relies on technology, including hardware, software and network infrastructure, to operate its lines of business. Our robust cybersecurity program and processes have enabled us to maintain the integrity of our systems while effectively responding to the significant shift to remote work.





# Supporting our employees in time of crisis

We recognize that most employees are navigating a complex, unexpected situation they have never dealt with before. The challenges range from working on the front line under unprecedented circumstances to adjusting to the physical isolation of working from home, to being placed on temporary layoff. Our people continue to make a difference, and Chorus is supporting them during this crisis.

The impact of the pandemic underscores the importance of our employees' overall well-being - not only their physical health, but also their mental and financial health.

As we adjusted our business to the lower demand levels for air travel in a pandemic, we were faced with the painful reality of laying off many employees. In April 2020, Jazz and Voyageur, participated in the Canada Emergency Wage Subsidy (CEWS) to provide immediate financial relief to adversely affected employees.



While Voyageur employees on temporary layoff have subsequently returned to work, Jazz continues to keep inactive employees on payroll so they may benefit from the CEWS program. Jazz intends to participate in government programs aimed to support Canadians with the pandemic recovery. From the start of the crisis, our goal has been to properly size our business while minimizing the impact to our employees. Through the provision of voluntary separation programs, voluntary unpaid special leaves of absence, job sharing, and other initiatives, the company has made every effort to mitigate job losses.

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Throughout the crisis, we have and continue to focus on the mental health of our employees and help them cope with the stress and anxiety caused by these uncertain times. A number of initiatives have been added to already robust mental health support programs that existed before the pandemic.

We have increased and enhanced employee communications to ensure timely updates on the pandemic, company developments and program changes, while reiterating the importance of compassion, self care and mental health. Keeping an open line of communication with staff, both active and inactive, became and remains a priority for the management team. The use of technology, including video conferencing, provided opportunities for employees to connect and share.

As a partner of the *Not Myself Today* program, a workplace mental health initiative run by the Canadian Mental Health Association, we increased our promotion of their tools and resources to employees. Through various communication platforms, we have provided support to employees whether they are in the workplace, working remotely, or on inactive status as a result of the pandemic.

Chorus employees also have access to an employee and family assistance program (or other similar programs), a confidential and voluntary support service that provides immediate help for any health, life, work, legal, or financial concern. These resources and links to their webinars, podcasts and communications have been regularly promoted throughout the COVID-19 pandemic so employees can receive the support they need.



# Supporting Diversity, Inclusion and Human Rights

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The Chorus group of companies is committed to our vision for diversity and inclusion: *To be a global leader of workplace diversity and inclusion.*

An inclusive working environment that respects a diversity of identities and perspectives is critical to the success of our Chorus group of companies. We constantly challenge ourselves to provide a welcoming and safe environment in which we celebrate our individual differences and unique perspectives. In 2020, we continued to focus on inclusion for the benefit of all employees and to ensure vulnerable populations were supported and had a voice.

Jazz introduced a new diversity committee, the Black and Afro-descendant Employee Resource Group to address the gap recognized as a result of the Black Lives Matter movement. This employee-led group is working to cultivate awareness, champion initiatives, enhance belonging in the workplace, and advance equity for Black employees. Chorus is a signatory to the BlackNorth Initiative, pledging our commitment to the removal of anti-Black racism and the systemic barriers negatively affecting the lives of Black Canadians. We also initiated voluntary Listening Forums, as part of the BlackNorth Initiative CEO Pledge, to understand lived experiences of our employees and to bring forward their ideas.

These initiatives complement other established employee resource groups that represent specific identity or underrepresented groups within the workplace.

	<p><b>Chorus for Women</b> To encourage more women to consider aviation careers, and to provide development and networking opportunities for current employees within the Chorus group of companies.</p>
	<p><b>Voyageur Diversity Council</b> To celebrate different cultures and create awareness. The Council will help foster an inclusive and healthy work environment for all Voyageur employees. The Council is open to people with diverse backgrounds and their allies.</p>
	<p><b>Jazz Diversity Council</b> To create awareness and celebrate the diversity that exists in our organization. We will strive to achieve a respectful environment that is free of barriers by fostering inclusive workspaces and embracing individual differences. The Council is an overseeing group of management level employees who work with the sub-committees to ensure that goals are aligned to the overall corporate diversity and inclusion goals and strategy.</p>
	<p><b>Jazz Indigenous Employee Group</b> To cultivate awareness and inclusion, while respecting the celebration of Indigenous peoples, their culture, and the seven generations to follow. Jazz is working to achieve this by reaching out to employees and the communities that we serve.</p>
	<p><b>Jazz LGBT+ Network</b> To cultivate awareness and inclusion of employees regardless of sexual orientation or gender identity and to celebrate the diversity of all Jazz employees. The group will create awareness internally as well as within the communities we serve by creating a safe environment of inclusion. The group acknowledges the importance of allies in creating inclusive workspaces and will encourage contributions from all employees, while empowering our differences.</p>



# Supporting Diversity, Inclusion and Human Rights (cont'd)

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In 2020, Chorus began rolling out an Inclusive Leadership learning series for all of our senior management. The series engages senior leaders in conversations about the many aspects of diversity, inclusion and equality. Through education and dialogue, our leaders are better equipped to foster inclusive workplaces and support their diverse teams. This well-received initiative is seen as fundamental to strengthening equity and inclusion throughout the Chorus companies.

The Chorus Board of Directors believes a truly diverse Board should include and make good use of a variety of skills, experience, industry knowledge, perspectives and backgrounds. The Board's diversity policy states that candidates for nomination as directors will be evaluated using objective, merit-based and unbiased criteria, and include the representation of members from "designated groups" as defined in the Employment Equity Act (Canada): women, Indigenous peoples, persons with disabilities, and members of visible minorities. The Board's diversity policy has also set the objective of having women represent no less than 30% of the Board's membership by 2022 - a target we have met since 2018.

In March 2021, Jazz was named one of Canada's Best Diversity Employers for the tenth consecutive year. This is a testament to our strong commitment to our vision for diversity and inclusion.





## Supporting Diversity, Inclusion and Human Rights (cont'd)

Ethics and integrity are guiding principles at Chorus. The organization's Human Rights Policy, established in 2020, outlines Chorus' commitment to the protection and advancement of human rights in our global operations. We conduct our business in a manner that protects human rights within our sphere of influence. Everyone at Chorus is responsible to act with integrity in all our business dealings, to comply with all applicable laws and to act responsibly with employees, customers and suppliers and when interacting with communities.

Chorus has zero tolerance for any form of slavery, human trafficking, forced and child labour, and is in compliance with applicable laws prohibiting such exploitation. Practices are in place for employees to report any suspected incidents of human trafficking. All Jazz crew members are trained on human trafficking awareness and how to recognize and report suspicious behaviour.

Voyageur is a signatory to the United Nations Global Compact. In doing so, Voyageur actively promotes the 10 fundamental principles affecting human rights, labour standards, the environment, and the fight against corruption.



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# Protecting our planet

The COVID-19 crisis has emphasized the need for collective action to address the global challenges that have profound consequences for our planet, people and economies.

Chorus recognizes the importance of safeguarding the environment, and our responsibility and opportunity to make a positive contribution toward a more sustainable future. Our core values of listening, collaborating and improving require us to continually find and implement more environmentally friendly ways to conduct our business and help our customers conduct theirs.

Chorus' primary environmental concern is greenhouse gas (GHG) emissions that contribute to climate change. Nearly all of the GHG emissions from Chorus' operations result from fuel burn. Therefore, a decrease in aircraft fuel consumption is the most efficient way to reduce our carbon footprint. Both Jazz and Voyageur have undertaken several fuel conservation and carbon emission initiatives, ranging from planning more efficient flight profiles, to improving operating procedures, and implementing weight reduction programs.



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## Protecting our planet (cont'd)

Chorus, through Jazz, has voluntarily participated in Canada's Action Plan to Reduce Greenhouse Gas Emissions from Aviation since its inception and continued to support the plan in 2020. Jazz is a participating airline in the International Civil Aviation Organization Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) to address carbon dioxide emissions from international aviation. To ensure compliance with CORSA's requirements, Jazz developed an emissions monitoring plan which has received approval from Transport Canada. The plan includes information about Jazz's fleet, operations, fuel use monitoring methods and data management.

As Voyageur's operations do not reach the prescribed emissions threshold, it does not participate in CORSA. However, committed to doing its part to reduce fuel and energy consumption, Voyageur began measuring GHG emissions for its aircraft fleet and operations in 2020.

Operating younger, more fuel-efficient aircraft is key to minimizing our environmental footprint. In 2020, we continued to modernize the Jazz fleet with the addition of nine fuel-efficient CRJ900 aircraft, and exiting of the remaining six older Dash 8-100s. At the end of 2020, 70% of the Jazz fleet was composed of larger gauge, more fuel-efficient CRJ900 and Dash 8-400 aircraft.



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## Protecting our planet (cont'd)

The aircraft portfolio owned and leased by Chorus' subsidiary, Chorus Aviation Capital (CAC), is focused on young, fuel-efficient turboprop and regional jet aircraft, with a current average age of fewer than five years. Currently, over 75% of CAC's portfolio is comprised of current generation turboprop aircraft, which are market leaders in fuel efficiency, reduced emissions, and reduced noise pollution. Our regional jet fleet features leading aircraft types in modern technology, efficiency, and operating economics.



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## Maintaining financial sustainability

History has shown that during economic downturns impacting the aviation sector, the regional market is the most resilient. Domestic travel, operated with regional aircraft, is often first to return. This holds true as we are seeing early signs of regional air travel leading the recovery in global air travel.

Throughout the pandemic, the Chorus business model has shown resiliency. Unlike typical airline companies, we have a predictable revenue stream with over 90% of our annual revenues secured in long-term contracts supported by strong relationships. The strength of these partnerships greatly contributed to Chorus being one of very few operators reporting positive returns in the fiscal year 2020.

The demand for Voyageur's humanitarian missions remains strong in the current environment. Despite the challenges associated with quarantines and travel restrictions, Voyageur has successfully maintained 100 percent of its humanitarian flying missions around the globe throughout the pandemic.

Our CPA with Air Canada provides a great degree of transparency and predictability in terms of our responsibilities, costs and revenues. Under this agreement, Jazz is a contract carrier that earns a fixed fee for its services, and Air Canada derives all other commercial risks and benefits of the operation.

Chorus is also differentiated from pure aircraft leasing competitors due to its ability to provide a full suite of regional aviation services and extensive operational experience.



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## Maintaining financial sustainability (cont'd)

Although Chorus entered the COVID-19 pandemic from the strongest position in its history, we were not immune to the challenges facing the aviation industry. The crisis forced us to quickly pivot our strategy from offence to defence – from organic growth to one of building liquidity and protecting the balance sheet. While the pandemic's impact on the airline industry has been staggering, Chorus responded with quick and decisive action to preserve liquidity and successfully implemented several measures as part of its mitigation strategy by:

- Eliminating all discretionary cash outflows and reduced capital spend.
- Obtaining a US \$100 million unsecured revolving credit facility for general corporate purposes in the second quarter of 2020.
- Entering into a loan repayment deferral program with its largest lender and eliminating the requirement to repay the principal amount of certain loans prior to maturity, should the aircraft not be re-leased by the end of the remarketing period, so long as Chorus continues to comply with all other loan terms.
- Suspending Chorus dividend payments and the Dividend Reinvestment Plan following the payment of the March 2020 dividend on April 17, 2020.
- Reducing workforce to match operational demand and offering voluntary employee separation program packages and voluntary special leaves of absence during the year to reduce overhead costs in Jazz.
- Utilizing the Canada Emergency Wage Subsidy (CEWS) program at Jazz and Voyageur to minimize job losses. The grant Jazz received accrued to Air Canada under the terms of the CPA.
- Implementing pay reductions for members of the executive, management and administrative teams and Board of Directors in 2020.

In 2020, Jazz concluded a four-year collective agreement with Unifor, the union representing Jazz's Crew Schedulers. Jazz and Unifor, which also represents Maintenance and Engineering employees at Jazz, successfully extended the collective agreement by one year. These contracts provide additional labour stability and flexibility.

The strong relationships we have with our union groups demonstrate our collaborative approach and shared commitment to a sustainable future.





## Maintaining financial sustainability (cont'd)

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As we moved into 2021, the new variants of the virus and changing travel restrictions continued to challenge the aviation industry.

The sustained reduction in air travel demand necessitated further optimization of the Air Canada Express fleet and regional network efficiency. In March 2021, Chorus and Air Canada concluded an agreement to revise the CPA between Jazz and Air Canada to address the ever-changing environment. The revised agreement enhances Jazz's position in Air Canada's network, as the sole Air Canada Express partner, while providing Air Canada with cost efficiency and flexibility. The parties have a successful history of collaborating to adjust the terms of the CPA for mutual benefit.

The support and collaboration of our employees throughout this crisis enabled us to achieve the labour cost reductions necessary to navigate through the pandemic. The successful completion of the revised CPA would not have been possible without the support of Jazz's pilots. All Jazz union groups collaborated in mitigating job loss by extending special leaves of absence, and other initiatives to minimize the impact on the company and employees.

On April 6, 2021, Chorus completed a \$145 million capital raise to bolster its balance sheet and to allow the company to move ahead with re-starting its growth initiatives. This capital raise included a \$30 million private placement from the Alberta Investment Management Corporation and NordStar Capital. The participation of these sophisticated institutional investors demonstrates confidence in Chorus' future prospects.

As the challenges and uncertainty continue in 2021, Chorus remains focused on managing liquidity and reviewing additional options to further strengthen its financial footing, in preparation for the eventual lifting of travel restrictions.





# Navigating the pandemic alongside our customers

Since the onset of the pandemic, Chorus has worked with Air Canada and our aircraft leasing customers to help them manage the economic pressures they are facing.

As government-imposed travel restrictions and border closures rapidly decimated passenger travel demand, we worked closely with Air Canada on cost reductions, synergies, and the efficient deployment of the schedule. In 2020, Jazz operated approximately 35% of its Air Canada Express capacity compared to the prior year, resulting in half of our pre-COVID workforce, or approximately 2,400 employees, being placed on inactive status. Being idle was not a viable option. Together with Air Canada, we proactively responded to the changing environment to the benefit of all our stakeholders. In 2021, we updated the CPA to adjust to the new market realities, and to help preserve regional flying and Jazz's place within it, while strengthening our alliance with Air Canada.

Chorus' aircraft leasing arm, Chorus Aviation Capital (CAC), implemented temporary rent relief arrangements for substantially all of its global customers in 2020 as they coped with an unprecedented

reduction in demand for passenger air travel. We are encouraged by the gradual increases in flying activities in this segment of our business and the trend in cash collections is positive. Maintaining strong relationships with our customers is of the utmost importance – it is key to our long-term sustainability. This is evidenced by CAC's ability to restructure lease agreements to support our customers while in some cases extending the term of our agreements.

Chorus' Voyageur subsidiary has performed well during the pandemic, successfully bidding on new flying and MRO contracts and securing contract extensions. In addition to leasing freighter aircraft to cargo operators, Voyageur also secured a contract with Purolator Inc. to provide Dash 8 cargo service to support their operations. This success is attributable to the continued demand for specialized contract flying and MRO services in the current environment, and the expertise of the Voyageur team in delivering the highly unique and customized services our customers require.

Chorus continues to collaborate with its customers and to proactively find solutions that benefit all stakeholders.



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# The importance of regional air services and access

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Given the dispersal of communities in a country as vast and as sparsely populated as Canada, aviation is at the heart of our country's transportation strategy. Our smaller communities rely on regional air service to connect their residents to the rest of Canada and the world. Regional airlines play a key role in contributing to the overall economic growth of the smaller communities to which they fly.

Since the onset of the COVID-19 pandemic, small communities have been the hardest hit. The devastation and interruption in regional aviation have left many smaller and regional communities without air service. For these communities, air travel is not a luxury. They depend on safe and reliable regional air services for their socio-economic survival, and to support local business, academia, and tourism.

In an effort to protect connectivity to regional communities, Chorus has engaged with key government stakeholders to ensure the sustainability of regional aviation services is top of mind when making policy decisions.

On March 18, 2021, the Government of Canada released details of the Regional Air Transportation Initiative. The program will provide support to eligible regional businesses and airports that directly contribute to regional air transportation. It is designed to help ensure that regional air connectivity and services, which are critical to economic growth, are maintained and that regional routes are reconnected across the country.





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## The path to recovery

In addition to the mitigation steps we have taken to protect our company, Chorus is also preparing for the post-COVID recovery. We recognize the return of passenger traffic will be protracted, sporadic, and will extend beyond 2021. However, in times of economic downturn, the regional aviation sector is the most resilient of the industry with domestic travel being the first to resume, as passengers initially elect to stay closer to home.

The recently revised CPA agreement between Jazz and Air Canada optimizes and further diversifies the Jazz fleet and its regional network efficiency, which will allow both parties to operate more competitively as traffic returns following the pandemic.

Chorus is well-positioned to continue to serve regional routes and has everything in place to restore service quickly and efficiently as passenger demand grows. We have the infrastructure, worldwide network access, modern and efficient aircraft, a talented workforce, extensive airport presence, sophisticated safety management systems, and decades of experience.

We are also encouraged by the incremental increases in aircraft utilization and leasing revenue collected by Chorus' aircraft leasing subsidiary, Chorus Aviation Capital (CAC). In April 2021, CAC successfully re-leased three of the 13 off-lease aircraft on long-term leases and is actively remarketing the remaining 10 off-lease aircraft, which were repossessed by CAC in 2020.

When the time comes, Chorus will be ready to welcome back our impacted employees as we ramp up activity in response to the emerging demand.





## Caution regarding forward-looking information

This report contains 'forward-looking information'. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "potential", "project", "will", "would", and similar terms and phrases, including references to assumptions.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those indicated in the forward-looking information. Actual results may differ materially from results indicated in forward-looking information for a number of reasons, including the risk factors identified in Chorus' Annual Information Form dated February 18, 2021 and in Chorus' public disclosure record available at [www.sedar.com](http://www.sedar.com). Statements containing forward-looking information in this report represent Chorus' expectations as of the date of this report (or as of the date they are otherwise stated to be made) and are subject to change after such date. Chorus disclaims any intention or obligation to update or revise such statements to reflect new information, subsequent events or otherwise, unless required by applicable securities laws.



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