

ESG and the Consumer Airline Industry

American Airlines 

 DELTA

UNITED
AIRLINES 

Reghan Hesser, Maggie Gosnear, Callie O'Neill, Lauren Way



Overview

- Background
- 2014-2024 ESG profile timeline
- Professional rating services outlook
- Strengths and Areas of improvement
- Our ESG score

Notable Events Affecting ESG landscape

 south pole	Pilot Phase	First Phase	Second Phase
Period	2021-2023	2024-2026	2027-2035 Split into three-year compliance cycles
Compliance	Voluntary	Voluntary	Mandatory*
Participants	Mandatory for most flights between states that volunteer to participate.		Mandatory for most flights between almost all states.

2016: founding of CORSIA

2020: Covid-19 Pandemic

- Layoffs
- Reduced Travel
- Positive GHG effects

2020: BLM movement

- Conflict in the Middle East
- War in Russia/Ukraine

* Some countries, such as Least Developed Countries (LDCs), Small Island Developing States (SIDS), and Landlocked Developing Countries (LLDCs), are exempt from all phases of CORSIA, unless they volunteer to participate in the scheme.

How did we score?

SCORING SCALE:

F
F+
D
D+
C
C+
B
B+
A
A+



We considered the following factors:

- reported improvement in emissions reductions
- employee well-being and DEI statistics
- scores from Yahoo, MSCI, Marketbeat, and Sustainalytics

DELTA TIMELINE

2014 -2016: recycling programs, purchase of carbon offsets, charitable “support” to American Red Cross

2017-2019: focus in employee injury reductions, Fortune’s “Most Admired Airline”

2020-2022: First ESG report, goal to double black officers/directors by 2025, Lysol pro solutions certificate, 100% HEPA filter use, goal to cap emissions to 2019 levels 2021-2035. Zero reported serious injuries in 2021

2022-2024: \$1 billion pledge to become first carbon neutral airline, Flourishing Index, investments in “Just Culture”, #39 Fortune’s best places to work

Today...

Improved fuel efficiency and accelerated fleet retirements = 1.1 million metric tons of CO2 avoided!

Sustainable Aviation Fuel from Airbus partnership = 33 metric tons

Remaining 13 M metric tons addressed through purchase of carbon offsets

DELTA

Most Strength In:
Governance

Most Improvement Needed
In: emissions and human
capital scarcity

OUR SCORING: C +

1. Yahoo Finance:
 - Total score: 30.3, which places the company in the 70th percentile.
 - Environmental risk: 9.9
 - Social risk: 14.6
 - Governance risk: 5.8
 - Controversy risk: Above category average
 - No significant involvement in products commonly used for screening purposes.
2. MarketBeat:
 - Net impact ratio: -70.6 (negative)
 - Positive impacts in categories such as taxes, social infrastructure, and job creation.
 - Negative impacts in GHG emissions, scarce human capital, and non-GHG emissions.
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3. Morningstar "Sustainalytics":
 - Sustainability score: 30.7
 - Classified as high-risk.
4. MSCI:
 - Rating: A (high-average among 16 airlines in comparison, scale is CCC-AAA).
 - Temperature rise on the climate scale: 4 degrees Celsius, which is on the lagging end.

American Airlines Timeline

1999: EPA Fine for Hazardous Waste Violation (\$8M)

2011: Placed record order of Boeing 737 MAX, which had fuel efficient technology

2014 : Major data security breach exposing as much as SSNs of customers

2020: EPA approves coating to protect from COVID (Stock market jumped 1 point throughout 8/24/20)

2021: initial carbon reduction plans released

2022:

- Released net-zero by 2050 plan
- Named to Dow Jones Sustainability North American Index (only passenger airline included)
- became the first airline globally to receive validation from the Science Based Targets initiative (SBTi)

AMERICAN SCORES

**Most Strength In:
Social**

**Most Improvement
Needed In: Emissions**

OUR SCORING: C

- Yahoo Finance
 - Total score: 26.4, which places the company in the 54th percentile.
 - i. Environmental risk: 9.9
 - ii. Social risk: 11.6
 - iii. Governance risk: 4.8
 - iv. Controversy risk: 2 (Average 1.7)
 - v. No significant involvement in products commonly used for screening purposes.
- MarketBeat:
 - Net impact ratio: -139.4(negative)
 - Positive impacts in categories such as taxes, job creation, meaning/joy
 - Negative impacts in GHG emissions, biodiversity
- Morningstar "Sustainalytics"
 - Sustainability score: 26.1
 - Classified as medium-risk.
- CDP Climate Change
 - Score: A– the highest score among U.S. passenger airlines.
 - CDP also recognized American as a Supplier Engagement Leader in 2022 for our efforts to help drive climate action across our value chain.

United Airlines Timeline

2015: Invested \$30M in SAF pledge
(Sustainable Aviation Fuel)

2020: Net zero pledge to be 100% carbon
neutral by 2050.

2023: United Airlines Ventures Sustainable
Flight Fund created: A first-of-its kind
\$200M effort to reduce emissions and drive
production of sustainable aviation fuel

Our progress so far on Sustainable Aviation Fuel



UNITED SCORES:

Most Strength In:
Social

Most Improvement
Needed In:
Environmental

OUR SCORING: B

Yahoo Finance: Total score: 28.6- 68th percentile compared to peers (Medium)

- Environmental Risk: 10.8
- Social Risk: 12.8
- Governance Risk: 5.0
- Not significant involvement in product involvement areas.

MarketBeat:

- Net impact ratio: -79.1%
- Positive impacts in jobs, taxes, and social infrastructure.
- Negative impacts in greenhouse gas emissions and scarce human capital.

Morningstar::

- 28.7 overall risk rating, medium risk, moderate controversy level due to employee and customer incidents
- Top 3 material ESG issues: Carbon, Product Governance, Human Capital

Sustainalytics:

- ESG rating 28.6, medium risk
- Ranking within industry group: 339 out of 414

Our Scoring: Based on the ratings above as well as adding DEI

Conclusion:

- Common areas of strength: taxes, social infrastructure, employee wellbeing
- Common areas of weakness: emissions, human capital
- Themes: post-pandemic intensity, emphasis on DEI