



Aviation Reimagined Webinar Series

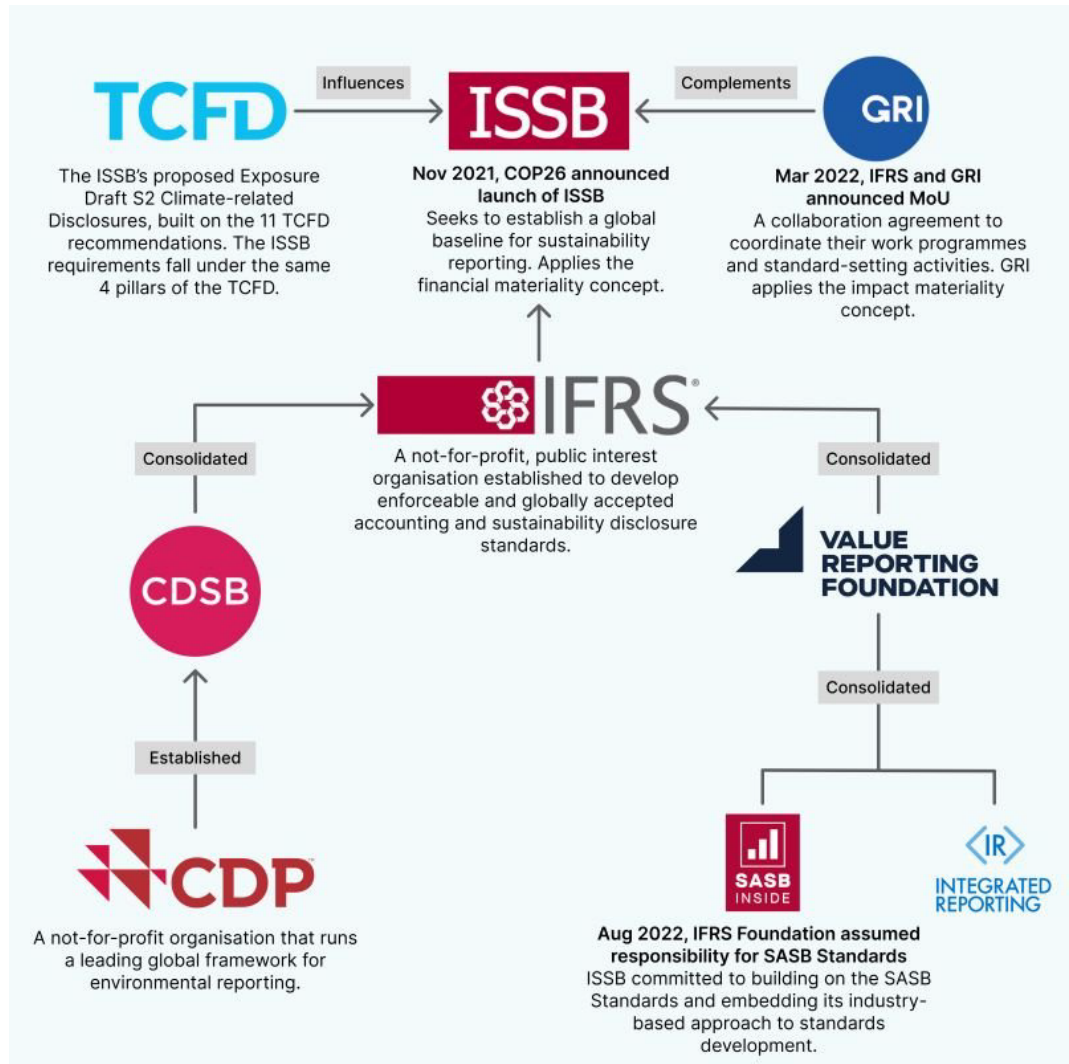
Sustainable Finance, Shareholder Pressure and Climate Governance

Ivan Diaz-Rainey

10 October 2024

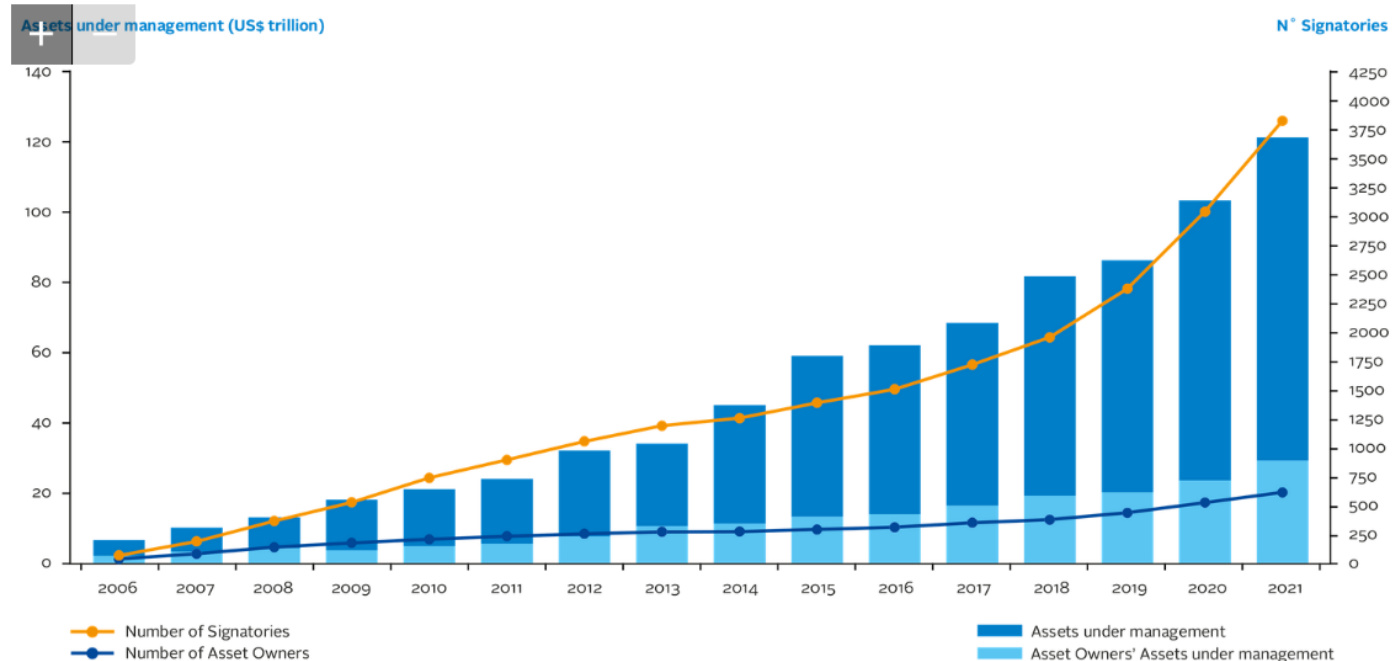
Influences on climate policy and action

- Governments, IPCC, NGOs, COP meeting – Paris agreement
- Investors and financial markets – suasion (One Plane SWF,)
- Accounting takes over (TCFD to IFRS s1 and S2)
 - Consolidation of frameworks and standards
 - Sector specific guidance



UNPRI Signatory Investors c/120Trl of 145Trl AUM: The money is there so why the market failure?

PRI growth 2006-2021



German police raid DWS and Deutsche Bank over greenwashing allegations

Asset manager accused of misleading investors about ESG factors in its financial products



Approximately 50 officers arrived at the DWS premises and Deutsche Bank's twin towers in downtown Frankfurt.
Alex Kraus/Bloomberg

Owen Walker in London and Joe Miller in Frankfurt MAY 31 2022

Germany

Carney Risk Taxonomy



Direct damage to assets or property

- Lower asset values
- Defaults on loans
- Increased insurance claims



Disruption from adjustment to low-carbon economy

- Impacts on pricing and demand
- Stranded assets
- Supply chain disruption

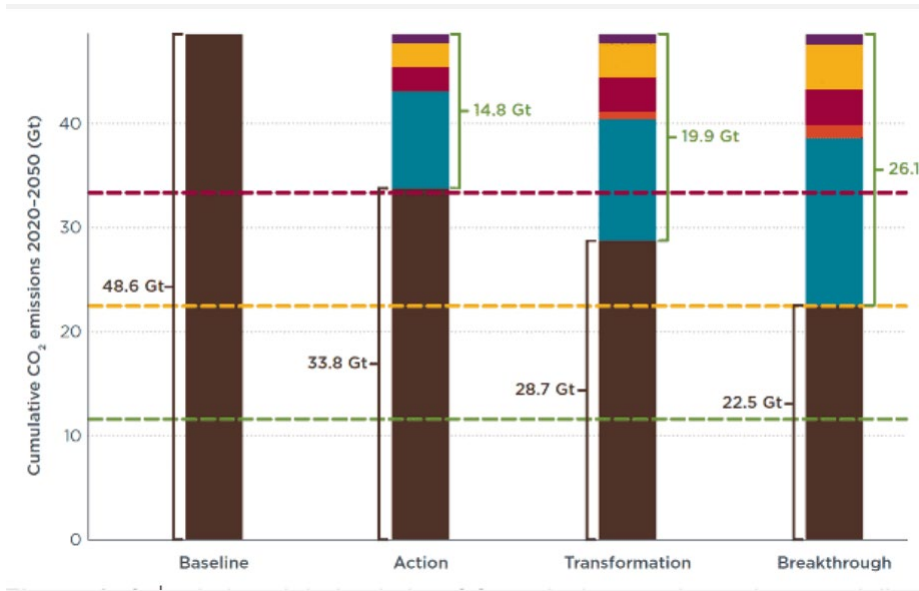


Not considering or responding to the impacts of climate change

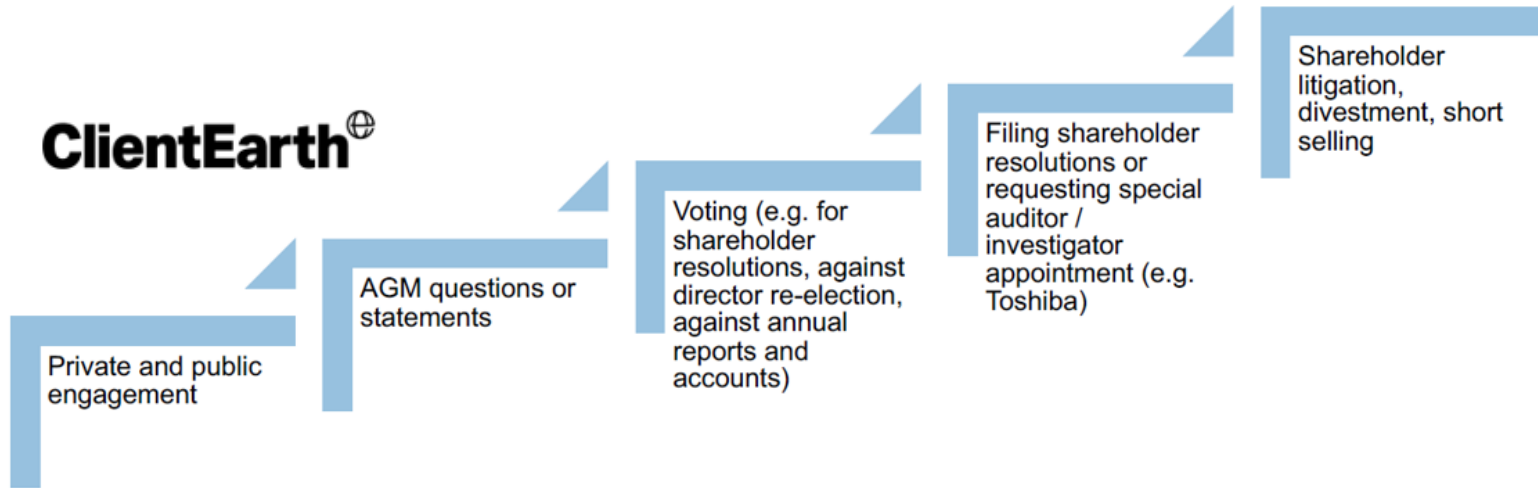
- Business disruption resulting from litigation
- Penalties resulting from litigation

Aviation

- Physical risks: air turbulence; coastal airports SLR & extreme storms; heat stress to workforce & reduced payloads, closed airspaces from climate related conflicts
- Transitions Risk : Hard to abate sector: Abatement Scenarios
- Liability Risk: ESG Shareholder pressure



Engagement, Escalation and Litigation



● This article is more than 1 month old

UK company directors may be liable for climate impacts, say lawyers

Legal experts say directors could face personal claims for failing to consider how businesses affect nature

The Guardian

A decade of making a difference

Isabella Kaminski

Sat 16 Mar 2024 02:00 AEDT

 **Griffith** UNIVERSITY
Griffith Business School
Queensland, Australia

The Changing Nature of Shareholder Resolutions

Shareholder Activism on Climate Change: Evolution, Determinants, and Consequences

Original Paper | [Open access](#) | Published: 04 September 2023
(2023) [Cite this article](#)

Year	Number of proposals	Disclosure-related proposals	% Disclosure-related proposals	Operations-related proposals	% Operations-related proposals	Difference (%)	p-value for difference in mean	Repeated proposals	Average voting* (%)	Average voting* Disclosure-related (%)	Average voting* Operations-related (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Panel A: Breakdown of climate-related proposals by year											
2009	32	30	93.75	2	6.25	87.50	–	–	23.63	23.63	0.00
2010	54	43	79.63	11	20.37	59.26	–	14	21.80	20.34	25.97
2011	67	33	49.25	34	50.75	– 1.49	–	16	18.99	19.54	18.72
2012	54	36	66.67	18	33.33	33.33	–	19	15.61	16.69	13.94
2013	54	34	62.96	20	37.04	25.93	–	14	20.83	23.76	18.49
2014	82	64	78.05	18	21.95	56.10	–	24	23.89	25.04	22.34
2015	88	58	65.91	30	34.09	31.82	–	27	18.97	20.56	17.20
2016	96	60	62.50	36	37.50	25.00	–	41	22.71	20.62	24.81
2017	90	50	55.56	40	44.44	11.11	–	45	28.54	22.57	32.74
2018	82	43	52.44	39	47.56	4.88	–	36	30.84	32.89	29.76
2019	55	20	36.36	35	63.64	– 27.27	–	26	27.20	9.60	31.11
2020	43	16	37.21	27	62.79	– 25.58	–	17	39.57	42.50	38.60
2021	45	23	51.11	22	48.89	2.22	–	13	55.52	53.45	58.78
2022	102	28	27.45	74	72.55	– 45.10	–	24	35.57	26.60	36.36
Average	67.43	38.43	58.49	29	41.51	16.98	0.021	24.31	27.41	25.56	26.34
Total	944	538	56.99	406	43.01	13.98	–	316	25.90	23.96	27.54

Panel B: Breakdown of climate-related proposals by voting outcome											
Voted	400	184	34.20	216	53.20	– 19.00	0.025	170	24.63	22.57	27.49
Withdrawn	456	302	56.13	154	37.93	18.20	0.001	113	–	–	–
Omitted	88	52	9.67	36	8.87	0.80	0.002	33	–	–	–
Total	944	538	100.00	406	100.00	0.00	–	316	24.63	22.57	27.49



Aviation Shareholder Resolutions

Only 13 Of 2780 resolutions targeted aviation

Show entries



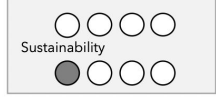
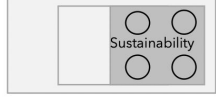
Search:

Status	Proposal	Company	Filer	Year
Withdrawn: Commitment	Report progress of commitment implementation	American Airlines Group Inc.	Illinois State Treasurer	2024
Vote	Report on lobbying	American Airlines Group Inc.	Individual Filer - John Chevedden	2022
Withdrawn: Commitment	Report on lobbying in line with Paris Agreement	American Airlines Group Inc.	Presbyterian Church (USA)	2022
Vote	Report on lobbying	Delta Air Lines Inc.	Individual Filer - John Chevedden	2022
Vote	Report on lobbying	United Airlines Holdings	Individual Filer - John Chevedden	2022
Vote	Report on lobbying in line with Paris Agreement	Delta Air Lines Inc.	BNP Paribas Asset Management	2021
Withdrawn: Commitment	Report progress on CA100+ Benchmark indicators	United Airlines Holdings	Mercy Investment Services, Inc.	2021
Vote	Report on lobbying in line with Paris Agreement	United Airlines Holdings	Presbyterian Church (USA)	2021
Vote	Report on corporate climate lobbying in line with Paris Agreement	Delta Air Lines Inc.	BNP Paribas Asset Management	2020
Withdrawn: Dialogue	Link executive pay to sustainability metrics	United Airlines Holdings	Mercy Investment Services, Inc.	2020
Vote	Report on corporate climate lobbying in line with Paris Agreement	United Airlines Holdings	BNP Paribas Asset Management	2020

How do Boards Respond?

- Knowledge, capacity & capability building
- Governance and Strategy
 - NOT compliance
 - Better strategic decisions
 - Social license to operate
 - Opportunity (not just risk)
- Mixture or 1 and 3
 - All Directors/NEDs will need some knowledge but there will be specialists

Structures to Integrate Sustainability into the Boardroom

Full Integration into Board	The entire board discusses sustainability issues - all directors are involved in discussions.	
Sustainability Committee	Sustainability is discussed in a separate committee that is set up for this purpose.	
Individual Board Champion	Sustainability discussions are driven by one board member with special expertise in this area	
Extension of Existing Committee	An existing board-level committee (e.g., risk management) is extended to include sustainability.	

Rasche, A. (2025). Sustainability in the Boardroom. Cambridge University Press.

Compliance vs. Governance and Strategy

Recommendations and Supporting Recommended Disclosures

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosures

- a) Describe the board's oversight of climate-related risks and opportunities.
- b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommended Disclosures

- a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosures

- a) Describe the organization's processes for identifying and assessing climate-related risks.
- b) Describe the organization's processes for managing climate-related risks.
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

- a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Disclosures & Metrics: GHG Footprint

Scope 1: Direct GHG emissions

Direct GHG emissions occur from sources that are owned or controlled by the company, e.g. boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment.

Scope 2: Electricity indirect GHG emissions

Scope 2 GHG emissions from the generation of purchased electricity. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3: Other indirect GHG emissions

Scope 3 is an optional reporting category. All other indirect emissions.

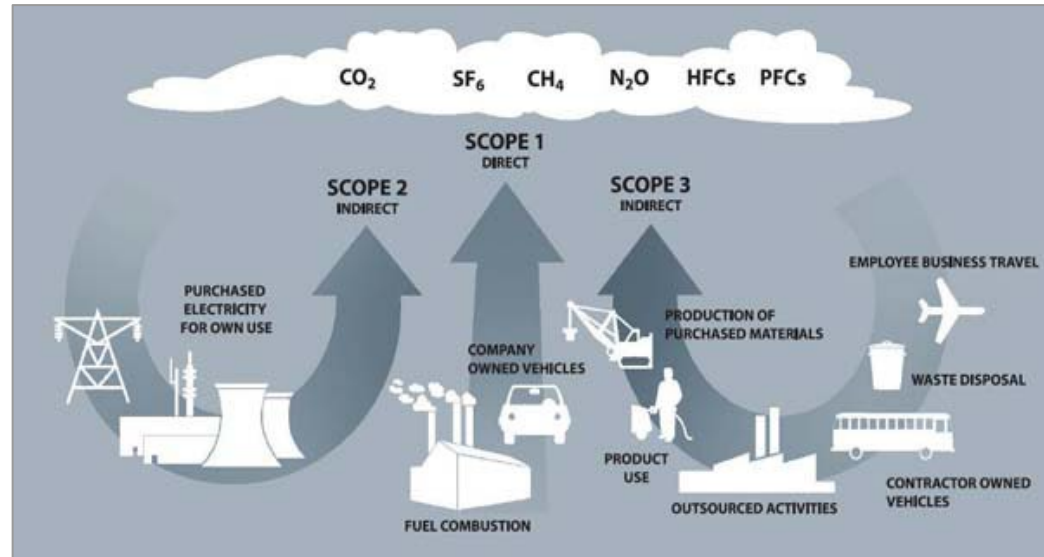
Ranganathan et al (2004). The greenhouse gas protocol: *Washington, DC: World Resources Institute and World Business Council for Sustainable Development.*

Definition

“Carbon Footprint is a measure of the exclusive total amount of carbon dioxide (CO₂) that is directly and indirectly caused by an activity or is accumulated over the life stages of a product”

- (Wiedmann and Minx, Ecological Economics Research Trends, 2008, p. 5)

Scope

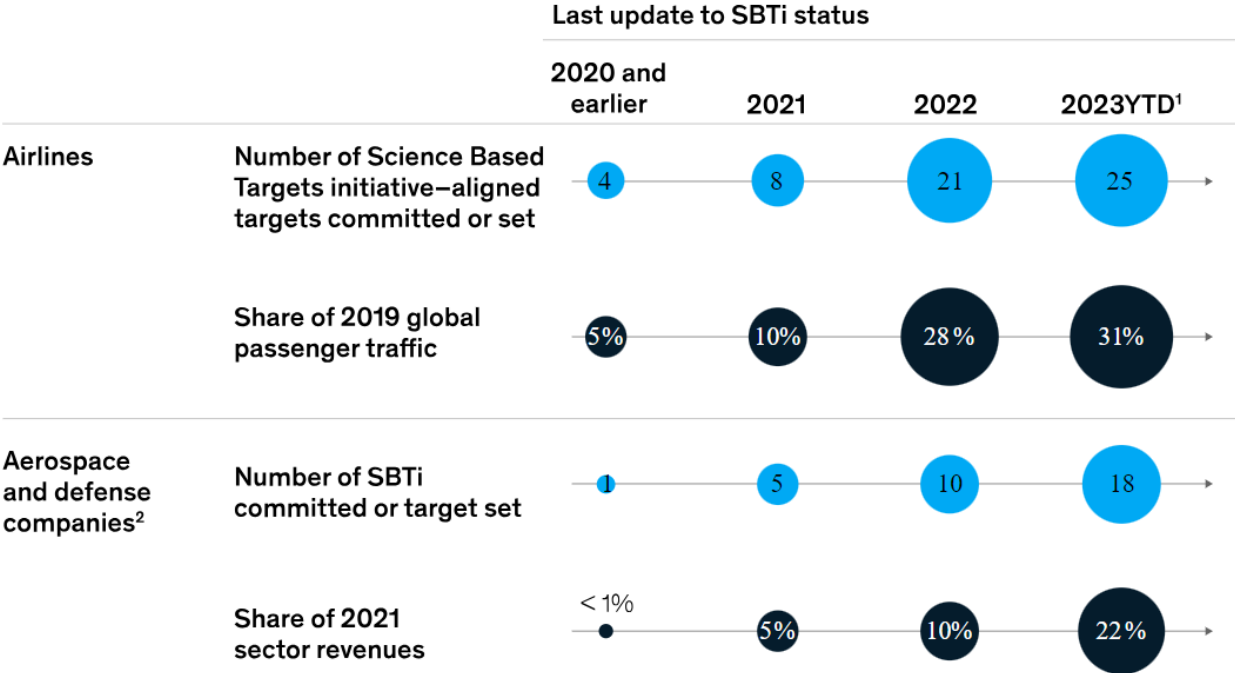


2. Disclosure Regulations and Scope 3 Reporting Create Hurdles

- **Scope of Emissions in Aviation:** The majority of greenhouse gas emissions in commercial aviation stem from scope 1 emissions, primarily from jet fuel combustion. Reporting these emissions holistically necessitates considering scope 3 emissions, which have been historically reported inconsistently and without encompassing all significant emission sources.
- **Transition to Regulatory Reporting:** Airlines are experiencing a shift from voluntary to mandatory regulatory reporting of scope 3 emissions. This transition demands a thorough assessment of emissions across the entire value chain, including supply chains, leased airport facilities, and electricity used by electric Ground Support Equipment (GSE).

Looking forward: NetZero Goals and Targets

The number of airlines and aerospace and defense companies committed to Science Based Targets initiative–aligned climate goals is growing.



Air NZ retreat and Offsets Scandals

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Air NZ becomes first big carrier to drop climate goal

nature sustainability

Analysis

<https://doi.org/10.1038/s41893-023-01259-6>

Pervasive over-crediting from cookstove offset methodologies

Received: 2 July 2023

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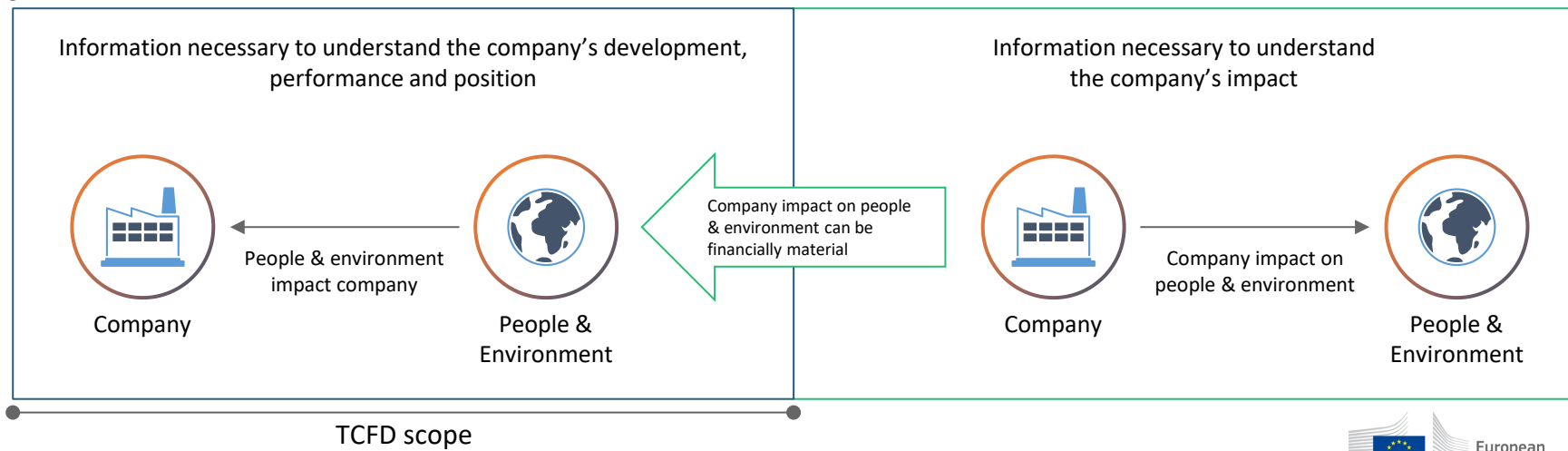
Accepted: 12 December 2023

Queensland, Australia

TCFD/IFRS S2 vs EU/common ground Taxonomy

- Battle against greenwashing
- Disclose % revenues (the present) that are green (climate aligned)
- Disclose % of CAPX (the future) that are green (climate aligned)
- Will impact non-EU companies seeking finance from the EU investors

The CSRD clarifies that reporting is required both on:



Issues of Carbon Footprints and Related Metrics

Footprints (the past)

- Multiple counting of emissions (Scope 2 and 3)
- Poor quality and lag in reporting
- Selective reporting of scope 3 categories
- Backward looking e.g., company may have Credible NetZero policies and is reducing emissions by about 7%p.a
 - e.g., fails to account for assets disposal

Net Zero: (the future?)

- Credibility (abatement pushed into distant future)
- Overreliance on offsets
- baseline (scope);
- Net vs gross; intensity vs absolute measure

EU Taxonomy – Revenues (the present); CAPX (the future)

