

## INVESTOR EXPECTATIONS ON CLIMATE CHANGE FOR AIRLINES AND AEROSPACE COMPANIES

February 2020

As long-term investors, we recognize the threat of climate change to our investments and view fulfillment of the Paris Agreement's goal to hold global average temperature rise to "well below 2°C above preindustrial levels" as an imperative. Aviation is a carbon-intensive mode of transportation and is projected to grow rapidly in the 21st century. While this presents opportunities for aviation investors and companies, the accompanying increase in greenhouse emissions also heightens climate change-related risks.<sup>1</sup> These include:

- **Transition Risks:**
  - **Regulatory:** Although current company, government, and voluntary industry-wide emissions targets are welcome,<sup>2</sup> they will not align the sector with the net-zero world envisioned by the Paris Agreement.<sup>3</sup> As a result, governments are likely to impose stronger emissions reduction measures on airlines and aerospace companies as the gap between the level of action needed to keep global warming to safe levels becomes more apparent.<sup>4</sup>
  - **Reputational:** Airlines and aerospace companies may face a backlash from their consumers, investors, or other stakeholders if they, or the organizations they support, are perceived to be making insufficient efforts to reduce their emissions. The recent growth of the no-fly movements in Europe demonstrate that this is a risk that aviation companies are already confronting.<sup>5</sup>
  - **Legal:** Airlines and aerospace companies could face growing legal risks as legal notions of company responsibility for climate change evolve. As just one example, some oil and gas majors have already faced lawsuits alleging that they misled investors and the public on climate change, despite knowing the risks.<sup>6</sup>
- **Physical risks:** Airline and aerospace companies that are unprepared for the projected physical impacts of climate change—including everything from airport flooding to increases in clear-air turbulence<sup>7</sup>—could face severe consequences to assets, service and overall viability.

**We have developed the investor expectations below as guiding standards to support airline and aerospace companies in managing climate-related risks and proactively positioning themselves for the transition to a low-carbon economy. We view these actions as vital to those with a fiduciary responsibility for other people's long-term investments and support their implementation.**

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*Produced by the United Nations-supported Principles for Responsible Investment (PRI), with input from investors engaging airlines and aerospace companies via the Climate Action 100+.*<sup>8</sup>

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<sup>1</sup> <https://www.carbonbrief.org/corsia-un-plan-to-offset-growth-in-aviation-emissions-after-2020>

<sup>2</sup> E.g., efficiency and CO<sub>2</sub> targets set by the International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), and the Air Transport Action Group (ATAG). This includes the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

<sup>3</sup> [http://www.energy-transitions.org/sites/default/files/ETC%20sectoral%20focus%20-%20Aviation\\_final.pdf](http://www.energy-transitions.org/sites/default/files/ETC%20sectoral%20focus%20-%20Aviation_final.pdf);

[https://www.icao.int/Meetings/A40/Documents/WP/wp\\_561\\_en.pdf](https://www.icao.int/Meetings/A40/Documents/WP/wp_561_en.pdf)

<sup>4</sup> <https://www.unpri.org/climate-change/what-is-the-inevitable-policy-response/4787.article?adredir=1&adredir=1>

<sup>5</sup> <https://www.dw.com/en/is-swedens-no-fly-movement-just-media-hype/a-49844018>

<sup>6</sup> <https://www.npr.org/2019/10/22/772241282/exxon-is-on-trial-accused-of-misleading-investors-about-risks-of-climate-change>

<sup>7</sup> <https://www.ft.com/content/24e126b8-f482-11e8-9623-d7f9881e729f>

<sup>8</sup> <http://www.climateaction100.org/>

**INVESTOR EXPECTATIONS:**

*As long-term institutional investors, we expect airlines and aerospace companies to:*

**1. Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities. This should entail:**

- Nominating a board member or board committee with explicit responsibility for oversight of the climate change policy; and
- Incorporating climate change risks and opportunities into company strategy.

**2. Establish and disclose robust transition plans consistent with the goals of the Paris Agreement. These should:**

- Include short-, medium-, and long-term targets and timelines for reaching net-zero emissions by 2050;
- Cover emissions reductions throughout the value chain (Scope 1, 2, and 3);
- Not rely solely on carbon offsets or alignment with current government and voluntary industry-wide targets aimed at addressing aviation emissions;<sup>9</sup> and
- Conduct scenario analyses to assess the robustness of company business plans against a range of climate scenarios, including a 1.5°C global warming scenario.

**3. Establish and disclose robust strategies, resources, and programs for:**

- The development, use, scaling, and commercialization of sustainable alternative aviation fuels and technologies with substantially lower carbon emissions relative to conventional aviation fuels; and
- Operational and technical efficiency improvements (recognizing that efficiency improvements alone will not guarantee absolute emissions reductions in the future).

**4. Provide strong corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).<sup>10</sup>****5. Lobby transparently and consistently with the Paris Agreement.**

In accordance with investor expectations statements on climate change lobbying set out by the PRI,<sup>11</sup> IIGCC<sup>12</sup>, and Ceres<sup>13</sup>, this means:

- lobbying consistently with the Paris Agreement and supporting ambitious climate policy;
- establishing robust governance procedures on climate lobbying;
- acting when it is determined that the lobbying activities of either the company or one of its trade associations are not aligned with ambitious climate policies; and
- being transparent about the company's lobbying activities via appropriate disclosures.

<sup>9</sup> E.g., efficiency and CO<sub>2</sub> targets set by the International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), and the Air Transport Action Group (ATAG). This includes the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

<sup>10</sup> <https://www.fsb-tcfd.org/publications/>

<sup>11</sup> [https://www.unpri.org/Uploads/i/k/t/Investor-Expectations-on-Corporate-Climate-Lobbying\\_en-GB.pdf](https://www.unpri.org/Uploads/i/k/t/Investor-Expectations-on-Corporate-Climate-Lobbying_en-GB.pdf)

<sup>12</sup> <https://www.iigcc.org/download/investor-expectations-on-corporate-lobbying/?wpdmdl=1830&refresh=5d2ede3616ae81563352630>

<sup>13</sup> <https://www.ceres.org/sites/default/files/FINAL%20Letter%20Generic%20Investor%20Expectations%20on%20Climate%20Lobbying.pdf>

**The following 124 institutional investors with \$6 trillion in collective assets under management<sup>14</sup> have signed this statement:**

**Aargauische Pensionskasse (APK), Switzerland**

**Aberdeen Standard Investments**

**Achmea Investment Management**

**Adrian Dominican Sisters, Portfolio Advisory Board**

**AIF Capital Limited**

**Anesvad Foundation**

**AP4 - Fourth Swedish National Pension Fund**

**APG Asset Management**

**ASR Asset Management**

**AustralianSuper**

**Avaron Asset Management**

**AXA Investment Managers**

**Batirente**

**Bernische Lehrerversicherungskasse, Switzerland**

**Bernische Pensionskasse BPK, Switzerland**

**BlueBay Asset Management LLP**

**Bon Secours Mercy Health**

**Boston Common Asset Management**

**BPL Pensioen**

**Brunel Pension Partnership**

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<sup>14</sup> Calculated by aggregating the signatory investors' stated assets under management. Because the signatories include asset owners, asset managers, and service providers, some double counting in this figure is possible.

**Caisse de pension des sociétés Hewlett-Packard  
en Suisse, Switzerland**

**Caisse de pensions de l'Etat de Vaud (CPEV),  
Switzerland**

**Caisse de pensions ECA-RP, Switzerland**

**Caisse de prév. des Fonctionnaires de Police & des  
Etablissements Pénitentiaires, Switzerland**

**Caisse de Prévoyance de l'Etat de Genève (CEPG),  
Switzerland**

**Caisse de Prévoyance des Interprètes de  
Conférence (CPIC), Switzerland**

**Caisse de prévoyance du personnel de l'Etat du  
Valais (CPVAL), Switzerland**

**Caisse intercommunale de pensions (CIP),  
Switzerland**

**Caisse paritaire de prévoyance de l'industrie et de  
la construction (CPPIC), Switzerland**

**CaIPERS**

**CANDRIAM**

**CAP Prévoyance, Switzerland**

**CCAP Caisse Cantonale d'Assurance Populaire,  
Switzerland**

**Christian Super**

**Church Commissioners for England**

**Church of England Pensions Board**

**CIEPP - Caisse Inter-Entreprises de Prévoyance  
Professionnelle, Switzerland**

**Congregation of St. Joseph**

**CreditValue-Partners**

**Dana Investment Advisors**

**Daughters of Charity, Province of St. Louise**

**Devon Funds Management**

**Dignity Health**

**ECO Advisors**

**EFG Asset Management**

**Environment Agency Pension Fund**

**Epoch Investment Partners Inc**

**Etablissement Cantonal d'Assurance (ECA VAUD),  
Switzerland**

**Ethical Partners Funds Management**

**Ethos Foundation, Switzerland**

**fair-finance Vorsorgekasse AG**

**fairpointe capital**

**Fondation de la métallurgie vaudoise du bâtiment  
(FMVB), Switzerland**

**Fondation de prévoyance Artes & Comoedia,  
Switzerland**

**Fondation de prévoyance du Groupe BNP  
PARIBAS en Suisse, Switzerland**

**Fondation Leenaards, Switzerland**

**Fonds interprofessionnel de prévoyance (FIP),  
Switzerland**

**Friends Fiduciary Corporation**

**Gestion FÉRIQUE**

**Groupama Asset Management**

**GVA Gebäudeversicherung des Kantons St. Gallen,  
Switzerland**

**Hexavest**

**Insight Investment**

**Ircantec**

**ISGAMAG**

**Jesuit Committee on Investment Responsibility**

**Jesuits of the USA Central and Southern Province**

**JLens Investor Network**

**Karner Blue Capital, LLC**

**KLP**

**Länsförsäkringar AB**

**MAIF**

**Mercy Investment Services, Inc.**

**Minnesota State Board of Investment**

**MP Pension**

**Nest Sammelstiftung, Switzerland**

**Niederösterreichische Vorsorgekasse AG**

**Northern Ireland Local Government Officers'  
Superannuation Committee (NILGOSC)**

**OstrumAM**

**P+, Pension for Akademikere**

**Pensionskasse Bank CIC (Schweiz), Switzerland**

**Pensionskasse Basel-Stadt, Switzerland**

**Pensionskasse Bühler AG Uzwil, Switzerland**

**Pensionskasse Caritas, Switzerland**

**Pensionskasse der Basler Kantonalbank,  
Switzerland**

**Pensionskasse der Stadt Winterthur, Switzerland**

**Pensionskasse Pro Infirmis, Switzerland**

**Pensionskasse Römisch-katholische Landeskirche  
des Kantons Luzern, Switzerland**

**Pensionskasse SRG SSR, Switzerland**

**Pensionskasse Stadt Luzern, Switzerland**

**Pensionskasse Unia, Switzerland**

**Prévoyance Santé Valais (PRESV), Switzerland**

**prévoyance.ne, Switzerland**

**Profelia Fondation de prévoyance, Switzerland**

**Prosperita Stiftung für die berufliche Vorsorge,  
Switzerland**

**Raiffeisen Capital Management**

**Rathbone Brothers Plc**

**Resona Asset Management Co., Ltd.**

**Retraites Populaires, Switzerland**

**RRSE (Regroupement pour la Responsabilité  
Sociale des Entreprises)**

**SBI Funds Management Private Limited**

**Secunda Sammelstiftung, Switzerland**

**SHARE - Shareholder Association for Research &  
Education**

**Skandia**

**Solothurnische Gebäudeversicherung, Switzerland**

**St. Galler Pensionskasse, Switzerland**

**Statewide Super**

**Stiftung Abendrot, Switzerland**

**Strathclyde Pension Fund**

**Sustainable Insight Capital Management**

**Systematica Investments**

**SYZ Asset Management**

**Terre des hommes, Switzerland**

**The Local Authority Pension Fund Forum**

**TRUSTEAM FINANCE**

**Unfallversicherungskasse des Basler  
Staatspersonals, Switzerland**

**Unigestion**

**Université de Genève (UNIGE), Switzerland**

**University of Toronto Asset Management  
Corporation**

**USS**



**VidaCaixa**

**Vision Super**

**West Yorkshire Pension Fund**