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# Fasanara Capital's ESG Update



# Fasanara Capital is pleased to announce that it is officially a signatory of Climate Action 100+!

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It is made up of 545 global investors who are responsible for more than \$52 trillion in assets under management across 33 countries.

It is a voluntary initiative that brings together – and builds on – several pre-existing, investor-led, engagement initiatives that had been operating in different regions of the world. Investors are responsible for driving engagement and developing and implementing company specific engagement strategies for the companies who have a major role to play in the transition to a net-zero emissions economy. They are supported in the process by five investor networks (including the PRI) who co-founded the initiative and technical experts.

In signing up to Climate Action 100+, Fasanara is committed to engage with focus companies that are strategically important to the net-zero emissions transition and seek from them on the initiative's three key asks:

- **Governance:** Implement a strong governance framework that clearly articulates the board's accountability and oversight of climate change risks and opportunities.

- **Emissions management:** Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting the global average temperature increase to well below 2-degrees Celsius.
- **Disclosure:** Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD) and, where applicable, sector-specific guidance.

As a collaborating participating investor, Fasanara will collaborate with other investors and the PRI Climate Engagement Group to directly engage with American Airlines Group. Together, our group of investors and climate experts will work with the airline to develop and implement its specific priorities and strategy to help them transition towards net zero.

Engagement with the American Airlines Group will be spearheaded by a lead investor, who will work cooperatively with us and a number of other collaborating investors. Our collective engagement strategy will take into consideration American Airline's profile, the airline sector in general, the company's approach to climate change, its responsiveness to engagement, the lead investor's active ownership approach and the regional context.

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We may choose to engage by:

- Holding meetings with the company's executives and board members;
- Conducting investor roundtables;
- Asking a question at a company earnings call or Annual General Meeting (AGM);
- Supporting shareholder resolutions on climate change risks and opportunities;
- Voting for the removal of directors who have failed in their accountability of climate change risk;
- Making a statement at a company AGM;
- Writing a public letter to the company;
- Voting against reports, accounts and company led resolutions; and
- Making joint statements with the company.

## Why did we join Climate Action 100+?

A lesson that we've all learned during the ongoing pandemic and one that has long concerned Fasanara is the consequences that systemic risks can have on society and on global financial markets. While few predicted the havoc COVID-19 would wreak, the same cannot be said about the growing threat of climate change, which has become increasingly important to our stakeholders and a strategic focus for us.

We view fulfilment of the Paris Agreement's goal to hold global average temperature rise to "well below 2°C above preindustrial levels" as an imperative. By joining forces with other asset managers and asset owners across the globe, we believe we can more effectively help drive the low-carbon transition by inserting our combined influence over the systemically most important companies accounting for more than two-thirds of annual industrial greenhouse gas emissions.

## Why American Airlines?

As a long-time debt provider to many airlines and other businesses in the aerospace sector across Europe, we wanted to engage with the world's largest airline in order to make a meaningful impact to the aviation sector which is ripe for environmental and technological disruption. Aviation is one of the most carbon-intensive industries with climate change-related risks that include:

- **Transition Risks:**

- *Regulatory:* current company, government, and voluntary industrywide emissions targets are welcome, they will not align the sector with the net-zero world Although envisioned by the Paris Agreement. 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.
- *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.
- *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.



● **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—could face severe consequences to assets, service and overall viability.

- 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
- Provide strong corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- Lobby transparently and consistently with the Paris Agreement.

## Investor Expectations

We expect our recommendations to build on the PRI's Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies published in February 2020, and also be aligned with the Climate Action100+ Net Zero Company Benchmark to ensure we are implementing robust decarbonisation plans. These would include:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risks and opportunities.
- Establish and disclose robust transition plans consistent with the goals of the Paris Agreement.
- Establish and disclose robust strategies, resources, and programs for:
- guarantee absolute emissions reductions in the future).

In joining Climate Action 100+, we look forward to sharing with our stakeholders what we've learned in our engagements. We are also excited about this opportunity to work closely with other asset managers and asset owners to scale our impact on climate change risks. With all that we've learned from these last many months about the connections between resiliency and sustainability—it's time to take action with a sense of shared purpose and urgency.



# Fasanara Capital's Key ESG Values:

- **EVALUATE**

Fasanara carefully evaluates matters of ESG in its investment analysis and decision-making process via negative screening (exclusions) to ensure investments are aligned with client values.

- **INTEGRATION**

It is Fasanara's belief that the integration of ESG considerations into its culture and investment processes will positively impact both its financial performance and sustainability footprint.

- **IMPACT**

Fasanara generates long-term social impact by helping the best platforms grow and by enabling SMEs to flourish through greater access to funding.

- **ACTIVE OWNERSHIP**

Fasanara invests in opportunities that seek to generate both financial value and sustainable growth. As part of its approach, it takes an active interest in how companies in its supply chain manage ESG issues and, on behalf of its investors, encourages and supports companies in its supply chain to adhere to best-practice standards for responsible business.

## Our ESG Approaches:



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