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SUSTAINABILITY ACCOUNTING STANDARD
TRANSPORTATION SECTOR

AIRLINES
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #TR0201

Prepared by the
Sustainability Accounting Standards Board®

September 2014
Provisional Standard

AIRLINES

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Airlines.

SASB Standards are comprised of **(1) disclosure guidance and (2) accounting standards on sustainability topics** for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

The Airlines industry is comprised of companies that provide air transportation to passengers for both leisure and business purposes. This includes commercial full-service, low-cost, and regional airlines that operate in the U.S. and internationally. Full-service carriers typically use a hub-and-spoke model to design their routes within the U.S. and abroad. Low-cost carriers usually offer a smaller number of routes as well as no-frills service to their customers. Regional carriers typically operate under contract to full-service carriers, expanding the network of the larger carriers. Most airline companies also have a cargo segment in their operations from which they generate two to three percent of revenues for the U.S.-domiciled airlines and nine to 12 percent of revenues for European, Asian, and Latin American airlines. It is common within the industry to form partnerships with other airlines or join alliances to increase network size. The three leading alliances are Star Alliance, Oneworld, and SkyTeam, with 27, 15, and 20 worldwide members, respectively. Operating as an alliance allows airlines to offer customers access to international or otherwise underserved itineraries on multiple airlines, all under one ticket. At the same time, airlines share some overhead costs and increase their competitive position in the international market without having to open foreign operations.

Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Disclosure Topics

For the Airlines industry, SASB has identified the following sustainability disclosure topics:

- Environmental Footprint of Fuel Use
- Labor Relations
- Competitive Behavior
- Accidents & Safety Management

2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of the information made available."[1,2]

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed."[2]

Furthermore, Instructions to Item 303 state that the MD&A "shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition."[2]

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company's management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant's financial condition or results of operation is not reasonably likely to occur.

[1] TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

[2] C.F.R. 229.303(Item 303)(a)(3)(ii).

3. **Sustainability Accounting Standard Disclosures in Form 10-K**

a. **Management's Discussion and Analysis**

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **"Sustainability Accounting Standards Disclosures."**[3]

b. **Other Relevant Sections of Form 10-K**

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

  Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

c. **Rule 12b-20**

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via http://www.sasb.org/approach/conceptual-framework/.

[3] SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management's Discussion and Analysis of Financial Condition and Results of Operations: "We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing."

Guidance on Accounting of Material Sustainability Topics

For sustainability disclosure topics in the Airlines industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20[4]—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant's **strategic approach** to managing performance on material sustainability issues;
- The registrant's competitive positioning;
- The **degree of control** the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act),5 for use in SEC filings, including, without limitation, annual reports on Form10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

[4] SEC Rule 12b-20: "In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading."

[5] Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.

Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);[6]

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically, this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed "activity metrics"—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

[6] See US GAAP consolidation rules (Section 810).

Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Available seat kilometers (ASK)[7]	Quantitative	Kilometers (km)	TR0201-A
Passenger load factor[8]	Quantitative	Kilometers (km)	TR0201-B
Revenue passenger kilometers (RPK)[9]	Quantitative	Kilometers (km)	TR0201-C
Revenue ton kilometers (RTK)[10]	Quantitative	Ton-kilometers	TR0201-D
Number of departures	Quantitative	Number	TR0201-E
Average age of fleet	Quantitative	Years	TR0201-F

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

[7] Note to **TR0201-A** – Available seat kilometers (ASK) is defined a measure of the maximum potential cumulative kilometers traveled by passengers (i.e., kilometers traveled by occupied and unoccupied seats).
[8] Note to **TR0201-B** – Load factor is a measure of capacity utilization and is calculated as passenger kilometers traveled divided by seat kilometers available.
[9] Note to **TR0201-C** – Revenue passenger kilometers (RPK) is defined as a measure of cumulative total kilometers traveled by passengers. A revenue passenger means a passenger for whose transportation an air carrier receives commercial remuneration.
[10] Note to **TR0201-D** – Revenue ton kilometers (RTK) is defined as one metric ton of revenue traffic transported one kilometer. Revenue ton kilometers are computed by multiplying the aircraft kilometers flown on each flight stage by the number of tons of revenue traffic carried on that flight stage, which includes passengers, baggage, freight, mail, etc.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability

for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as "forward-looking" and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Environmental Footprint of Fuel Use	Gross global Scope 1 emissions	Quantitative	Metric tons CO_2-e	TR0201-01
	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	TR0201-02
	Total fuel consumed, percentage renewable	Quantitative	Gigajoules, Percentage (%)	TR0201-03
	Notional amount of fuel hedged, by maturity date	Quantitative	Millions of gallons, Year	TR0201-04
Labor Relations	Percentage of active workforce covered under collective-bargaining agreements, broken down by U.S. and foreign employees	Quantitative	Percentage (%)	TR0201-05
	Number and duration of strikes and lockouts[11]	Quantitative	Number, Days	TR0201-06
Competitive Behavior	Amount of legal and regulatory fines and settlements associated with anti-competitive practices[12]	Quantitative	U.S. Dollars ($)	TR0201-07
Accidents & Safety Management	Description of implementation and outcomes of Safety Management System	Discussion and Analysis	n/a	TR0201-08
	Number of accidents	Quantitative	Number	TR0201-09
	Number of governmental enforcement actions of aviation safety regulations	Quantitative	Number	TR0201-10

[11] Note to **TR0201-06** - Disclosure shall include a description of the root cause of the stoppage, impact on operations, and corrective actions taken.

[12] Note to **TR0201-07** - Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

Environmental Footprint of Fuel Use

Description

As a result of heavy reliance on oil, the Airlines industry generates a significant amount of direct greenhouse gas (GHG) emissions and is subject to potential compliance costs and risks associated with climate change mitigation policies. Over 99 percent of airline emissions are in the form of carbon dioxide. The main sources of GHG emissions for airlines companies are aircraft fuel use and emissions, ground equipment, and facility electricity. Aircraft emissions are the largest contributor to total emissions from the industry, and fuel management is a critical part of reducing emissions. The management of the environmental impacts of fuel usage includes both fuel efficiency and the use of alternative fuels, which are effective ways for airlines to increase profits through reduced fuel costs while also limiting exposure to volatile fuel pricing, future regulatory costs, and other consequences of GHG emissions.

Accounting Metrics

TR0201-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO_2-e) calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the IPCC's Second Assessment Report (1995).
- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.
- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) *Climate Change Reporting Framework* (CCRF).

.02 Scope 1 emissions are defined by the World Resources Institute and the World Business Council on Sustainable Development in (WRI/WBCSD) *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,* Revised Edition, March, 2004 (hereafter, the "GHG Protocol").

- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the *CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013* (hereafter, the "CDP Guidance").[13]

- The approach detailed in Section 4.23, "Organizational boundary setting for GHG emissions reporting," of the CDSB Climate Change Reporting Framework (CCRF).[14]

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

- The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as explaining if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as noting if data are from continuous emissions-monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

TR0201-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets

.08 The registrant shall discuss the following, where relevant:

- The scope of its activities, particularly if strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

- If strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

- The activities and investments required to fulfill the plans and any risks or limiting factors that might affect fulfillment of the plans and/or targets.

.09 For emission-reduction targets, the registrants shall disclose:

- The percentage of emissions within the scope of the reduction plan;

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[13] "An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation." *Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013,* p. 95.

[14] This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB *Climate Change Reporting Framework*.

- The percentage reduction from the base year,
    - The base year is the first or starting year against which emissions are evaluated toward the achievement of the target
- Whether the target is absolute or intensity-based, and the metric denominator if it is an intensity-based target;
- The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and
- The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been or may be recalculated retrospectively or in which the target base year has been reset.

.11 Disclosure corresponds with:

- CDSB Section 4, "Management actions"[15]
- CDP questionnaire "CC3, Targets and Initiatives"

.12 Relevant initiatives to discuss may include, but are not limited to, fuel optimization efforts such as the use of ground power and pre-conditioned air rather than Auxiliary Power Units (APU) when parked at gate, adjusting flight speed to optimize fuel efficiency, and route design (NextGen). Aircraft-related efforts can include the use of winglets, reduction in weight, and upgrading of the fleet to new aircraft.

TR0201-03. Total fuel consumed, percentage renewable

.13 The registrant shall disclose total fuel consumption from all sources as an aggregate figure in gigajoules or their multiples.

- The scope includes only fuel consumed by entities owned or controlled by the organization.
- The scope excludes non-fuel energy sources such as purchased electricity and purchased steam.

.14 In calculating the energy content of fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

.15 The registrant shall calculate the percentage of fuel from renewables as the energy content of renewable fuel consumed divided by the energy content of all fuel consumed.

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[15] "Disclosure shall include a description of the organization's long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." *Climate Change Reporting Framework – Edition 1.1*, October 2012, CDSB.

.16 Renewable fuel is defined as energy from sources that are capable of being replenished in a short time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

.17 For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

- Energy from hydro sources that are certified by the Low Impact Hydropower Institute.
- Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard.

.18 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

TR0201-04. Notional amount of fuel hedged, by maturity date

.19 The registrant shall disclose the amount of fuel, in millions of gallons, for which it has entered into fuel derivative contracts (fuel hedges), where:

- The scope includes aircraft (jet) fuel and other related fuel commodities such as crude oil, diesel fuel, and heating oil.
- The scope includes, but is not limited to, the following derivative instruments: purchased call options, collar structures, call spreads, and swaps.

.20 The registrant shall disclose the maturity or settlement date of its fuel hedges as the year in which contracts reach maturity.

- The registrant may choose to disclose the amount of the underlying fuel for contracts that reach settlement each subsequent year or it may choose to disclose the maximum settlement year for all of its fuel hedges.

.21 The scope of disclosure includes all fuel derivative contracts, regardless of how they are accounted for by the registrant.

.22 The registrant may choose to additionally disclose the percentage of projected future fuel consumption, by year, for which fuel hedges account.

Labor Relations

Description

Organized labor plays an important role in the Airlines industry. Many workers are covered under collective bargaining agreements that protect worker rights and negotiate wages. Unionization of key personnel leaves airlines vulnerable to service shutdowns resulting from strikes if management is unable to address worker demands, which reduces industry revenue and disrupts operations. Additionally, collective bargaining may result in higher labor costs via wage or benefits increases. This makes the management of labor relations critical to prevent loss of revenue and reputational damage due to strikes. Continued labor stresses can impact the long-term profitability of the business.

Accounting Metrics

TR0201-05. Percentage of active workforce covered under collective-bargaining agreements, broken down by U.S. and foreign employees

.23 The registrant shall indicate the percentage of U.S. employees and the percentage of foreign employees in the active workforce who were covered under collective-bargaining agreements during any part of the fiscal year, where:

- Active workforce is defined as the maximum number of unique employees employed at any time during the fiscal year.
- U.S. employees are defined as employees that do not need a visa to work in the U.S.
- Foreign employees are defined as employees that need or would need a visa to work in the U.S.

.24 The registrant may choose to provide a breakdown of employees covered under collective-bargaining agreements by employee position, such as pilots, flight attendants, or customer service representatives.

TR0201-06. Number and duration of strikes and lockouts

.25 The registrant shall disclose the number of work stoppages and total duration, in worker days idle, of work stoppages involving 1,000 or more workers lasting one full shift or longer.

- Worker days idle is calculated as the product of days idle and number of employees involved.

.26 The scope of disclosure includes work stoppage due to disputes between labor and management, including strikes and lockouts.

Note to **TR0201-06**

.27 The registrant shall describe the reason for each work stoppage (as stated by labor), the impact on operations, and any corrective actions taken as a result.

Competitive Behavior

Description

The Airlines industry is characterized by low profitability due to high fixed capital and labor costs and competition with subsidized national carriers in foreign markets. This pushes airlines to find economies of scale through alliances or consolidation, which results in a highly concentrated market, with four players capturing 75 percent of the U.S. market. The industry is also characterized by high barriers to entry due to limited landing rights and increasing airport congestion. Together, these factors can result in anti-competitive practices that lead to higher prices for consumers. As a result, antitrust authorities have scrutinized certain airline industry practices, including market concentration, airport slot management, predatory pricing, and the anti-competitive effects of airline alliances and mergers. Any time a business action is held up in legal limbo, there is a material risk to investors stemming from legal fees, reputational risk, costs associated with a delayed transaction, and limits on growth by acquisition. Moreover, companies may be pressed to declare bankruptcy if mergers are not approved.

Accounting Metrics

TR0201-07. Amount of legal and regulatory fines and settlements associated with anti-competitive practices

.28 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with anti-competitive behavior, such as those related to enforcement of U.S. laws and regulations on price-fixing, antitrust behavior (e.g., exclusivity contracts), patent misuse, or network effects, as well as bundling of services and products to limit competition, including violations of the Sherman Antitrust Act of 1890 and the Clayton Antitrust Act of 1914.

.29 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **TR0201-07**

.30 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., price-fixing, patent misuse, antitrust, etc.) of fines and settlements.

.31 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

Accidents & Safety Management

Description

Passenger safety is paramount in the Airlines industry, given the nature of air travel and the extreme situations in which incidents can occur. Although air travel is one of the safest modes of transport, airlines are held to very high safety standards, with consumers expecting completely safe and accident-free operations. Furthermore, as products transported by air tend to be high-value or perishable goods, delivering them safely and in a timely manner is a priority for any carrier. Moreover, airline accidents may result in significant environmental and social externalities and require companies to pay for remediation and compensation of victims. Safety incidents or violations of safety regulations can have a chronic impact on reputation and can lead to lower demand from passengers as well as cargo shippers. Larger accidents, even if they happen rarely, can lead to significant and long-term impacts on reputation and revenue growth. Providing proper personnel training and ensuring the health and well-being of crew members is critical to ensuring safety. Equally important is timely and adequate maintenance of aircraft, which can help operators minimize the chances of technical failure and avoid severe regulatory penalties for non-compliance.

Accounting Metrics

TR0201-08. Description of implementation and outcomes of Safety Management System

.32 The registrant shall describe its implementation of a Safety Management System (SMS) across its aviation operations, where an SMS is defined according to the Federal Aviation Administration (FAA)[16] and/or International Civil Aviation Organization (ICAO) rule-making and guidelines[17] and, at a minimum, includes:

- Safety policy
- Safety risk management
- Safety assurance
- Safety promotion

.33 Disclosure shall specifically discuss implementation of an SMS as it aligns with FAA guidelines and ICAO Standards and Recommended Practices, but it may also focus broadly on processes and procedures to avoid and manage emergencies, accidents, and incidents that could have catastrophic impacts on human health, the local community, and the environment.

.34 Description shall include a discussion of the implementation level the registrant has achieved as well as the registrant's plan for achieving complete implementation within the ICAO-recommended period of five years, where SMS implementation levels are:

- Level 0: Orientation & Commitment
- Level 1: Planning & Organization
- Level 2: Reactive Processes
- Level 3: Proactive Processes
- Level 4: Continuous Improvement

[16] FAA Safety Management System Framework, Revision 3, June 1, 2010.
[17] ICAO Safety Management Manual (SMM) Doc 9859, Third Edition, 2012

.35 The registrant shall disclose whether the SMS has been audited by IATA's Operational Safety Audit (IOSA), and if so, the registrant should discuss relevant findings from the audit.

.36 The registrant shall disclose the outcomes of its SMS, including:

- The number of safety risks and hazardous situations that it identified, where risks and hazardous situations are broadly defined as any existing or potential condition that could lead to an accident or incident.
- The percentage of safety risks and situations identified that were mitigated.

.37 The registrant may choose to describe any actions or measures it has implemented to mitigate safety risks and hazardous situations it identified, including, but not limited to, specific changes in controls, operations, management, processes, products, business partners, training, or technology.

TR0201-09. Number of accidents

.38 The registrant shall disclose the total number of accidents, where an accident is defined according to Annex 13 to the International Civil Aviation Organization (ICAO) Convention on International Civil Aviation as:

- An occurrence associated with the operation of an aircraft that takes place between the time any person boards the aircraft with the intention of flight until such time as all such persons have disembarked, in which:
    - A person is fatally or seriously injured as a result of:
        - Being in the aircraft;
        - Direct contact with any part of the aircraft, including parts which have become detached from the aircraft; or
        - Direct exposure to jet blast;

        Except when the injuries are from natural causes, self-inflicted or inflicted by other persons, or when the injuries are to stowaways hiding outside the areas normally available to the passengers and crew; or
    - The aircraft sustains damage or structural failure, which:
        - Adversely affects the structural strength, performance, or flight characteristics of the aircraft; and
        - Would normally require major repair or replacement of the affected component;

        Except for engine failure or damage when the damage is limited to the engine, its cowlings, or accessories, or for damage that is limited to propellers, wing tips, antennas, tires, brakes, fairings, small dents or puncture holes in the aircraft skin; or
    - The aircraft is missing or is completely inaccessible.

Note 1. For statistical uniformity only, an injury resulting in death within 30 days of the date of the accident is classified as a fatal injury by ICAO.

Note 2. An aircraft is considered to be missing when the official search has been terminated and the wreckage has not been located.

TR0201-10. Number of governmental enforcement actions of aviation safety regulations

.39 The registrant shall disclose the number of enforcements from the U.S. Federal Aviation Administration (FAA), the European Aviation Safety Agency (EASA), or the equivalent national authority relating to aviation safety, including, but not limited to, maintenance, transportation of hazardous materials, drug testing, records and reports, training, or noise.

.40 The scope of disclosure includes the following enforcement actions: civil penalties, consent order, certificate suspension, and certificate revocation.

Notes

Additional References:

U.S. Federal Aviation Administration Advisory Circular on Flight Operational Quality Assurance

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