Environmental, Social and Governance Issues

At American Airlines, we know that leadership and effective management of environmental, social and governance issues is critical to the long-term success of our Company and our planet. At the Company, Environmental, Social and Governance ("ESG") encompasses how we govern our business and hold ourselves accountable, invest in and support our team, serve our customers, improve our diversity, equity and inclusion, minimize our environmental impacts, and give back to our communities. It also includes being responsive to our stakeholders and transparent about our performance. If we do all these well, our Company and our team will thrive over the long term.

Governance and Approach

During 2019, we sharpened our focus on ESG issues and redoubled our commitment to reducing our environmental impact. We began by enhancing our leadership of ESG efforts and reconsidering the way ESG issues are managed by us and overseen by our Board. We formally placed responsibility for company-wide ESG efforts in our Corporate Affairs group, with a team that already had responsibility for some of the major building blocks of ESG, including corporate governance, government relations, labor relations and real estate, and experience coordinating company-wide initiatives. We recruited a new managing director for ESG and reorganized our sustainability group under her leadership. Although our Board will continue to oversee our ESG efforts, we assigned primary responsibility for coordination of that oversight to the Corporate Governance and Nominating Committee.

Next, we asked the team to design a new ESG strategy that sets objectives for ESG advances, with a focus on reducing the Company’s carbon footprint and its overall impact on the environment. We also asked that the strategy engage our team members in every part of our ESG efforts. That work progressed and accelerated into the Spring of 2020.

Finally, we charged the team with changing the way we talk about ESG issues internally and improving our disclosure around ESG and sustainability. We believe we made significant progress on the first, and that our 2020 Sustainability Report, which we expect to publish this summer, will give us the chance to demonstrate improvements on the second. In the last few years, there has been an emerging consensus about what represents best-in-class reporting on ESG issues, and consequently, in 2020, our ESG reporting will be informed by the globally-recognized standards of the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board. These enhanced disclosures will provide our stakeholders with a clearer picture of how we are managing a wide array of relevant sustainability-related questions.

We also introduced and made progress on a number of specific ESG initiatives.

Climate Change and Sustainability

The global airline industry contributes about two percent of all human-induced carbon dioxide ("CO2") emissions, and our industry’s share of global emissions is projected to rise as the demand for aviation grows and other industries deploy more environmentally sustainable technologies that will not be available to the airline industry in the near term. We recognize that our industry and our Company must work to reduce our greenhouse gas ("GHG") emissions over time to do our part to limit global warming to 1.5 degrees Celsius, which is the limit advised by the Intergovernmental Panel on Climate Change.

The airline industry is one of the few sectors that have adopted global emissions reductions goals. Our industry’s current commitment is made through the United Nations’ Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which aims to achieve carbon-neutral growth in emissions from international aviation. The industry took this a step further by pledging to cap emissions at half of 2005 levels by 2050. While we recognize that these industry-wide goals are an important mid-term step, we also know that they will not address all of our industry’s challenges, and that we will have to do more, particularly with regard to domestic emissions.

The vast majority (over 98%) of the Company’s CO2 emissions come from jet fuel, and therefore reducing the consumption of petroleum-based jet fuel is a core focus of our climate change strategy. Over the past seven years, we have pursued this objective by undertaking the most extensive fleet replacement initiative in the history of aviation. Since 2013, we have taken delivery of 550 new, more fuel-efficient aircraft—at a cost of $23 billion—including the Boeing 787 Dreamliner and the Airbus 321neo, which were developed with the latest engine and airframe technologies. Over the same period, we retired a similar number of older, less fuel-efficient airplanes; in 2019, we retired the last of our MD-80 aircraft, and we recently announced plans to retire our Boeing 757, Boeing 767, Airbus A330-300 and Embraer E190 fleets.
We have also looked to new technology to help us operate more efficiently. While our flight plans are developed using the best available weather data prior to departure, they cannot adapt to changes that might occur along the flight path. Earlier this year, we began deploying specialized software that uses real-time weather conditions to provide our flight crews with better data about optimal flight altitudes and speeds, which can provide significant fuel and emissions savings, particularly on long-haul flights. We anticipate using this technology on 85% of our mainline aircraft.

Over the longer term, we expect to rely on technologies with greater potential to reduce emissions, including new engine technology and new aircraft, as well as the development of a modern and more efficient air traffic control system in the United States, one that should alleviate congestion and reduce delays that result in additional fuel consumption and associated emissions. To aid in this objective, the Company is partnering with NASA and the FAA to field test new processes that allow the FAA to use congested air space more efficiently by sequencing departures and better predicting aircraft traffic flows. This both reduces ground and flight delays for our customers and helps airlines reduce emissions.

We have committed to purchase nine million gallons of sustainable aviation fuel ("SAF") over three years from Neste, a leading producer of renewable products. This commitment contributes to our goal of sourcing 2.5 million gigajoules of cost-competitive renewable energy by 2025. While the SAF industry is continuing to invest and grow production capacity, there remain significant challenges to the availability of SAF supply in the quantities and at the prices necessary to make a difference in the airline industry’s and the Company’s emissions. Bringing SAF and other new technologies to scale will require the combined efforts of the private sector and effective policies from governments at all levels. One aim of our initial SAF order from Neste is to help facilitate the next steps in that process.

Also, over the past several years, we have been working to reduce our GHG emissions on these other fronts:

- We have expanded our use of renewable energy to power our administrative, ground and support operations, focusing on our primary facilities in North Texas, where we have our largest airport operation and our Fort Worth campus, which includes our integrated operations center, the majority of our training facilities, a large call center and our principal offices. All of the electricity used on our campus and our Dallas/Fort Worth International Airport terminals and facilities is from renewable sources. We believe that we are the largest airline purchaser of renewable electricity in the U.S.

- Over the past six years, we have built hundreds of thousands of square feet of new, more energy efficient facilities on our campus and at locations around the world. In addition, we have significant facilities projects underway or in design at LaGuardia and JFK airports in New York, Reagan National Airport in Washington, O’Hare International Airport in Chicago, Los Angeles International Airport and at Dallas/Fort Worth International Airport. All of these new facilities will be more energy efficient that the ones they are replacing.

- We have re-imagined our corporate campus with three new office buildings and another under construction, with a focus on environmental impact and sustainability. Those initiatives include the replacement of 21 acres of concrete surfaces with landscaping and the planting of more than 3,000 trees. We are also working towards LEED Gold certification of more than two million square feet of office and crew training hotel facilities.

- We have also strengthened our voluntary reporting of our environmental impact, which resulted in a significant increase in our score from CDP, a nonprofit that manages a widely-used corporate environmental disclosure system.

Our operations impact the environment in many ways, from GHG emissions related to our flights and ground equipment we operate to the disposal of waste related to the maintenance and overhaul of our aircraft. We have a comprehensive set of programs in place to manage those impacts (as well as to ensure compliance with environmental regulations), and we want those programs to be best-in-class. To ensure that our programs meet industry best practices, we’re seeking certification from IATA’s Environmental Assessment (“IEnvA”) program, which assesses airline performance against sustainability standards related to air quality and emissions, noise, fuel consumption, recycling, sustainable procurement and more. IEnvA is based on the core principles of compliance with environmental obligations and a commitment to continual and management improvement. We were the first major U.S. carrier to begin the IEnvA certification process.

We are proud of the gains we have made in reducing our emissions, but we have more work to do to tackle climate change at the scale and urgency that the situation requires. In 2020, we plan to further refine our strategy to address and manage the risks and opportunities associated with climate change, including strengthening our mid- and long-term emissions reduction targets, building those targets into our business plans, and further improving our disclosure and dialogue with our stakeholders.
Team Member and Labor Relations

The Company has over 130,000 team members around the world. Approximately 85% of our employees are represented by various labor unions, the highest percentage of represented workers of any U.S. airline. Our Company respects our team members’ rights to free association and collective bargaining, and we strive to work collaboratively with our union partners to negotiate industry-leading contracts. Since 2005, we have completed more than 30 collective bargaining agreements, significantly more than any other airline. Our goal is to offer industry leading total compensation and benefits packages to all our team members, including profit sharing. Since our landmark merger with US Airways in 2013, we have increased the size of our workforce by 23,000 team members and increased the average wages per employee by more than 58% over those six years.

Customer Experience

Our goal is to provide a world class customer experience, delivering tailored services to our customers based on their preferences. We also look for ways to improve our team members’ experience so that they are better equipped to care for our customers.

We’re reducing stress in the check-in process to get our customers on their way faster. We encourage customers traveling internationally to scan their passports at home using a mobile device, and we’re reducing their need to scan travel documents by storing important information in their trip history so that a second scan isn’t required on the return trip. We also allow customers to pay for their checked bags online before they get to the airport. And we have updated our in-airport kiosks to help our customers more quickly process transactions, including printing bag tags.

We have expanded the ways we communicate flight status to our customers. We now send day-of-travel flight status notifications further in advance to help our customers plan their travel to the airport; and we provide updated terminal, gate and connecting time information once a customer arrives in their connection city.

To smooth the boarding process, we text “Board Now” notifications to alert customers when the boarding process begins. We have also expanded the use of biometric technology in place of boarding passes for select international departures, provided better seating transparency, and updated upgrade and standby lists to provide more information. And we have improved our seat assignment automation to make every effort to seat minors and parents together.

We were the first U.S. airline to install satellite-based Wi-Fi across our mainline fleet. We offer more free inflight entertainment than any other U.S. airline and were the first to offer free live inflight television globally. And we are adding power to every mainline seat.

We are working to provide more options for our customers when flight schedules are disrupted. We now give customers the ability to rebook their own delayed or cancelled flights on their mobile devices, and we deliver digital meal and hotel vouchers to customers whose flights are disrupted, allowing them to choose a hotel and electronically redeem meal vouchers, also on their mobile devices. And we have improved our ability to keep customers and their checked bags together by expanding the use of baggage reconciliation tools to all of our ramp team members.

Diversity, Equity and Inclusion

The Company’s approach to diversity, equity and inclusion (“DEI”) is driven by one of our three strategic objectives: to make culture a competitive advantage. In January, we successfully recruited our first Chief Inclusion and Diversity Officer, who will lead our global diversity, equity and inclusion strategies. This includes establishing the Company’s Office of Diversity, Equity and Inclusion to ensure we implement best practices across all aspects of the Company’s people and business processes.

The Company has taken a number of additional steps to strengthen its DEI practices. These include implementing both computer-based and in-person implicit bias training for all team members, which over 100,000 team members have received to date. We have also created a specialized team to listen to, resolve and learn from customer feedback relating to DEI issues.

To further and more deeply embed DEI into our management performance processes, we are building a new DEI strategic plan and a DEI component of management reviews. The proposed review process will establish DEI goals with leadership and provide the support and skills required for team leaders to achieve them effectively. The strategic plan will call for an enterprise-wide DEI learning and development plan, efforts to strengthen and diversify our leadership pipeline, and enhancements to our employee business resource groups and community partnerships.

We are planning to release a full report on our efforts in these areas in the coming months.
Community Impact

We are committed to making a meaningful and beneficial impact on our community. As a global airline, we look for opportunities to support both U.S.-based and international causes and philanthropic organizations. For example:

- In 2019, team members collectively logged 157,000 volunteer hours and, in recognition of that effort, the Company donated more than 19 million AAdvantage miles to local charities on our team member volunteers’ behalf.
- For nearly 25 years, the Company has partnered with UNICEF to collect more than $17 million from our customers in support of the “Change for Good” program, an innovative partnership that helps improve the lives of millions of children around the world. Travelers on select international flights can donate unused U.S. and foreign currencies to help UNICEF provide lifesaving assistance to children in more than 190 countries and territories. In 2019, we raised more than $1.2 million.
- For four years, the Company has partnered with Stand Up to Cancer in support of their innovative research and commitment to turn patients into long-term survivors. In 2019, we launched a first-of-its-kind clinical trial finder, enabling our team members to navigate their journey against all forms of cancer.
- We partner with the Medal of Honor Foundation, an organization recognizing those who have received our country’s highest award for valor in combat. We support their mission to educate students on the high ideals behind the medal with a focus on character education. The Company provides air transportation and our highest customer status for each hero and their spouse, enabling them to travel with ease to share their message throughout the nation.
- For 35 years, the Company has supported research for the treatment and cure of cystic fibrosis. Cystic fibrosis is considered an “orphan disease” which implies it “only” impacts 30,000 people in the United States and, as a result, does not receive funding like other more prevalent diseases do. That’s why every dollar matters, and to date we have raised more than $40 million for the Cystic Fibrosis Foundation. As a result, significant advances have been made in the development of both gene and drug therapies as treatments for cystic fibrosis patients.
- For nearly 30 years, the Company has partnered with the Make-A-Wish Foundation to help grant more than 8,000 life-changing wishes for children with critical illnesses all over the world.
- Our ongoing partnership with the Gary Sinise Foundation serves active service members, veterans and their families. Through programs like Soaring Valor and Snowball Express, as well as transportation for the Lt. Dan Band to perform concerts across the country, the Company supports the military community and helps make a difference for thousands of service members each year.
- We have partnered with the American Red Cross for 12 years and are recognized as a member of its $1 million annual disaster giving program.

In 2020 and beyond, we will pursue new opportunities to help our communities and continue to seek out partnerships with various charities, aid groups, and other non-governmental organizations (“NGOs”). We specifically will look to partner with environmental NGOs in our ongoing efforts to enhance our environmental sustainability.

ESG Recognition

- For the 18th consecutive year, the Human Rights Campaign honored the Company with the highest possible rating in the prestigious Corporate Equality Index, a national benchmarking tool that rates companies on their policies and practices with regard to lesbian, gay, bisexual and transgender employees.
- The Company was named to Newsweek’s 2020 list of America’s Most Responsible Companies, ranked in the top 100 in the publication’s inaugural ranking and the highest among U.S. airlines included on the list.
- The National Business Group on Health named the Company one of the 50 best U.S. employers for workforce well-being programming and a commitment to making well-being integral to our workforce strategy.
- The Company received the top score of 100 on the Disability Equality Index® and was named one of the 2019 Disability Equality Index® Best Places to Work for Disability Inclusion for the fourth consecutive year.
- The Religious Freedom and Business Foundation ranked the Company as fifth in the Fortune 100 for religious inclusion.
- FTSE4Good and ECPI ESG indices included AAG stock in their sustainability-focused funds.

The COVID-19 Pandemic

Even as we publish this Proxy Statement, the COVID-19 pandemic has disrupted our world, our industry and the Company to an extraordinary and unprecedented extent. COVID-19 has upended business as usual across every sector...
of our society. It also serves as a stark reminder of how interconnected we are and how quickly disruption in one part of the world can spread to all areas, with massive and unanticipated social and economic impacts.

Since the very start of the crisis, our priorities have been the safety of our customers and team members and the continued ability of our Company to serve its purpose, provide livelihoods for our employees, and provide as much air service as possible, notwithstanding the impact of COVID-19 on demand. We are extremely proud of our efforts on all these fronts.

We have worked closely with the Centers for Disease Control and Prevention (the “CDC”) and other public health officials to understand the latest developments and how we can best take care of our customers and team members. As of the date of this Proxy Statement:

- We expanded our already comprehensive efforts to clean our aircraft and airports, adding enhanced cleaning procedures on all flights and developing new disinfection protocols for catering equipment and supplies. In March, we began provisioning sanitizing wipes or gels and face masks to crew members. We are expanding this program to also provide face masks to customers as supplies and operational conditions allow.
- To provide more space onboard through May 31, we are limiting the number of customers on each mainline and regional flight. We have also closed airport lounges, while keeping service desks open and available to help our customers.
- We urged our team members to stay home if they felt ill and gave our front-line team members an additional two weeks of paid COVID-related sick leave. At many of our facilities, we are checking team member temperatures at the start of the work day and sending them home with paid leave if they register a temperature above the limit set by the CDC.
- We recognized our obligation to continue serving those who needed to fly, such as the medical professionals trying to get to areas hit hard by COVID-19, just as we needed to give other customers flexibility to change their plans. We waived change fees for customers with existing travel scheduled through September 30, 2020. These customers will be able to use the full value of their fare, without change fees, for travel anytime through December 31, 2021. We have also waived change fees for customers who buy tickets by May 31, 2020 for future travel.
- In the wake of government restrictions on international travel, we added special service from Latin America and the Caribbean to bring U.S. residents home. We have been proud to assist the efforts of the U.S. Department of State. We capped fares on our repatriation flights and put in place a waiver program for customers whose travel was affected.

We have focused on preserving the jobs of our front-line team members despite dramatic reductions in demand for our services, both to continue to provide our employees with income and healthcare benefits during the crisis and so that we are prepared to expand capacity quickly and efficiently when the crisis subsides and lead the economy back to stability and growth. The U.S. needs a vibrant airline industry to return the country to prosperity, and the American Airlines team is prepared to lead.

- We joined with union leaders and other airlines in a joint request to federal government leaders for financial support to stabilize the passenger airline industry and protect its outstanding workforce. Congress and the Administration responded with the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), an economic stabilization package to help U.S. workers and businesses devastated by the drastic economic downturn, support for which we are deeply grateful.
- Pursuant to the Payroll Support Program established under the CARES Act, the United States Department of the Treasury is to provide to the Company payroll support in an amount expected to be approximately $5.81 billion which will exclusively be used for the continuation of payment of employee wages, salaries and benefits and will help avoid the economic calamity of hundreds of thousands of additional unemployed Americans. In addition, pursuant to the loan program established under the CARES Act, the Company has also applied for a secured term loan in the principal amount of approximately $4.75 billion. The CARES Act will allow the industry to expand service and capacity as quickly as possible when demand begins to return.
- But we are not relying entirely on government assistance to get us through this crisis. We are deploying strict expense-control measures to maintain liquidity and keep our workforce intact. These measures include reducing variable costs in response to capacity reductions, pausing non-essential hiring and non-contractual compensation increases and suspending all non-essential training and other programs. Our leadership team also participated in lowering our expenses by volunteering for significant reductions to their compensation.
• We offered our U.S.-based team members voluntary leave options that preserved a portion of their pay, both to give our team members the flexibility to care for children and other family members and to reduce expenses. Importantly, all of our voluntary leave programs come with continued health care benefits as well as continued Company match to 401(k) and other contractual pension programs.

• In March 2020, the Company began operating our first cargo-only flights since 1984 transporting medical supplies, mail for active U.S. military and other critical equipment. Since then, we have expanded our cargo-only operation to provide more than 6.5 million pounds of capacity to transport critical goods between the U.S. and Europe, Asia and Latin America.

And we are fulfilling our obligation to serve our communities in other ways. In April 2020, in cooperation with our customers, we raised more than $2.8 million to support the COVID-19 relief efforts of the American Red Cross, including securing blood supplies and providing critical relief services. The more than $1 million we and our customers raised in the first 24 hours of the campaign set a fundraising record for Red Cross partners. And we donated more than 100 tons of food to local food banks across the country, through our longstanding partnership with Feeding America. We are continuing to look for ways we can help communities and families in need throughout the crisis.

More information about how the Company is responding to the COVID-19 crisis can be found at http://news.aa.com/coronavirus/, but is not incorporated by reference into this Proxy Statement.

In the near term, our focus on supporting those in our care and shepherding our business through this challenge may require us to recalibrate the scale and pace of our ESG and sustainability efforts. Over the long-term, however, we recognize that our work across the universe of ESG issues will make the Company stronger, more resilient and better able to support those in our care in the event of future challenges, and therefore they remain a priority for the Company.

**Codes of Ethics**

Our employees, including our principal executive officer and principal financial and accounting officer, and our directors are governed by one of two codes of ethics of the Company (collectively, the “Codes of Ethics”). The Codes of Ethics require our employees and directors to conduct Company business in the highest legal and ethical manner. The Codes of Ethics meet the requirements of a “code of ethics” as defined by Item 406 of Regulation S-K and the requirements of a code of business conduct and ethics under applicable NASDAQ listing standards. The full texts of the Codes of Ethics and further details regarding the scope of each of the Codes of Ethics are available on our website at www.aa.com under the links “Investor Relations”—“Corporate Governance.” We will also provide a copy of the Codes of Ethics to stockholders, free of charge, upon request to our Corporate Secretary. Any amendments to or waivers from the Codes of Ethics will be posted at this location on our website as required by applicable SEC and NASDAQ rules.

**Public Policy Advocacy and Political Contributions**

Engagement in the political, legislative and regulatory process is important to the success of the Company. The Company has adopted Policies on Public Policy Advocacy and Political Contributions that set forth the ways by which the Company participates in the political, legislative and regulatory process. The Company does not make direct contributions to candidates for federal political office, and although the Company has historically not made direct contributions to candidates for state and local political office, we have not adopted a policy against such contributions. All political contributions comply with applicable laws, and we disclose our contributions publicly as required by law. The Company’s Policies on Public Policy Advocacy and Political Contributions also set forth the trade and industry associations that we participate in that support our public advocacy efforts. Employees may also voluntarily participate in the political process by joining the Company’s non-partisan political action committee, the American Airlines PAC, which is governed by comprehensive federal, state and local regulations that require the filing of monthly reports with the Federal Election Commission among other reporting and disclosure requirements. Compliance and oversight over the Company’s political engagements is provided by our Executive Vice President—Corporate Affairs and the Corporate Governance and Nominating Committee of the Board.

For further information, please see our Policies on Public Policy Advocacy and Political Contributions, available on our website at www.aa.com under the links “Investor Relations”—“Corporate Governance.”