

Vote Bulletin: Delta Air Lines, Inc.

Company	Delta Air Lines, Inc. (NYSE: DAL)
Market and Sector	United States/Industrials
Meeting Date	17 June 2021
Key Resolutions ¹	Item 5: Report on Climate Lobbying (Shareholder proposal)
Key Topics	Climate risk, corporate lobbying disclosure
Board Recommendation	The Board recommended voting AGAINST this shareholder proposal
BlackRock Vote	BlackRock voted AGAINST this shareholder proposal because Delta meets our expectations of companies regarding its corporate political activities and lobbying disclosures

Overview

Delta Air Lines, Inc. (Delta) is a major US airline headquartered in Atlanta, Georgia.

BlackRock Investment Stewardship (BIS) has engaged with the company regularly over the years to discuss corporate governance and sustainability issues that we believe drive long-term shareholder value. These topics included, among others, the management, oversight, and disclosure of climate-related risks and opportunities, corporate political activities, and human capital management.

The global airline industry faces intensifying scrutiny regarding its greenhouse gas (GHG) emissions and has acknowledged the critical role it has to play in the global economy achieving net zero by 2050. To that end, all of the major US airlines have affirmed the industry-wide effort led by Airlines for America (A4A) to achieve net zero GHG emissions by 2050.² This is an ambitious goal as the industry is faced with the lack of a commercially viable transformative technology, for example, hydrogen and/or electric battery engines.

Delta, like its peers, is developing an emissions reduction strategy based on today’s commercially available technologies while investing in new technologies. The company is currently focused on short- and medium-term actions to reduce its GHG emissions such as sourcing Sustainable Aviation Fuel (SAF) and fleet renewal, a strategy similar to many of its major airline peers. Today, the supply of SAF is limited, as the market faces shortages of available biomass feedstock needed to create the fuels.³ To help mitigate GHG emissions, while

¹ Delta, “Notice of Annual Meeting and Proxy Statement”.

² Airlines for America, “Major U.S. Airlines Commit to Net-Zero Carbon Emissions by 2050”.

³ According to the US Department of Energy, as published in the 2020 report, “Sustainable Aviation Fuel, Review of Technical Pathways,” global demand for SAF is expected to increase from 106 billion gallons in 2019 to 230 billion gallons in 2050. The domestic market in 2019

working with a limited supply of SAF, Delta also employs carbon offsets, which are a way for organizations to offset the impact of their carbon footprint through investments in third-party projects that help reduce carbon emissions. In March 2020, the company became the first carbon neutral airline through the use of emissions offsets. To date, the company has offset all of its emissions for 2020 and plans to continue purchasing carbon credits for offsets going forward.⁴ Overall, the company has made a \$1 billion commitment through 2030, the majority of which will be spent on carbon offsets and SAF.⁵

Delta's offset portfolio is currently 30% reductions (mainly investments in renewable energy projects), 70% avoidance (investment in REDD+ and preventing deforestation projects),⁶ and less than 1% removals. The company's emissions offset projects undergo verification (primarily through Verra standards),⁷ which attempt to address permanence and the risks of reversals or failures. For forestry offset projects going forward, the company intends to have ongoing monitoring and auditing for additionality and avoidance of leakage via an offset rating program. In addition to the establishment of its own emissions offset program, the company has actively been involved in the Taskforce for Scaling Voluntary Carbon Markets (TSVCM)⁸ to help establish the infrastructure for a scaled and high-integrity, voluntary market for the trading and exchange of carbon credits.

As discussed in our commentary, "[Climate risk and the transition to a low carbon economy](#)," we recognize that companies may use carbon offsets in the near- and medium-terms as they innovate to develop the technology that will support further reductions in their overall GHG emissions. We see carbon offsets as an interim complement to, though not a replacement for, substantive and sustained long-term emissions reductions plans aligned with science. We also acknowledge current challenges within the carbon credits markets and advocate for assurances to enable transparency into carbon credit purchases, use, and effectiveness.

We are supportive of Delta's focus on GHG emissions reduction efforts in the short- and medium- terms, along with the company's commitment to net zero emissions by 2050. Delta's emissions reduction strategy, which includes investing in SAF and fleet renewal, is a substantive and sustained long-term emissions reduction plan that is complemented by the use of carbon offsets for emissions that cannot be abated in the short-term.

Rationale for BlackRock's Vote

Item 5: Report on Climate Lobbying (AGAINST)

BIS voted against this shareholder proposal because Delta already meets our [expectations](#) of companies regarding their activities and disclosures related to political spending and lobbying, and the company has clearly articulated climate goals and action plans.

was 26 billion gallons; the biomass required for that production level is consistent with the current availability of biomass in the United States (340 million tons). To meet growing demand, additional sources of low-cost feedstock are required—as fats, oils, and greases are not currently available in enough volume to meet SAF demand.

⁴ Delta, "[Delta spotlights ambitious carbon neutrality plan on path to zero-impact aviation this Earth Month](#)".

⁵ Delta, "[2020 ESG Report](#)".

⁶ REDD+, which stands for "Reducing Emissions from Deforestation and Forest Degradation," was first negotiated under the United Nations Framework Convention on Climate Change (UNFCCC) in 2005, with the objective of mitigating climate change through reducing net emissions of GHGs through enhanced forest management in developing countries. The Forest Carbon Partnership Facility (FCPF) is a global partnership of governments, businesses, civil society, and indigenous people's organizations focused on reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and the enhancement of forest carbon stocks in developing countries, activities commonly referred to as REDD+.

⁷ The [Vera Standards](#) offer a carbon credit certification program; once verified, project developers can be issued tradable GHG credits which can then be sold on the open market and retired by individuals and companies as a means to offset their own emissions.

⁸ The [Taskforce for Scaling Voluntary Carbon Markets](#) aims to establish the infrastructure for a scaled and high-integrity, voluntary market for the trading and exchange of carbon credits.

The shareholder proposal, which was also submitted in 2020, requests that the Board “conduct an evaluation and issue a report within the next year...describing if, and how, Delta Air Lines’ lobbying activities (direct and through trade associations and social welfare and nonprofit organizations) align with the Paris Climate Agreement’s goal of limiting average global warming to well below 2 degrees Celsius, and how the company plans to mitigate risks presented by any such misalignment.”⁹

BIS regularly engages with companies to understand how their activities and disclosures related to political spending and lobbying are consistent with the company’s overall strategy and long-term shareholder value creation. Direct corporate political activity, engagement on public policy matters, and participation in industry associations can help protect and/or promote the economic interests of companies. However, it also carries potential business and reputational risk which boards and management need to assess and manage.

Our views are articulated in our commentary on [our perspective on corporate political activities](#). We believe that companies should provide accessible and transparent disclosure so that investors and other interested stakeholders can understand how a company’s political contributions or affiliations are aligned with its public messaging on strategic policy positions. We believe companies should monitor the positions taken by trade associations of which they are active members for consistency on major policy positions and provide an explanation where inconsistencies exist.

Currently, Delta meets our expectations through its publicly stated policies and political contribution disclosures, including a clear disclosure of lobbying activities and trade association memberships.¹⁰ For example, the company reports the contributions made to trade associations with membership dues of \$50,000 or greater in 2020.¹¹ Based on the provided disclosures and review of trade association representation, we do not have any reason to believe that there are material misalignments between key climate policy positions and advocacy conducted by the organizations and Delta’s climate priorities.

Importantly, the industry association to which Delta contributed the largest amount, Airlines for America (A4A), has been instrumental in helping to move US airlines forward in their energy transition efforts with an industry-wide commitment to net zero by 2050 made in March 2021.¹² These recent announcements and the focus from the industry’s core trade associations, as well as GHG emissions reduction commitments from the major US airlines themselves, indicate that the issue is now a top priority within the sector.

Given Delta’s existing disclosure and well-articulated climate risk goals, ongoing efforts, and action plans to reduce GHG emissions, BIS voted against this shareholder proposal.

⁹ Delta, “[Notice of Annual Meeting and Proxy Statement](#)”.

¹⁰ Delta, “[Political Contributions & Activity Report \(2020\)](#)”.

¹¹ See previous footnote.

¹² Airlines for America, “[Major U.S. Airlines Commit to Net-Zero Carbon Emissions by 2050](#)”.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) plays a key role in our fiduciary approach. As an essential component of our responsibility to our clients, we engage with companies to advocate for the sound corporate governance and business practices that drive the sustainable, long-term financial returns that enable our clients to meet their investing goals.

Our approach is from the perspective of long-term, minority shareholders in public companies on behalf of our clients. We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies gives us a valuable perspective on their long-term strategies, financial performance, and the business challenges they face.

As stewards of our clients' assets we have a responsibility to make sure companies are adequately managing and disclosing environmental, social and governance (ESG) risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. Engaging with companies is how BIS builds an understanding of a company's approach to governance and sustainable business practices, how we communicate our views, and how we ensure companies understand our expectations. If a company falls short of our expectations and we have been given the authority to vote the company's shares, we would hold them accountable by voting in the best long-term economic interests of those clients that have given us proxy voting authority. As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

We are committed to transparency in our stewardship practices. Our vote bulletins provide detailed explanations of key votes relating to a range of business issues including ESG matters that we consider, based on our [Global Principles](#), [market-level voting guidelines](#), and [engagement priorities](#), material to a company's sustainable long-term financial performance. We publish select vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders into our approach to the votes that we believe require more detailed explanation.

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