

AVIATION CO₂ REDUCTIONS



STOCKTAKING SEMINAR

TECHNOLOGY · OPERATIONS · SUSTAINABLE AVIATION FUELS



Enabling a green aviation transition

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ESG-SDG financing in the aviation sector

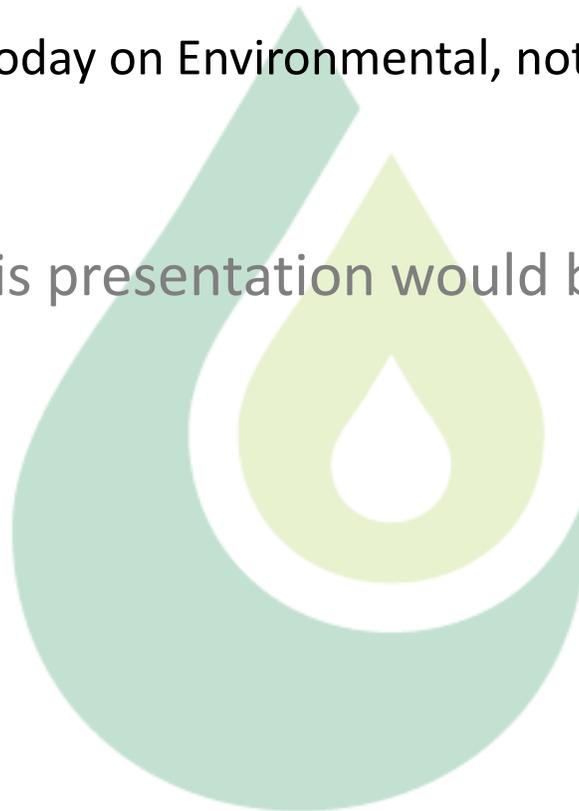
Focus on green financing

- ESG vs Green financing; focus today on Environmental, not S or G
- Financing comes in many flavours: public/private, debt/equity
- Debut green financing – shape of things to come?
- What part of the sector? Suppliers through to airlines? Projects vs firms?
- Lenders not as enablers but as encouragers
- Greenwashing – how to avoid perception
- Deutsche Bank – practicing what it preaches

ESG-SDG financing in the aviation sector

ESG vs Green financing; focus today on Environmental, not S or G

- Focus on the “E” today
- Outside the scope of this presentation would be the S and G
- We’ve seen S financing



ESG-SDG financing in the aviation sector

Financing comes in many flavours: public/private, debt/equity

- Basically three types of financing
 - Government support/incentives/alignment
 - Private investment – generally equity or equity-like
 - Lending
 - Green loans/bonds
 - Focus by aviation financiers
- 

ESG-SDG financing in the aviation sector

Debut green financing – shape of things to come?

What part of the sector? Suppliers through to airlines? Projects vs firms?

- Overall green market – bonds and loans – record volumes
- Specifically for aviation: airport, airline real estate, Aviation, credit facility
- We have two approaches at the moment
- Absence of aviation deals; Say's law
- Reluctant to buy loans if there isn't a choice of debt
- Attention on ramifications – let investors know – use ESG content
- First rated green loan on aircraft

Green Loan Financing- Avation Plc/Braathens

First Ever Green Financed Aircraft

avation PLC
COMMERCIAL AIRCRAFT LEASING

BRA BRAATHENS
REGIONAL
AIRLINES

ATR

Deutsche Bank AG,
Singapore Branch acted as
sole structuring bank, sole
underwriter, and arranger



Company description

- **Avation Plc (Avation)** is an aircraft leasing company, headquartered in Singapore, listed on LSE, owning and managing fleet of 48 commercial passenger aircraft which it leases to 17 international airlines globally
- **Braathens Regional Airlines (BRA)**, is – pre-Covid – one of Sweden’s leading domestic airlines, with 30% domestic market share. It operates 26 routes to 17 destinations and carries more than 2.2m passengers annually. It was the first commercial airline to become environmentally certified by ISO 14001 in 2009 and first airline to offer bio-fuel to travelers in 2018
- **ATR** (JV between Airbus and Leonardo) is the world number one regional aircraft manufacturer with its ATR 42 and 72 aircraft, the best selling aircraft in less than 90 seat market segment; choice of 200+ companies globally. In 2018, the company had a turnover of US\$ 1.8bn. ATRs open more than 100 new routes every year, burn up to 40% less fuel and emit up to 40% less CO2 than regional jets

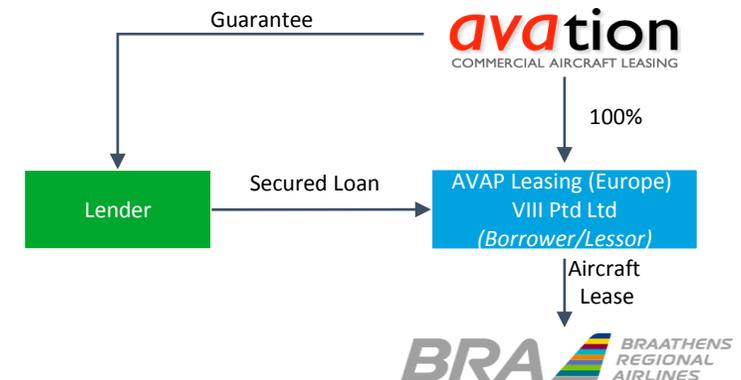
Transaction highlights

- Deutsche Bank AG, Singapore Branch acted as sole structuring bank, sole underwriter, arranger for a US\$45m senior-secured, full recourse loan to Avation Plc to purchase 3 ATR 72-600 on lease to BRA
- The financing provided by DB, along with cash equity contribution from Avation via subordinate intercompany loan, will be utilised towards the purchase of the aircraft from ATR
- The loan per aircraft comprises two tranches
- EUR equivalent of US\$11m senior fully amortising tranche
- US\$4m senior balloon tranche
- The loans are coterminous with the leases, each 10 year tenure from respective delivery date
- Loans have fixed rate coupon to match fixed lease rental
- Avation is the servicer on the aircraft and Guarantor on the loans

First Ever Green Financed Aircraft

- On 18 December 2019, ATR delivered first ever green financed aircraft to BRA; aircraft is leased from Avation. Part of new order for 5 ATR 72-600s, all purchased by Avation from ATR
- Upon completion of the order in early 2020, the airline will itself operate an entirely ATR fleet, comprised 15 ATR 72-600 aircraft
- Vigeo Eiris, international independent agency providing ESG ratings, provided second party opinion that the project of replacing ageing regional jets with new ATR 72-600 aircraft is aligned with Green Loan Principles established by LMA in 2018
- The ATR 72-600 aircraft has a significant environmental advantage over regional jets and other turboprops emitting 40% less CO2. Turboprops are more efficient than jets on short sectors as they accelerate air using less power, so use less fuel

Structure



ESG-SDG financing in the aviation sector

Greenwashing – how to avoid perception

Accusations of greenwashing have been common in the sector

The airline sector has encountered concern from investors from an ESG perspective, especially given the sector's exposure to greenhouse gas emissions

In the medium term, we outline the various steps that airlines could take to assuage investors' ESG concerns

In the short term, airlines should prepare thoroughly for questions on the ESG topic that investors might pose on the roadshow

Greenwashing: Court Ruled Against Airline KLM

Vienna/Amsterdam, June 30th 2020: KLM just recently lost the case against Eric Stam, revealing the practice of the Dutch Airline of greenwashing their polluting business. They deliberately overlooked mentioning the actual percentage used in their fleet [...]

STAY
GROUNDED

Green bailouts: relying on carbon offsetting will let polluting airlines off the hook

But whether these schemes actually make sufficiently deep carbon cuts over an effective timescale to actually slow climate change is another matter. With tree planting, it can take a long time for newly planted trees to start storing carbon, [...] Jun 2020

YAHOO!
NEWS

Ryanair accused of greenwash over carbon emissions claim

Ryanair has been accused of greenwashing after the UK advertising watchdog banned an ad campaign claiming that the airline has the lowest carbon emissions of any major airline in Europe. Feb 2020

The
Guardian

How can airlines look to mitigate investors' ESG concerns?

- Increase transparency and disclosure, potentially aligning reporting to the SASB sustainability standards
- Continue to invest in research and development for future greener solutions
- Consider carbon offsetting to demonstrate commitment to sustainability
- Include a section on the airline's ESG-related efforts and performance in all investor presentations

Questions / issues to prepare for

- What steps are you taking to improve the fuel efficiency in your fleet?
- What steps are you taking to improve noise levels, particularly with reference to night flights?
- To what extent are you potentially exposed to 'flight shaming' - do you consider your client base influenced by such trends or is it a more stable customer base (proportion of short trips, business travelers / distance commuters, expats, availability of alternative transports)?
- Please comment on the representation of genders / ethnicities in your management team?
- To what extent is your firm affected by changes in oil prices?

✓ In 2020, Deutsche Bank was appointed as a member for ICMA's Working Group on Sustainability-linked bonds

✓ In 2014, Deutsche Bank was one of 13 banks that founded the Green Bond Principles, which guided the development of the Green Bond market

Deutsche Bank's ESG credentials

Embedding environmental and social responsibility in a cohesive climate policy

With a long-standing commitment to sustainability, sustainability became a central component of Deutsche Bank's "Compete to win" strategy and since then, we have significantly increased our footprint in this area. We promote sustainable finance and make sustainability an integral part of our client offering with products and services that help the client's business models to transform towards a low-carbon future.

Our key focus areas

Targets and recent achievements

	Sustainable Finance	<ul style="list-style-type: none"> – Sustainable Finance target of at least €200bn by 2025 to support sustainable economic development – Inaugural green bond issued in June 2020
	Policies & Commitment	<ul style="list-style-type: none"> – Joined the German Financial Sector Collective Action on Climate: commitment to align our portfolios with Paris Agreement target – Joined Equator Principles association emphasizing our commitment to responsible banking – Strengthened our rules for financing of fossil fuels incl. commitment to exit coal mining by 2025
	Own Operations	<ul style="list-style-type: none"> – Maintain the carbon neutrality for our own operations we achieved in 2012, and target to source 100% renewable electricity by 2025 – Change in travel policy announced aiming to reduce air travel
	Thought Leadership	<ul style="list-style-type: none"> – dbSustainability: a new Deutsche Bank Research offering for ESG investors launched – Being a leading voice in public debate on climate change and sustainable growth

Deutsche Bank receives recognition from leading sustainability rating agencies:

ISS ESG



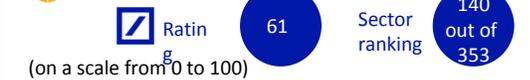
Deutsche Bank has an outstanding rating within the industry

MSCI



Leading in:
 Financing
 Environmental Impact
 Responsible Investment
 Privacy & Data Security

SUSTAINALYTICS



We support all major international standards and guidelines:



– Business and Human Rights
 – Responsible Banking



Paris Pledge for Action



EU Transparency Register



Core Labor Standards of the International Labor Organization



Global Reporting Initiatives



International Finance Corporation
 WORLD BANK GROUP



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



Thank You



ICAO
Headquarters
Montréal

European and
North Atlantic
(EUR/NAT) Office
Paris

Asia and Pacific
(APAC) Sub-office
Beijing

Middle East
(MID) Office
Cairo

Asia and Pacific
(APAC) Office
Bangkok

Eastern and
Southern African
(ESAF) Office
Nairobi

Western and
Central African
(WACAF) Office
Dakar

North American
Central American
and Caribbean
(NACC) Office
Mexico City

South American
(SAM) Office
Lima