



AWG global update during c-19 From preserving creditor rights to foundational work on ESG

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ISTAT Americas

Austin

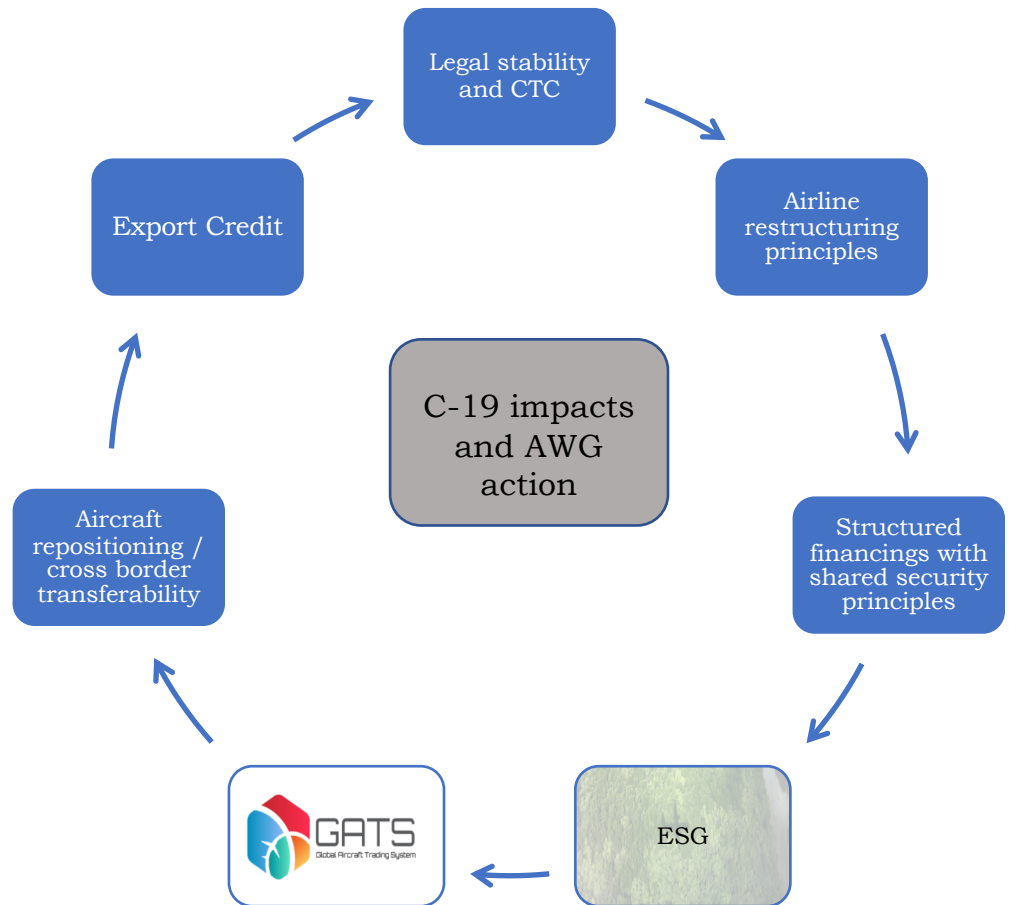
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Moderator: Jeffrey Wool, secretary general, Aviation Working Group

AWG Initiatives During COVID-19



Legal stability, CTC Compliance

What Happened

- Countries enacted laws and debtors planned restructurings and schemes of arrangement that harmed creditor rights
- Debtors shopped for ‘friendlier’ (pro-debtor) legal venues in jurisdictions other than their home country
- Definition of ‘Insolvency Proceedings’ challenged in courts
- Attempts to use ‘restructurings’ as a unilateral tool in default situations

AWG Actions

- **Directly intervened** with governments, CAAs, and courts to ensure CTC compliance and avoid bad precedents
- Used **CTC Compliance Index*** as powerful tool to advance compliance and show governments consequences
- Obtained and published expert legal opinions **on anti-cramdown** (schemes)
- Published **airline restructuring principles** as guidelines to the industry

* <https://ctc-compliance-index.awg.aero/>

Polling Question 1

The global legal system supporting aircraft finance functioned well during the COVID-19 crisis

- A. Strongly agree
- B. Agree
- C. Disagree
- D. Strongly disagree

Airline restructuring principles

Key Principle Objectives

- Restructuring should be consensual
- No 'forum shopping'
- Viable and transparent business plan
- Fair treatment to all parties

How to use

- The principles are an elective guidance tool for debtors and creditors
- The ten principles seek to outline the path to successful restructurings
- The principles do not represent policy positions or agreement among individual AWG members
- The principles are available at the AWG website: www.awg.aero

Structured financing with shared security principles

Key Principle Objectives

- Greater predictability when multiple classes of debt share in a single security interest
- Three main areas covered:
 - A. Principles relating to commercially reasonable remedies
 - B. Principles relating to enforcement of rights
 - C. Principles relating to specific aspects of foreclosure sales
- ✓ Changes in transaction documents

Why and how to use

- Motivated by **unanticipated action** taken by 'controlling party' in recent rejected EETCs
- The principles focus on issues around the **contractual clarity** when exercise of remedies (not only general legal rules)
- The principles are an **elective guidance tool** for issuers, arrangers and counsel
 - ❑ Pick and choose what applies

Polling Question 2

Aviation investors' concerns with sustainability are _____ today versus one year ago

- A. significantly higher
- B. higher
- C. the same
- D. less



What issue are we addressing

- Increasing carbon emissions disclosure requirements increasingly required by regulators and investors
- Limited availability of quality data on emissions for aviation investors that is -
 - ❑ Consistent over time
 - ❑ Based on common rules across OEMs
 - ❑ Independent of variability in usage of the asset

AWG Carbon Calculator

- Uses **OEM provided performance data**
- **Common performance assumptions** across OEMs
- Does **not try to mimic** actual airline usage, which is prone to errors and inaccuracies
- **Simple inputs** of annual hours and cycles
- Available to all aircraft financiers and investors

ESG and AWG's submissions to EU taxonomy

What issue are we addressing

- EU legislation that seeks to develop a classification scheme to determine if an economic activity is 'environmentally sustainable'
- Will form the basis of other EU legislation in various contexts
- Technical criteria for aircraft contains major flaws and impractical standards
 - Aircraft CO2 Standards
 - Decommissioning requirement
 - SAF usage

AWG Actions

- Engaged and wrote letters to with European Commission (DG MOVE)
 1. Proposed **5 global basic principles** for green aircraft financing
 2. Commented on 'technical screening criteria for aircraft' -- **made substantive alternative proposals**
- Rapidly evolving area with AWG active, current engagement

ESG – Scope 3 emissions reporting

What issue are we addressing

- Scope 3 emissions are the result of activities from suppliers or customers
 - ❑ An airline's emissions are scope 3 for its lessors and financiers
- Emissions reporting practices starting to focus on disclosure of Scope 3 emissions (presently: limited legal requirements)
- Impact of market-based measures generally not reflected in emissions reporting for individual assets

AWG Actions

- Actively studying parameters, quantification, and best practices relating to lessor scope 3 reporting
- Supporting other initiatives developing consistent guidance and best practices in emissions reporting within aviation
 - ❑ Engaging with ATAG, ICAO, IATA and PACTA

Other AWG Initiatives – recent updates 1

Global Aircraft Trading System (GATS)

- Standardized, simplified, and electronic system for aircraft trading
- Protective of the interests of all parties
- Live June 2020 - usage growing; assessing increased transactional functionality

Cross-Border Transferability (XBT)

- Worked with ICAO to -
 - Create new materials, practices and a guide to facilitate cross-border transferability
 - Guidance and processes to facilitate aircraft return-to-service
 - Guidance to reduce or eliminate calendar-age based import restrictions
- ICAO Manual updates upcoming in 2021-2022
- Creating XBT Practitioners Guide

Other AWG Initiatives – recent updates 2

Trusted Communication Facility (TCF)

- Proposed by AWG in collaboration with Aviareto
- Will provide a rapid, secure, and trusted means to transmit airworthiness and aircraft health-related materials
- Optional, voluntary, permissive, and non-exclusive. Common infrastructure with International Registry

Export Credit

- Increased usage of export credit
- Worked with ECAs and OECD on proposal for ‘Common Line’
- Starting discussions on long term revisions and link to ESG objectives



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