

MEMO# 35993

January 23, 2025

District Court Issues Opinion in Spence v. American Airlines on ESG, Proxy Voting and ERISA's Duties of Prudence and Loyalty

[35993]January 23, 2025TO:Pension Committee

Pension Operations Advisory CommitteeRE:District Court Issues Opinion in Spence v. American Airlines on ESG, Proxy Voting and ERISA's Duties of Prudence and Loyalty

On January 10, 2025, Judge O'Connor of the United States District Court for the Northern District of Texas issued a 70-page opinion in *Spence v. American Airlines, Inc.*

In the lawsuit, Bryan Spence ("Plaintiff"), an employee of American Airlines, Inc. ("American") and participant in one of American's defined contribution plans, filed a complaint against American and the American Airlines Employee Benefits Committee ("EBC") (collectively, "Defendants"). The Plaintiff alleged that the Defendants breached their fiduciary duties of prudence and loyalty as well as the duty to monitor, by utilizing, and delegating proxy voting responsibility to, investment managers that consider environmental, social, and governance ("ESG") factors in investments.

After previously denying the Defendants' motions to dismiss and for summary judgment, Judge O'Connor held a bench trial and issued an opinion concluding that the Defendants did not breach their duty of prudence, but did breach their duty of loyalty in connection with the (in the court's view) ESG-influenced proxy voting practices of BlackRock.

Attached is a summary and analysis of the opinion, prepared at our request by counsel at the Groom Law Group. **Please note that the analysis is not intended to be legal advice, and we ask that you not share it with anyone outside of your firm.**

The opinion is also attached. Please reach out to us with any questions or concerns regarding the opinion.

Shannon Salinas
Associate General Counsel - Retirement Policy

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