Egan-Jones Proxy Services

Research Report

Company		Ticker Symbol	CUSIP
AMERICAN AIRLINES GROUP INC.		AAL	02376R102
Guideline	**Meeting Date**	**Record Date**	**Date Published**
Standard	06/09/21	04/13/21	06/07/21

(delivered to most major institutional investors and parties interested in proxy matters)

Our recommendations are received by most major investors.

THIS IS A CORRECTED REPORT

Meeting Information	
Meeting Type	Annual
Meeting Date	06/09/21
Record Date	04/13/21

Items & Recommendations

We recommend that clients holding shares of AMERICAN AIRLINES GROUP INC. vote:

Item	Egan-Jones Recommendation	Management Recommendation
1A - 1L – Election of Directors	FOR, WITH EXCEPTION OF 1A. JAMES F. ALBAUGH, 1B. JEFFREY D. BENJAMIN, 1G. SUSAN D. KRONICK, 1I. DENISE M. O'LEARY, and 1L. DOUGLAS M. STEENLAND	FOR ALL
2 – Ratification of Auditors	AGAINST	FOR
3 – Advisory Vote on Executive Compensation	AGAINST	FOR
4 – Shareholder Proposal - Simple Majority Vote	FOR	AGAINST

Considerations and Recommendations

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

This is a corrected report.

Governance Rating Score Summary

The Egan-Jones Governance Rating is based upon data sourced from FactSet Research Systems Inc., the company's public filings, reputable news sites, as well as other regulatory disclosures such as those found at the SEC and FASB

Ticker	**AAL**
Company name	**AMERICAN AIRLINES GROUP INC.**

Board Rating

Item	TRUE/FALSE
CEO and Chairman Separate	FALSE
Annual Director Elections	TRUE
All Classes of Stock Have Equal Voting Rights	TRUE
Compensation Committee with All Independents	TRUE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	TRUE
Non-binding Compensation Vote on Agenda	TRUE
Two Thirds of Directors on Board are Independent	TRUE
Over-boarded CEO Director	FALSE
Over-boarded Board Chair	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	FALSE
Version	VER 2.10 12/15/2017
Sub Total	80.00
Performance Adjustment	0.00
Total	80.00
Final Board Score	**Good**

Compensation Rating

CEO Total Comp($)	10,663,866
CEO Salary ($)	0
TSR (%)	-44.75
Market Capitalization ($M)	9,800.73
Wealth Creation ($M)	-4386.15
Wealth Creation/CEOPAY	0.00
Raw Score (pre adjustments)	Needs Attention
Final Score	**Needs Attention**
Rating Model Version	VER 3.10 1/22/2021
High CEO Total Compensation	Negative Adjustment
CEO Salary Under $1 Million Limit	Positive Adjustment
Other Adjustments:	No Adjustment

Audit Rating

Audit Fees	3,710,000
Total Fees	4,968,000
Non-Audit Fees exceed 50%	FALSE
Auditor has served for seven or more years	TRUE
Raw Score	Good
Version	VER 1.11 1/22/2021
Final Score	**Needs Attention**

Governance Rating

Overall Score	**Needs Attention**

Items 1A - 1L

Election of Directors

Director Name	Nominee	Key Committee Membership	Attendance (<75%)	Position CEO/Chair	Director Since	Diverse director	Classification	Footnotes	EJP rec
	1	2	3	4	5	6	7	8	
JAMES F. ALBAUGH	Yes	C,N	No		2013		Independent Outside Director	F18	WIT
JEFFREY D. BENJAMIN	Yes	C	No		2013		Independent Outside Director	F18	WIT
JOHN T. CAHILL	Yes	A;N	No		2013		Independent Outside Director		
DENISE M. O LEARY	Yes	C	No		2013	Yes	Independent Outside Director	F18	WI
MICHAEL J. EMBLER	Yes	A	No		2013		Independent Outside Director		
MATTHEW J. HART	Yes	A	No		2013		Independent Outside Director		
RAY M. ROBINSON	Yes	N	No		2005	Yes	Independent Outside Director		
DOUGLAS W. PARKER	Yes		No	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	2013		Inside Director		
SUSAN D. KRONICK	Yes	C;N	No		2015	Yes	Independent Outside Director	F18	WI
MARTIN H. NESBITT	Yes	A	No		2015	Yes	Independent Outside Director		
DOUGLAS M. STEENLAND	Yes	C	No		2020		Independent Outside Director	F18	WI
ADRIANE M. BROWN	Yes	A;N	No		2021	Yes	Independent Outside Director		

F18 Member of the Compensation Committee and the Company earns a compensation score of Some Concerns or Needs Attention

Egan-Jones' Proxy Guidelines state that the Compensation Committee should be held accountable for such a poor rating and should ensure that the Company's compensation policies and procedures are centered on a competitive pay-for-performance culture, strongly aligned with the long-term interest of its shareholders and necessary to attract and retain experienced, highly qualified executives critical to the Company's long-term success and the enhancement of shareholder value.

Item 2

Ratification of Auditors

Recommendation:

At Egan-Jones Proxy Services we review relevant factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the ratification of appointment of independent auditors. We believe that auditor rotation every seven years, a ratio of non-audit fees and total fees not exceeding 50%, a lack of significant and material disciplinary actions taken against the Company's Auditor and any financial interest of the auditor in or association with the Company are the minimum criteria that should be taken into consideration in ensuring the auditor's independence.

The sum total of our evaluation can be found in the Auditor Rating we give this auditor. Generally and absent other negative factors, we suggest a score of ***Neutral*** or higher. This audit firm has earned a grade of ***Needs Attention*** and thus, has failed to pass our model.

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders should not support the ratification of the auditors. **Therefore, we recommend a vote AGAINST this Proposal.**

**See scoring details on top of the report.*

Background:

While ratification of auditors is one of the most common proposals submitted to shareholders it should not be overlooked. After employing the most qualified directors and CEO, to manage and grow the company, having equally experienced auditors should be next in importance. Reliable auditors are critical to ensuring shareholders receive accurate and timely reports of the Company's financial performance.

Exhibit 1 - Audit Fees

	Current Fiscal Year	Prior Fiscal Year
Audit Fees	$ 3,710,000	$ 4,120,000
Audit Related Fees	$ 1,220,000	$ 1,155,000
Non Audit and Tax Fees	$ 38,000	$ 160,000
Total Fees	$ 4,968,000	$ 5,435,000

Exhibit 2 - Audit Fee Ratios

	Relevant Ratios	Note
Total Fee Increase/Decrease	-8.6%	
Non-Audit Related Fees divided by Total Fees (Current FY):	0.8%	Should not be higher than 50%

Board Auditor Choice: **KPMG, LLP**

KPMG, LLP is a PCAOB (Public Company Accounting Oversight Board) registered auditor. Public records show that there have been disciplinary actions taken against this firm and its employees; however, we do not believe this to be unusual for such a large company with numerous employees, in most of these cases.

Nevertheless, we note that on August 2017, KPMG has agreed to pay more than $6.2 million to settle charges that it failed to properly audit the financial statements of Miller Energy. The SEC 2017 order (Securities and Exchange Act of 1934 Release No. 81396 / August 15, 2017) finds that KPMG and John Riordan, CPA engaged in improper professional conduct and caused Miller Energy's violation of Section 13(a) of the Securities Exchange Act and Rules 13a-1 and 13a-13. During its fiscal 2010, Miller Energy acquired certain oil and gas interests located in Alaska (the "Alaska Assets") for an amount the company estimated at $4.5 million and then subsequently reported those assets at an inflated value of $480 million in its fiscal 2010 financial statements. KPMG and Riordan agreed, without admitting or denying the findings, to pay the fine and penalty, respectively. Also, Riordan was suspended from appearing or practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC's order permits Riordan to apply for reinstatement after two years.

Item 3

Advisory Vote on Executive Compensation

Recommendation:

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders cannot support the current compensation policies put in place by the Company's directors. Furthermore, we believe that the Company's compensation policies and procedures are not effective or strongly aligned with the long-term interest of its shareholders. **Therefore, we recommend a vote AGAINST this Proposal.**

Background:

At Egan-Jones Proxy Services we review a number of factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the advisory vote on executive compensation. These include total CEO compensation, company performance, and any past issues with compensation.

The sum total of our quantitative look at compensation can be found in the compensation corporate governance grade we give this company. Generally, and absent other negative factors, a score of *Neutral* or higher in compensation merits a positive "say-on-pay" vote. This Company has earned a grade of ***Needs Attention*** in compensation and thus, has failed to pass our quantitative tests.

Given the disclosure on its executive compensation practices, and based on our qualitative review of the Company's compensation, we do not find any issues, positive or negative, that would be relevant enough for Egan-Jones to change our recommendation determined by the compensation rating for this Company.

This advisory vote is not binding. Although non-binding, the Compensation Committee will consider the outcome of the advisory vote when making future decisions regarding the executive compensation programs.

**See scoring details on top of the report.*

Item 4

Shareholder Proposal - Simple Majority Vote

Recommendation:

Generally, we support proposals calling for majority vote requirements. We believe that majority vote requirements in boardroom elections enhance director accountability to shareholders and director accountability is the hallmark of good governance. The board election process should ensure that shareholder expressions of dissatisfaction with the performance of directors have real consequences. A majority-vote standard will transform the director election process from a symbolic gesture to a process that gives meaningful voice to shareholders. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the board take each step necessary so that each voting requirement in our charter and bylaws (that is explicit or implicit due to default to state law) that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws.

While the vast majority of companies in the S&P 500 use the majority vote standard for uncontested director elections, thousands of U.S. companies still use the plurality vote standard. Plurality voting continues to be the default provision under the Delaware General Corporation Law ("DGCL") for corporations whose charter documents do not specify the percentage of votes required for the election of directors. Even some companies that have embraced majority voting for directors grant boards discretion to overrule shareowners and reappoint incumbent directors who fall short of majority support in uncontested elections.

Under plurality voting, in an uncontested election, those directors receiving any votes in favor of their election are elected so long as a quorum is present, no matter how many votes are withheld from their election. This means that in an uncontested election, a nominee will be elected even if he receives just one "FOR" vote. Plurality voting in uncontested elections results in "rubber stamp" elections, entrenched boards and, occasionally, directors who lack the confidence of most of the shareowners. While its undemocratic character is apparent, plurality voting exists primarily to prevent failed elections, thereby assuring that every seat on the board is filled.

Unlike a plurality vote standard, a majority voting standard allows shareholders to collectively vote to reject a director they believe will not pursue and protect their best interests. Majority voting also ensures that shareowners' votes count and makes directors more accountable to the shareowners they represent.

Closing Comments

6/7/21 CORRECTION - MISSING NOMINEES 1A. JAMES F. ALBAUGH, 1B. JEFFREY D. BENJAMIN WERE ADDED TO THE TABLE IN PROPOSLA 1, RECOMMENDATION TO WITHHOLD FROM 1A. JAMES F. ALBAUGH, 1B. JEFFREY D. BENJAMIN, WAS ALSO ADDED TO THE REPORT.