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## COMMENTARY

# Sustainable Fitch Assigns Inaugural ESG Entity Rating of '2' to Glas Holdings

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2022: Sustainable Fitch, using its proprietary ESG Ratings methodology, has assigned Glas Cymru Holdings Cyfyngedig (Glas Holdings) an ESG Entity Rating of '2'. ESG Entity Ratings are assigned on a scale from '1' through '5', where '1' indicates an 'excellent' ESG profile.

Glas Holdings' ESG Entity Rating reflects the company's overall good ESG profile as a result of the assessment of the eligibility and alignment of its business activities with taxonomies of reference and the level of contribution to the UN Sustainable



Development Goals. It also considers how the group integrates ESG considerations into the business, and into its strategy and management. We view Glas Holdings' environmental and social profiles as above average, and its governance profile as excellent.

Glas Holdings is a not-for-profit holdings company, and the ultimate parent of Dwr Cymru Cyfyngedig (Welsh Water), which is the group's main subsidiary and the sixth largest of the 10 regulated water and sewerage companies in England and Wales. Glas Holdings is also the parent of a group of companies that undertake non-regulated commercial activities.

The group's ESG Rating is underpinned by its water and sewerage activities. Fitch views Glas Holdings' business activities as mostly positive from an environmental and social perspective, as they provide essential services for societies. The provision of water and wastewater services and the management of water resources is important to improve public health, protect the ecosystem, eliminate pollutants and maintain the security of supply.

The group's commercial activities are limited, consisting of organic energy and waste processing activities, mainly the anaerobic digestion of biowaste. In our view, these activities have a positive contribution to the environment as they are a renewable source of energy and do not exploit natural resources, since they use waste products to produce energy.

Glas Holdings' sustainability strategy and

ESG commitments are ambitious. The group's sustainability strategy is comprehensive and demonstrates a clear focus on ESG aspects, ranging from its net-zero emissions strategy to its support for communities and customers, the development of a sustainable procurement policy for its supply chain, and ensuring fair employment practices and transparent corporate governance.

We view the group's environmental, social and governance profiles as above average. The environmental profile benefits from its comprehensive policies and remediation plans for water use, land, biodiversity, waste and pollution; its good levels of disclosure for Scopes 1, 2 and 3 emissions; and its comprehensive set of operational metrics and targets. A modest number of serious pollution incidents reported during 2021 by Welsh Water are also reflected in our assessment.

The social profile is characterised by its strong commitments to uphold human rights and labour rights, its adequate levels of customer satisfaction and its strong support for communities and financially vulnerable customers. The group's gender diversity, with a 70.2% male workforce, is in line with the average for the UK water sector but could improve as it is far from the average levels observed in other UK sectors.

Glas Holdings' strong governance profile benefits from the group's status as a not-for-profit company, a structured audit process, a high level of independent non-executive directors, and transparent remuneration policies.

Fitch will monitor Glas Holdings' ESG Entity Rating, reflect changes in a timely manner and continue to provide coverage on this entity.

[Click here to view ESG Entity Rating report for Glas Holdings.](#)

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