

Sustainable Fitch Affirms Glas Holdings' ESG Entity Rating at '2'

Sustainable Fitch-London-31 October 2023: Sustainable Fitch has affirmed Glas Cymru Holdings Cyfyngedig's (Glas Holdings) ESG Entity Rating at '2' and ESG entity score of 75. The ESG Entity Rating report can be accessed [here](#).

The affirmation reflects the company's overall good ESG profile, from our assessment of the environmental and social impact from the group's activities. It also reflects how the group integrates ESG into the business, and its strategy and management.

We assess the group's environmental profile as average, and its social and governance profiles as good. The environmental profile was lowered to average from the good level achieved in the 2022 assessment, and the company's corporate profile was also lowered to good from excellent.

Glas Holdings' environmental profile reflects its comprehensive level of disclosure of environmental data, and it having targets across material environmental outcomes. However, there is an element of variance in the emission trends for some Scope categories over FY20 to FY23, part of which is due to additional categories being included for some Scopes. This, along with a relatively high and increasing number of serious pollution incidents over the last three years, has had a negative effect and led to the environmental profile's lower assessment.

Also affecting the assessment is the deteriorating performance in other environmental areas, as shown in the performance assessment published by the Welsh regulator, Natural Resources Wales, and in the regulatory commitments Glas Holdings agreed with the Water Services Regulation Authority (Ofwat).

Glas Holdings demonstrates a good social profile, based on a low gender pay gap, good engagement with the community and customers, and well-managed safety incidents with no fatalities across its employees and contractors in the past three years. Despite the equal representation of genders at the executive level, the gender imbalance at the overall workforce

level negatively affects its social profile.

The company's corporate governance profile is assessed as good, reflecting the group's status as a not-for-profit company, a structured audit process and a high level of independent, non-executive directors. We also positively considered its good practices in the management's remuneration, including linkage with key performance indicators, and its solid risk and tax management systems.

The impact of the misreporting on leakage and per capita consumption weighs negatively on its governance profile, as these are perceived to be an indication of shortcomings in the governance and risk management processes in place, for which the group has already put measures in place to rectify and prevent them from occurring in the future.

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Sustainable Fitch's ESG Ratings offer a global solution to assess Environmental, Social and Governance performance of all asset classes at an entity, framework and instrument level, helping the ESG financial community make better, informed decisions. It has developed a modular analysis framework, enabling it to provide a Second Party Opinion (SPO) and a monitored suite of ESG Ratings including Entity Rating, Framework Rating and Instrument Rating.

ESG Ratings indicate an entity's performance, commitment, and integration of environmental and social considerations into its business, strategy and management, and the effectiveness of governance. The ratings are provided on a scale of '1' to '5', with '1' being the best and '5' the worst.

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