Climate
ESG
Report

XYZ CORPORATION, INC.

Independent Power Producers

EJR Climate Change/ESG Report

EJR Current Climate Change/ESG Score	61
EJR Current Climate Change/Environment Score	71
EJR Current Social Score	12
EJR Current Governance Score	58

Ratings Group Contact
ratings@egan-jones.com
(844) 495-5244

Prepared on Apr 06, 2021

Description/ Overview

XYZ Corporation, Inc. is in the independent power producers sector and its revenues were CAD999.9M for the quarter ending September 2020 vs. CAD999.9M for the prior year. Net income for the September 2020 quarter was CAD999.9M vs. the prior year's CAD999.9M income. Founded in 1999 and headquartered in XYZ, Canada, XYZ Corporation, Inc. engages in the development, building, owning, and managing wind facilities. It operates through the following segments: Offshore Wind, Thermal, On-shore Renewables, and Other.

Scores (1 best, 100 worst):	Current	Trend	Within Industry Current	Within Industry Trend
Overall ESG Score	61	59	49	60
Climate / Environment Score	71	64	45	53
Social Score	12	43	33	100
Governance Score	58	54	74	61

Overall Score

The Company's FYE 2019 overall current score is a weak 61 (1 is best, 100 worst) and the trend (i.e., current vs. prior year) is 59. (Each factor is ranked by industry to provide comparable measures) Regarding the driver of the Overall Current score, the Climate Change/ Environment Factor (weighted at 70%) is subpar at 71 and the trend sadly is a soft 64.

Score Drivers

The major subfactor of the Climate Change/Environment Factor is CO2 Equivalent Emissions with a score of 72, which reflects the over 1 million tons of CO2 emitted for the last fiscal year,compared to the prior year which was over 1 million tons. For the CO2 Emissions/ Revenue subfactor, the score of 94 reflects the approximately 1,300 tons of emissions per million dollars of revenue for the last fiscal year, while the trend score is 70. For the Water Use/Revenue subfactor, the score was 95 for the last fiscal year. And for the Water Withdrawal subfactor, the score was 86. For the Social Factor, the score was 12. For the Governance Factor, the CEO-Chairman Separation subfactor score of 1 reflects the CEO-Chairman separation for the last fiscal year.

Peer Comparison

Below is a comparison to the company’s major peers.

	2018	2019
CO2 Equivalent Emissions (Thousand Tons)	over 1,650	over 1,450

	Overall Percentiles (1: best)		Within Industry Percentiles	
	Current	Trend	Current	Trend
Climate Chg & Environ. (70%)				
CO2 Equivalent Emissions (25%)	72	90	20	60
CO2 Emissions/Revenue (15%)	94	70	20	80
Water Withdrawal (10%)	86	12	33	0
Water Use/Revenue (5%)	95	9	33	20
Energy Use (10%)	78	87	75	50
Energy Use/Revenue (5%)	98	45	75	75
Renewable Energy (5%)	10	41	83	17
Renew. Energy/Energy Use (10%)	15	63	100	75
Waste (5%)	N/A	N/A	N/A	N/A
Waste Recycled/Waste (5%)	N/A	N/A	N/A	N/A
Waste Recycled (5%)	N/A	N/A	N/A	N/A
Social (12%)				
Net Employment Creation (100%)	12	43	33	100
Governance (18%)				
Sustainability Comp. Incent. (25%)	100	50	100	50
Executive Gender Diversity (25%)	60	57	100	75
Board Gender Diversity (20%)	31	66	58	67
Senior Exec. Comp./Revs. (20%)	58	68	60	80
CEO-Chairman Separation (10%)	1	1	1	1

Appendix

Approach to Providing ESG Corporate Responsibility Evaluations

Corporations exist in the broader context of a society and like other citizens of a society are expected to act in a responsible manner to hopefully benefit both the corporate entity and society as a whole. Unfortunately, sometimes this relationship breaks down such that the corporation appears to benefit while society losses. There are extreme examples of these breakdowns which in many cases are in-part rectified by litigation. For example, the opioid crisis and the BP Macondo well disaster resulted in major fines, although many rightly argue much of the damage remains unaddressed.

While these two examples are the exception in the sense that for many cases, the damage is rarely addressed. So, who pays the cost for intentional and unintentional harm? The simple answer is broader society. Hence, one could soundly argue that a corporation could engage in baneful activities, earn profits from such activities, and leave the broader society to absorb the cost for any consequence. Unfortunately, this has been and remains the case. While society could pass laws, which transfer the true costs of the corporate misdeeds back to the corporation, the reality is the passage and policing of such laws is problematical. Hence, in an effort to spotlight and hopefully curtail some particularly pernicious activities of corporations, Egan-Jones is including an analysis of such activities in its reports.

Regarding which activities are particularly harmful, we like to see corporations act like responsible citizens in all areas. Nonetheless, climate change is probably the area where the negative impact persists for decades. Other areas which need attention are diversity, pay, and corporate governance issues.

Our view is that companies should strive for continual improvement and therefore we score firms on both their Current State and Trend score.

Egan-Jones Ratings is particularly well-positioned to address these issues because for most of its coverage of publicly traded firms, it is NOT paid by the corporate issuers, but rather by investors. Obviously, corporate issuers are reluctant to retain a rating firm which is flagging the corporation's shortcomings whereas a rating firm representing investors has more leeway to make accurate assessments.

Copyright