

Algonquin Power & Utilities Corp.

Multi-Utilities Canada TSE:AQN

ESG Risk Rating

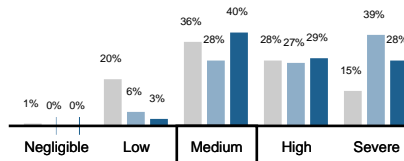
22.4 -12.8

Updated Apr 14, 2021 Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

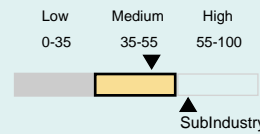
UNIVERSE	RANK <small>(1st = lowest risk)</small>	PERCENTILE <small>(1st = lowest risk)</small>
Global Universe	3856/13121	30th
Utilities	55/510	12th
INDUSTRY GROUP		
Multi-Utilities	7/58	11th
SUBINDUSTRY		

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

49.1 -11.5
 Medium Momentum
 Beta = 0.78



In 2018, APUC installed 150 MW of new renewable capacity and had a 10 MW solar project in construction. Still, the company's energy generation activities continue to rely on fossil fuels. As the transition to a low-carbon economy may destabilize fuel prices, the company may experience increased operating costs and stranded assets. In addition, in FY2018, APUC operated 11,637 km of electricity transmission lines, and 7,504 km of gas distribution lines, while also planning to develop a 26-mile pipeline in New Hampshire. As gas leaks and poorly maintained transmission lines may have adverse impacts on residents, the company may face community protests and operational disruptions. Moreover, APUC's thermal power plants and water treatment assets generate air pollutants, like SO₂ or NO_x, as well as waste and effluents, whose mismanagement may expose it to significant penalties or fines.

The company's overall exposure is medium and is moderately below subindustry average. Community Relations, Carbon -Own Operations and Emissions, Effluents and Waste are notable material ESG issues.

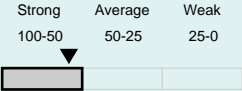
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Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices and policies.

ESG Risk Management

58.3 +13.5
Strong Momentum



In 2018, APUC has published a Sustainability Report titled "Shaping Our Common Future". Although the report referenced SASB and GRI frameworks, it has not been written in accordance with the GRI re-ported standards, lagging behind best practice. However, the company's ESG-related issues are over-seen by the Corporate Governance Committee and by the Board Risk Committee, suggesting that these are integrated in core business strategy.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Corporate Governance	9.0 High	63.0 Strong	3.3 Low	14.8%
Resource Use	6.6 Medium	56.3 Strong	3.6 Low	16.2%
Community Relations	6.0 Medium	44.8 Average	3.6 Low	16.0%
Carbon - Own Operations	6.8 Medium	52.7 Strong	3.2 Low	14.2%
Product Governance	3.3 Low	42.9 Average	2.0 Negligible	8.9%
Emissions, Effluents and Waste	3.5 Low	50.9 Strong	1.9 Negligible	8.5%
Business Ethics	4.5 Medium	72.5 Strong	1.4 Negligible	6.2%
Human Capital	3.0 Low	56.3 Strong	1.4 Negligible	6.2%
Occupational Health and Safety	3.9 Low	78.8 Strong	1.1 Negligible	5.1%
Land Use and Biodiversity	2.6 Low	66.2 Strong	0.9 Negligible	3.9%
Overall	49.1 Medium	58.3 Strong	22.4 Medium	100.0%

Significant Events Legend

▲5 Category 5 Severe
 ▲4 Category 4 High
 ▲3 Category 3 Significant

Events Overview

Identify events that may negatively impact stakeholders, the environment or the company's operations.

Category (Events)

▲5 Severe (0)

▲4 High (0)

▲3 Significant (0)

▲2 Moderate (0)

▲1 Low (0)

▲0 Negligible (19)

Marketing Practices

Community Relations

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Events Overview

Identify events that may negatively impact stakeholders, the environment or the company's operations.

- Emissions, Effluents and Waste
- Land Use and Biodiversity
- Bribery and Corruption
- Labour Relations
- Anti-Competitive Practices
- Occupational Health and Safety
- Lobbying and Public Policy
- Data Privacy and Security
- Society - Human Rights
- Energy Use and GHG Emissions
- Water Use
- Business Ethics
- Access to Basic Services
- Quality and Safety
- Intellectual Property
- Accounting and Taxation
- Sanctions

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GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

- Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
- Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
- Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
- High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
- Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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