



**PRENTISS
SMITH & CO**

Socially Responsible Investment Report for:

AVANGRID INC

New Haven, CT

Ticker: AGR US Equity

Website: www.avangrid.com

Last Updated: 12-10-2020

I. Exclusionary Screening

Does AVANGRID INC appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

Fossil Fuels & Precious Metals Mining

- Carbon Underground 200
- CDP/CAI Carbon Major
- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining

Agrochemicals & Animal Cruelty

- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Gaming Equipment
- BICS - Adult/nightclubs
- BICS - Tobacco

Defense & Retail Gun Sales

- SIPRI Top 100
- BICS - Defense Primes
- NRA Top Industry Allies

Private Prisons

- BICS - Security Services

CDP = Carbon Disclosure Project
CAI = Climate Accountability Institute
BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute
NRA = National Rifle Association

I. Environmental, Social & Governance Data

What quantifiable environmental, social and governance data, policies or recognition does AVANGRID INC exhibit? Positive factors may help support a decision to invest.

General

Just Capital Overall (1-922)

#224

RobecoSAM Sustainability Score (1-100)

73

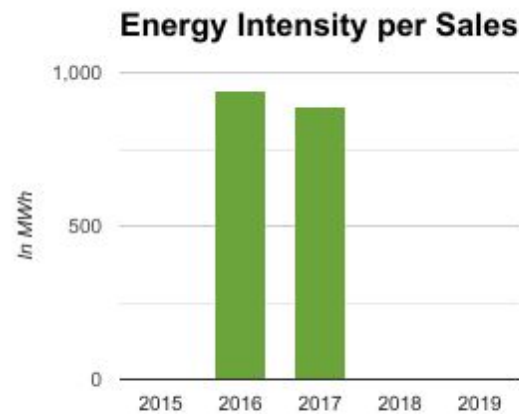
Climate Change & Fossil Fuels

CDP Climate Change 2019 Score

B

CDP Reporting Since

2017



Initiatives and Policies in Place:

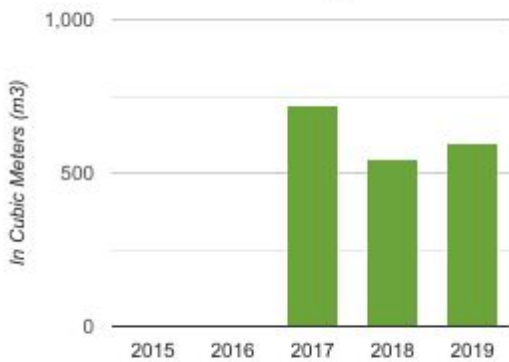
- **Climate Change Policy**
- **Renewable Electricity Target Policy**

Environmental Stewardship

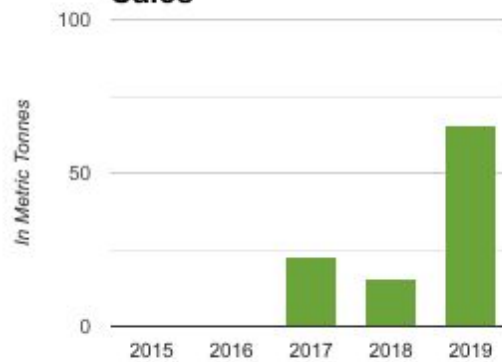
Just Capital - Environment (1-922)

#370

Water intensity per Sales



Waste generated per Sales



Initiatives and Policies in Place:

- Sustainable Development Goals Target Policy
- Social Supply Chain Management
- Biodiversity Policy
- Water Policy
- Waste Reduction
- Environmental Quality Management
- Emission Reduction
- Energy Efficiency Policy

Human Rights & Well-Being

Just Capital - Workers (1-922)

#158

Just Capital - Customers (1-922)

#257

Just Capital - Communities (1-922)

#80

Initiatives and Policies in Place:

- Equal Opportunity Policy

Diversity, Equity, Inclusion and Justice

Women Employees

28%

Women on the Board

23%

Number of Women Executives

0%

Number of Women on the Board

3

Corporate Responsibility

Just Capital - Shareholders (1-922)

#900

Shareholder vote on management remuneration

99.3%

Independent Directors

40%

Number of Employee Representatives on the Board

0

Independent Directors on Audit Committee

100%

Independent Directors on Compensation Committee

67%

Independent Directors on Nominating Committee

67%

Total Corporate Foundation and Other Giving (\$ USD millions)

9.6

Community Spending (\$ USD millions)

3.9

Initiatives and Policies in Place:

- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Climate and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP100

II. Research Narrative

What else has our research process told us about how AVANGRID INC conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

Summary

AVANGRID, Inc calls itself a “sustainable energy company” with two main lines of business: ownership of eight utilities in New York and New England, via its AVANGRID Networks subsidiary, and generation of 8 gigawatts of renewable electric capacity in its AVANGRID Renewables business. (AVANGRID itself is more than 80% owned by Iberdrola, Europe’s second-largest utility by market capitalization, based in Spain; Iberdrola bought and reorganized the company in 2008.) AVANGRID Networks’ customer base includes approximately 70% electric customers and 30% natural gas customers, while AVANGRID Renewables operates the third largest wind generation fleet in the US. AVANGRID’s climate targets include carbon neutrality by the end of 2035; in 2019 alone the company invested \$1.4B in developing its renewable assets. Based on our own analysis of major US utilities (chart shown below), AVANGRID’s renewable energy generation, primarily via AVANGRID Renewables, makes it one of the top two utilities in the country in terms of emissions intensity. AVANGRID also issues significant charitable gifts and grants, and in 2020 was named one of the world’s most ethical companies by ethics and compliance-focused business network Ethisphere.

AVANGRID has faced some controversy, including from its “New England Clean Energy Connect” (NECEC) project, designed to deliver 1,200 MW of hydropower from Quebec. The project relies on new, High Voltage Direct Current (HVDC) transmission lines slated to run through approximately 53 miles of “working forest” in Maine’s largely undisturbed north woods. While legal challenges have been defeated, groups such as the Natural Resource Council of Maine continue to oppose the project. AVANGRID and Central Maine Power, the public face of the NECEC project, have also been accused, in separate suits, of overcharging customers in certain situations. AVANGRID also has significant room for improvement in its gender diversity, with no women on its 10-person executive team, and the 9 non-independent directors on AVANGRID’s 15-member board are also a cause for concern.

Products & Services

AVANGRID calls itself a “sustainable energy company,” with two main lines of business: ownership of eight utilities in New York, Connecticut, Massachusetts and Maine, via its AVANGRID Networks subsidiary, and generation of 8 gigawatts of renewable electric capacity in its AVANGRID Renewables business. AVANGRID itself is more than 80% owned by Iberdrola, Europe’s second-largest utility,¹ based in Spain. Iberdrola bought the company, then named Energy East Corporation, in 2008, with subsequent reorganization leading to its current form since 2013, and the AVANGRID name since 2015. (Energy East Corporation was originally incorporated in New York in 1997.)²

AVANGRID Networks, a Maine Corporation, handles electric transmission and distribution along with natural gas distribution, transportation and sales via the eight utilities it holds. This collective customer base includes approximately 70% electric customers and 30% natural gas customers. In 2019, AVANGRID Networks distributed approximately 36.6 million MWh (megawatt-hours) of electricity to 2.3 million customers, and approximately 207 million DTh (dekatherms) of natural gas to about a million customers.³ In 2018, AVANGRID sold its gas trading and storage business, Enstor Energy Services LLC and Enstor Gas LLC, which it no longer considered part of its core business strategy.

In 2018, AVANGRID Networks’ subsidiary Central Maine Power (CMP) won a Massachusetts clean energy RFP for its New England Clean Energy Connect transmission project, submitted jointly with Hydro-Quebec to deliver 1,200 MWh of hydropower from Canada to the New England grid.⁴

AVANGRID Renewables operates the third largest wind generation fleet in the US, which includes 61 wind farms in 21 states. In 2019, the Renewables business produced nearly 17 million MWh of

¹ <https://www.spglobal.com/marketintelligence/en/news-insights/trending/sgSxFo7P69ByGX1pBy4mvg2>

² <https://www.sec.gov/ix?doc=/Archives/edgar/data/1634997/000163499720000017/agr201910-k.htm#sE5961731FE2C5AC39FDA64F4309B07D1>

³ <https://www.sec.gov/ix?doc=/Archives/edgar/data/1634997/000163499720000017/agr201910-k.htm#sE5961731FE2C5AC39FDA64F4309B07D1>

⁴ <https://www.businesswire.com/news/home/20201104005763/en/Army-Corps-of-Engineers-Grants-Permit-to-AVANGRID%E2%80%99S-New-England-Clean-Energy-Connect-Clean-Energy-Corridor>

energy through wind power.⁵ AVANGRID Renewables also produces a much smaller amount of electricity via four solar facilities and two thermal generation facilities, which help cover peak power needs and which the company claims are the most efficient plants in the country at producing electricity from natural gas.⁶

In 2019 alone the company invested \$1.4B in developing its renewable assets, and increased its wind generation capacity by 12%.⁷ Core to AVANGRID Renewables' strategy are two planned offshore wind farms south of Cape Cod, one of which the company says will be the first large-scale offshore wind farm in the US. Combined, these projects have a potential capacity of 5,000 MWh of renewable energy, and are expected to break ground in the next 1-2 years before ultimately delivering power to customers in Massachusetts and Connecticut.⁸

In 2020, AVANGRID's parent, Iberdrola, made plans to acquire PNM Resources, New Mexico's largest electric utility with operations in Texas as well. The deal, which is expected to close in 2021, would merge PNM with AVANGRID, and would make AVANGRID one of the 10 largest utilities in the US.⁹

Environment

AVANGRID's climate targets include carbon neutrality by the end of 2035. In 2019, 90% of the company's owned and installed generating capacity was emission-free. The company has achieved its goals to reduce CO2 emissions intensity 25% by the end of 2020, and to increase the installed capacity of its Renewables business by over 30% by the end of 2020 (both compared to a 2015 baseline). AVANGRID claims that the 17,479 GWh of renewable electricity it produced in 2019 allowed its customers to avoid 12.3 million metric tons of CO2 emissions, or the equivalent of taking 2.6 million cars off the road for a year.¹⁰

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<https://www.sec.gov/ix?doc=/Archives/edgar/data/1634997/000163499720000017/agr201910-k.htm#sE5961731FE2C5AC39FDA64F4309B07D1>

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https://www.avangrid.com/wps/wcm/connect/www.avangrid.com18200/4d719580-66da-4c1f-9ecc-865d30bc4eab/SustainabilityReport_2019.pdf?MOD=AJPERES&CVID=n72fZb1

7

https://www.avangrid.com/wps/wcm/connect/www.avangrid.com18200/af356f66-9f78-4172-b378-fae0e2b811f0/SustainabilityReport_2019.pdf?MOD=AJPERES&CVID=n76YO8V

⁸ <https://wgme.com/news/local/avangrid-betting-big-on-renewable-energy>

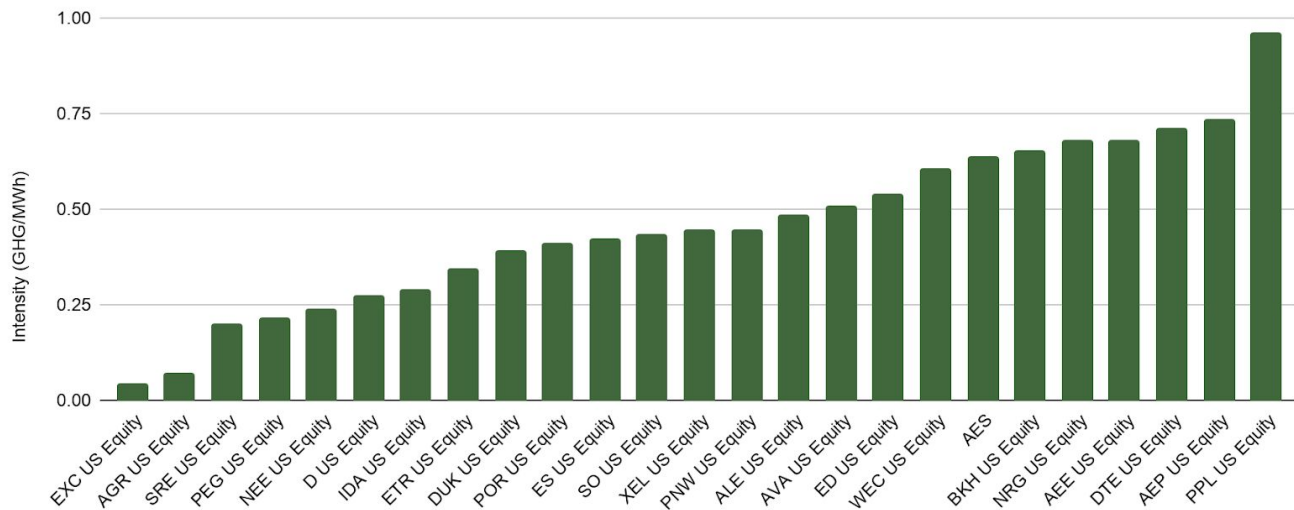
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<https://www.power-eng.com/news/iberdrola-acquiring-pnm-merging-it-with-avangrid-in-8-3b-enterprise-transaction>

10

https://www.avangrid.com/wps/wcm/connect/www.avangrid.com18200/af356f66-9f78-4172-b378-fae0e2b811f0/SustainabilityReport_2019.pdf?MOD=AJPERES&CVID=n76YO8V

Our own analysis of major US utilities (chart shown below) reveals that AVANGRID’s generation, primarily via AVANGRID Renewables, makes it one of the top two utilities in the US in terms of emissions intensity. We calculated emissions intensity by researching each utility’s total annual greenhouse gas emissions (GHG), measured in megatons, and dividing by its total reported megawatt hours (MWh) of energy produced for the same year (either 2018 or 2019). The result gives us a single figure for comparing utilities of different size and scale. (Excelon, the only utility we found to have a lower emissions intensity than AVANGRID, generates 85% of its energy from nuclear plants, while the next-closest utility, Sempra Energy, has an intensity almost three times that of AVANGRID’s.)¹¹



AVANGRID’s CO2 emissions intensity did actually increase in 2019, which the company says is because of an “unprecedented need for power” from its recently completed Klamath co-generation plant in Oregon. The company does note the plant nevertheless features “the most carbon dioxide mitigation ever for a fossil-fueled power plant.”¹² The increase in emissions intensity may in part help explain why AVANGRID receives just a “B” score from CDP on its climate change report, despite its focus on sustainable energy.¹³

¹¹ <https://www.prentiss-smith.com/where-are-utilities-in-the-fight-to-mitigate-climate-change/>

¹²

https://www.avangrid.com/wps/wcm/connect/www.avangrid.com18200/af356f66-9f78-4172-b378-fae0e2b811f0/SustainabilityReport_2019.pdf?MOD=AJPERES&CVID=n76YO8V

¹³

https://www.cdp.net/en/responses?per_page=20&queries%5Bname%5D=avangrid&sort_by=project_year&sort_dir=desc

AVANGRID's Board of Directors has a Climate Change Policy, and sustainability oversight takes place at the Board and CEO level. The company also increased its use of green financing in 2019, becoming the 7th largest issuer of green bonds in the US at \$2.1B issued.¹⁴

Management Integrity and Ethics

In 2020, AVANGRID made Ethisphere's list of 131 of the world's most ethical companies, a ranking based on compliance and ethics, culture, leadership and ESG factors. AVANGRID also appointed a new CEO, Dennis Arriola, who was previously Executive Vice President and Chief Sustainability Officer at Sempra Energy, based in California. A graduate of Stanford and Harvard Business School, Arriola has been named one of the "100 Most Influential Hispanics" by Hispanic Business Magazine and chairs the Board of the California Latino Economic Institute, as well as holding a board seat with the US Chamber of Commerce and Auto Club Enterprises.¹⁵

AVANGRID's 10-person executive team does not have any women, and just 28% of the company's employees are women, leaving a clear need for improved gender diversity. Also of concern are the 9 non-independent directors on AVANGRID's 15-member board, which includes only 3 women.¹⁶

AVANGRID's \$510K in 2019 lobbying expenditures puts it well below many of its US peers.¹⁷

In 2019, the company made \$5.7M in charitable gifts, and gave an additional \$3.9 in grants through its foundation, with priority to education and training, art and culture, environmental and climate action, and social action.¹⁸

While AVANGRID subsidiary CMP's New England Clean Energy Connect transmission project essentially replaced the highly controversial Northern Pass Transmission project, it quickly garnered controversy of its own, due to the 53 miles of new, High Voltage Direct Current (HVDC) transmission lines slated to run through "working forest" in Maine's largely undisturbed north woods.¹⁹ Although the rest of the HVDC lines will run along pre-existing corridors, the project has

¹⁴

https://www.avangrid.com/wps/wcm/connect/www.avangrid.com/18200/af356f66-9f78-4172-b378-fae0e2b811f0/SustainabilityReport_2019.pdf?MOD=AJPERES&CVID=n76YO8V

¹⁵ <https://www.avangrid.com/wps/portal/avangrid/aboutus/companyprofile/executives>

¹⁶ <https://www.avangrid.com/wps/portal/avangrid/corporategovernance/BoardofDirectors>

¹⁷ <https://www.opensecrets.org/federal-lobbying/industries/summary?cycle=2020&id=E08>

¹⁸ <https://www.avangrid.com/wps/portal/avangrid/aboutus/avangridfoundation>

¹⁹

<https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/022620-avangrid-execs-update-investors-on-controversial-maine-transmission-project-referendum>

been opposed by groups such as the Natural Resource Council of Maine due to the new development required. In August 2020, those opponents had a ballot initiative against the project ruled unconstitutional by Maine’s Supreme Judicial Court, dealing a victory to AVANGRID and the Maine State Chamber of Commerce, who had lobbied against the initiative.²⁰ CMP has also faced challenges to its image from errors with a new billing system rolled out in 2017 that led to overcharging customers. In January 2020, the Main Public Utilities Commission ruled that CMP had to pay a \$10 million penalty as part of resolving the disputes.²¹

Also in 2017, a legal complaint followed an Environmental Defense Fund Study alleged that AVANGRID and another utility, Eversource, had artificially throttled natural gas pipeline capacity by reserving energy in advance that it did not expect to use, thereby leaving less gas available overall and driving prices up.²² That case was dismissed in 2019.²³

²⁰ <https://www.wbur.org/earthwhile/2020/08/14/maine-supreme-court-ballot-powerline-unconstitutional>

²¹

<https://theberkshireedge.com/class-action-lawsuit-acuses-utilities-eversource-avangrid-of-bilking-customers-out-of-3-6-billion/>

²²

<https://www.edf.org/media/study-new-england-customers-paid-36-billion-inflated-electric-bills-due-regulatory-disconnect>

²³ <https://www.ctpost.com/local/article/Appeals-court-rules-in-favor-of-Eversource-15575800.php>

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