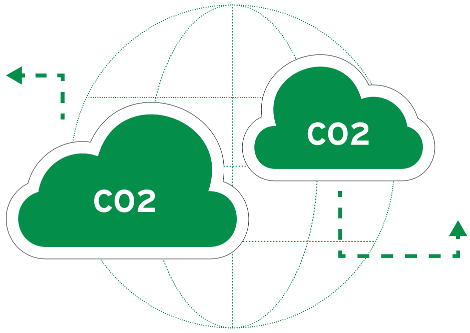
AlliedOffsets

AlliedOffsets Buyer Rating

The world's first rating of corporate activity in the voluntary carbon market.

INTRODUCTION

As the voluntary carbon market (VCM) has grown in popularity in the last three years, more retirements are taking place than ever before. Companies, individuals, governments and non-governmental organizations, among others, have increased their efforts in trying to mitigate some effects of climate change by increasing funding carbon finance by purchasing carbon credits towards their corporate social responsibility goals or offsetting purposes.



At AlliedOffsets, we have completed a review of carbon offset buyers; each buyer has received a grade which reflects their commitment to offsetting as a complement to their emission reduction strategies and remaining residual emissions. By doing this, we want to shed light on companies who continuously contribute to providing carbon finance using more recent credits and paying more per ton, but also display those whose carbon credit purchases' quality or frequency could be improved.

The buyer ratings take into account two key things about a buyer: the share of emissions they offset, as well as the profile of the credits they offset with. In order to create a score, therefore, we need two key data points: Scope 1 and 2 emissions for a company, as well as what credits they offset with.

Currently, the list comprises 312 entities from 15 industries. The biggest group is financial services (60 companies), while the smallest included in our list is agriculture, with only one entity. We expect the list to grow in the future, as more companies are tagged in credit retirements and share their scope 1 and 2 (and scope 3) emissions, without which the overall rating and individual grades cannot be compiled.

The ratings will be updated on a regular basis, and we will keep track of how companies are doing via a monthly report. This first installment outlines the methodology and the distribution of scores for the companies we've rated. Future installments will also highlight how companies' ratings change, as their emissions and retirements change.

METHODOLOGY

The emissions data were sourced from corporate sustainability reporting, whereas all remaining data points are sourced from carbon credit retirements data available through carbon credit registries. Based on these data sources, we were able to match credit buyers to the carbon credits they had purchased (this adds up to ~185 million carbon credits retired based on data from 15 registries) and rate these entities. The extent of the ranking, however, is limited by the availability of emissions data, as discussed earlier, but is expected to grow quickly. One should

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Grade	% of Companies	Description of Grade
A+	7.4%	Consistently offsetting their GHG emissions over the last 3 years, overall score equal to or above 93rd percentile.
A	15.5%	Have retired credits in the last 3 years, score between 73rd and 92nd percentile.
A-	28.3%	Have retired credits in the last 3 years, score between 33rd and 72nd percentile.
B+	10.4%	Have retired credits in the last 3 years, score between 18th and 32nd percentile.
B	4.6%	Have retired credits in the last 3 years, score between 11th and 18th percentile.
B-	7%	Have retired credits in the last 3 years, score between 3nd and 10th percentile.
C+	1.2%	Have retired credits in the last 3 years, score equal to or below 2nd percentile.
C	1.6%	Have not retired in last 3 years, but had before that; score above 50th percentile within group.
C-	8.6%	Have not retired in last 3 years, but had before that; score below 50th percentile within group.
D	15.3%	Have retired credits in the past, but not in the last 5 years.

also note that 40% of all carbon credit retirement transactions are completely anonymous, meaning that they contain neither account holder nor retirement details.

The rating grade is based on corporate carbon credit retirements, their overall and recent value, average vintage year, the difference between vintage and year of retirement, as well as annual scope 1 and 2 emissions per retirements over the last 3 years.

The rating is based on buyers' carbon credit retirements, their overall and recent value (over the last 2 years) per credit retired (10% and 20% respectively), the difference between credit vintage and year of retirement (30%), average vintage (10%), responsiveness (10%), as well as buyer's over annual scope 1 and 2 emissions over retirements over the last 3 years (20%). Once the score is calculated based on the components described above, buyer's grade depends on the score's percentile among other buyers.

Rating also helps establish the transparency of firms in terms of traceability of their offsetting efforts – while many companies claim to be carbon neutral through offsetting all of their residual emissions, not all credit retirements can be attributed to the companies due to lacking or confusing retirement and/or account holder details (see one of our older articles on this topic). Having a higher proportion of visible corporate carbon credit retirements would be hence expected to increase the companies rating. Simultaneously, we recognize that this rating does not account for off-registry carbon removals, however we expect to include this at a later time.

RATING DISTRIBUTION

Companies are graded on a scale from A+ (best) to D (worst) with the distribution of grades based on Moody's and S&P grade spread. Grades from A+ to C+ include companies that have retired carbon credits over the last 3 years and the grades here are calculated based on the distribution within this group, as illustrated in the table above.

OVERVIEW OF RATINGS

As shown in the graphs on the next page, the average price per credit retired exhibits a decreasing trend for all corporates who have retired carbon credits within the last 3 years (A+ to C+), with a relatively comparable prices for grades A- and B+. In terms of retired credits, A- companies have retired the most (~88 million credits). The group includes relatively high polluters compared to A+ companies, whose average credits retired are almost four times lower.

The table below shows the breakdown of the types of companies that retire credits, within each grade group.

AO Rating	Retired Credits	Average Price per Credit	Average Price / Credit in Last 2 Years	Average Vintage Year	Average Years from Vintage to Retirement	Annual Emissions / Retire-ment Last 3 Years (tCO2)	Avg. Annual Revenue	Avg. Employees	Avg. Scope 1 + 2 Emissions	Est. Value of Retired Credits	Retirements Last 3 Years
A+	19.2m	$8.99	$7.18	2018	2	0.23	$38.3b	85,793	1.1m	$173.20M	14.6m
A	42.7m	$7.38	$8.24	2015	3	0.39	$34.2b	73,854	2.9m	$315.03M	21.7m
A-	97.1m	$5.74	$5.85	2014	5	0.69	$41.9b	73,458	12.1m	$557.43M	52.8m
B+	30.3m	$4.80	$5.27	2011	9	2.86	$66.1b	134,982	15.7m	$145.73M	16.7m
B	6.3m	$2.96	$2.54	2010	9	5.52	$26.8b	72,185	9.2m	$18.74M	5.0m
B-	.6m	$4.44	$3.32	2008	9	461.54	$61.6b	92,722	10.3m	$2.59M	.7m
C+	.004m	$2.90	$2.67	2010	10	4,119.67	$62.6b	217,181	1.5m	$0.01M	.001m
C	1.6m	$11.07		2010	1		$21.4b	78,243	1.7m	$17.61M	
C-	3.9m	$4.01		2012	4		$29.2b	63,629	30.9m	$15.97M	
D	3.8m	$4.29		2009	5		$19.9b	65,450	5.5m	$16.13M	

The chart below shows the number of credits retired (left axis) and the estimated price paid per credits (right axis) for companies that have retired credits in the previous 2 years, corresponding with grades A+ to C+.

Credits Retired and Price by Rating

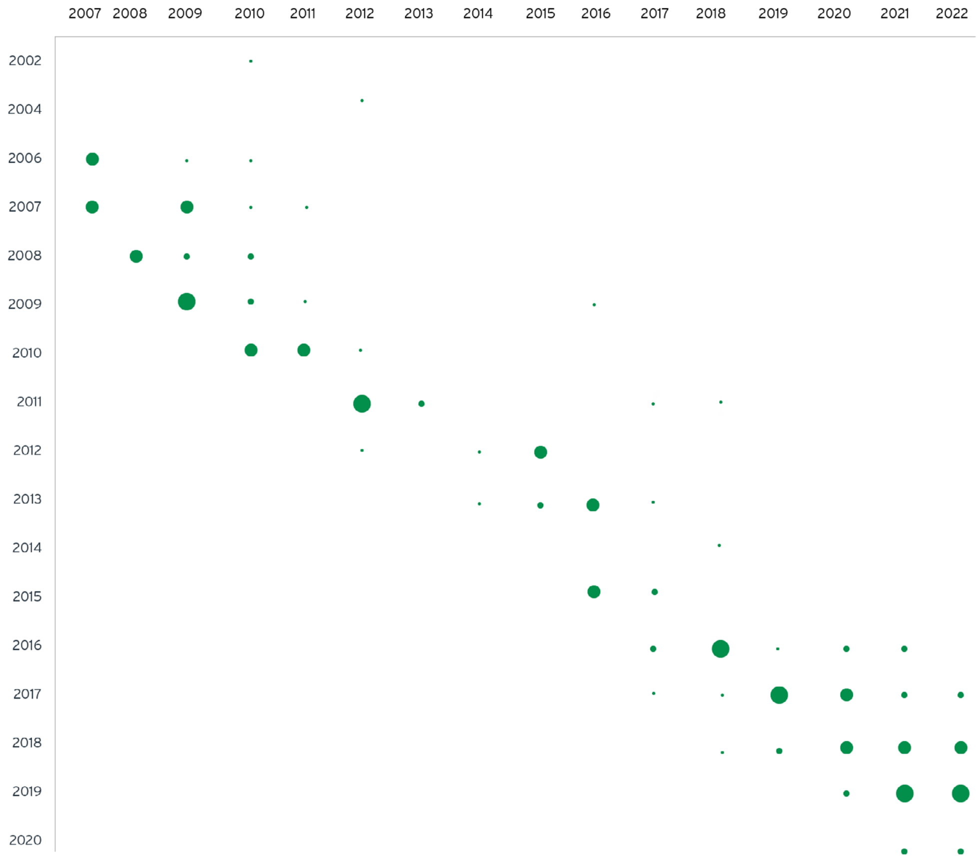
Future reports will focus on changes within the rating and any additions to the group. We are hoping to include all 650 buyers we've matched to the rating soon; however, as corporate emissions are an important factor in determining the rating, we can only rate companies for which we have collected that information.

Since we first compiled the list in December 2022 there have been changes to the rating and an increase in the number of companies rated. Currently, there are 312 buyer entities, compared to 284 in mid-December 2022. Among these, 178 buyers had no change to their rating, whereas 42 have improved their rating by at least one grade. The remaining 64 were downgraded, 17 of these being in Financial Services. The downgrades might be partially due to the fact that two out of the 5 components of the rating consider the buyer's offsetting behaviour over the last 2-3 years. Since a lot of corporate offsetting takes place in Q4, if it was on the cusp of the last 3-4 years it would have been excluded from the calculation of the mentioned factors and therefore affect the overall rating.

The chart below shows the distribution of ratings by sector; the darker the color, the more companies are present within the rating.

BUYER SPOTLIGHT: INTERFACE

Interface were graded A for their carbon credit purchases. The company has retired 5.2m credits until now with $7.45 an average price per retirement. While the average vintage of credits retired by Interface is 2012, the average difference between the year of credit retirement and the credits' vintage is only 2 years, which shows a consistent commitment to offsetting (see figure below for an overview over time).



The table in the Appendix, on the following pages, shows the complete grades of the companies we have ranked. The up and down arrows show how the grade of the company has changed over the past month.

DISCLAIMERS

The data used in the report was sourced from the AlliedOffsets database and carbon credit registries; the emissions data was sourced from most recently available corporate sustainability reports; the exact years used for analysis can be provided upon request. The above rating is not an ESG nor a CSR rating; it purely focuses on analyzing the attributes of carbon credits bought by companies. The rating above is not a carbon project rating: AlliedOffsets do not assess the quality of carbon credits used by companies and other entities for offsetting.

For more information on our corporate ratings, please contact Anton Root, Head of Research at anton.root@alliedoffsets.com.

APPENDIX: CORPORATE RATINGS

A+	A	A-	A- (cont'd)	B+	B	B-	C+	C	C-	D
Standard Chartered	Richemont	Air Liquide	Bloomberg	FERROVIAL	Commerzbank	NRG Energy	Ford	Autodesk	Pepsi	Ferrari
NW Natural	Lyft	Itau Unibanco	WEX	Bridgestone ▼	Copa Airlines Colombia ▼	AON	Nissan	PG&E	NAB ▼	Sodexo
Chubb	Eni	Sony ▼	Credit Suisse	AMP	Commonwealth Bank of Australia ▼	Kraft Heinz		IFF ▼	BP ▼	CERES
Meta	Etsy	Coca-Cola	CBRE	Samsung ▼	Acciona	Morgan Stanley ▼		FMO	Alfa Laval AB ▼	SKF USA ▼
Chanel	Telenor	Iberdrola ▲	BASF	Coty ▲	Essity ▼	Naturgy ▼		Deutsche Post ▼	The Toronto Dominion Bank ▼	Wyndham Worldwide ▼
Antalis	Deutsche Bank ▼	Salesforce ▼	Baxter	Boston Scientific ▲	Lendlease	Wheaton Precious Metals ▼		Reformation	Enexis	Norwegian Cruise
Carrier	Interface	Skoda ▼	Evergy	PetroChina	Trane Technologies ▼	AstraZeneca		Manpower	Biogen	Fuji
Danone	Suzuki	Swedbank ▼	AECOM ▲	Adidas ▼	RealChange ▼	Vulcan ▼		Reckitt Benckiser ▼	Swiss RE	Steuben County
Clarins	Maple Leaf Foods	UBS	British American Tobacco	Santander	Citigroup ▼	Toyota ▼		MAPFRE ▼	SGS ▼	Cap Gemini
Microsoft	PayPal	Barclays	KPN	Gazprom ▲	Banco do Brasil ▼	Vistra Energy ▼		SOMPO ▼	Sanlam	Carrefour
Hunter Boot	State Street	Kingspan	Southern Company	Sasol	BBVA ▲			WestRock ▼	CaixaBank ▼	Kohl's
Volkswagen	Cotopaxi	Goldman Sachs ▼	China Mecht's ▲	Dell ▼	E.ON ▲				Ricoh	Airbus
Portland General Electric	eBay	Chevron ▼	Daimler	Heineken					Chubu ▼	KNORR-BREMSE
AUDI	Apple	Boeing ▼	CANAL+	AEL Mining Services ▲					Baker McKenzie	Wesfarmers
Siemens	Storebrand	Delta	Johnson & Johnson	Kimberly-Clark					Solvay Flour Korea ▼	Entergy
Jones Lang LaSalle ▲	Nasdaq	AXA	WPP	Raizen					Flex ▼	Toronto-Dominion Bank
General Mills	M&G ▼	Delivery Hero	Panalpina ▲	Osaka Gas Co					State Bank of India ▼	KBC
Zalando	OMV ▲	Nestlé	Allianz	Uber ▼					Philips Lighting	Workday
Prologis	Allbirds	Banco Bradesco	Engie	Compass ▲					Swire Pacific ▼	Tate ASP Access Floors
SAP	Schroders	Vestas	Accenture ▲	Hasbro ▼					SingTel	Sainsbury's
JP Morgan Chase	Disney	Stora Enso	Exxon Mobil ▲	Enel					Ericsson	Hershey
Giorgio Armani	Deliveroo	Porsche	Deciem	Tokyo Gas					Keppel ▼	China Everbright Bank
Barilla ▲	Intuit	Tiffany & Co.	DNB ASA ▼	Shell					A.T. Kearney	Stryker
	Insurance Australia Group ▲	SCOR	BMW	Saint-Gobain ▼					IBM ▼	

A+	A	A-	A- (cont'd)	B+	B	B-	C+	C	C-	D
CEMEX TRANSPORTES DE COLOMBIA SA	Jabil	Ajinomoto	BIMBO DE COLOMBIA S.A	Inpex						Xerox
	Amdocs	Canon	Repsol	Kone ▲						Dr Pepper
	Lenovo	BrewDog	Wilmar ▲	Vodafone ▼						H&M
	Origin Energy	Marubeni	Nippon Steel Trading ▲	Mitsubishi ▲						Midea
	Duke Energy	Fujitsu	Colgate-Palmolive ▲	Vinci ▼						Avianca ▼
	Fortescue	Delta Electronics	Novartis ▼	MasterCard						Omnicom
	Sun Life Financial	EY	Publicis Groupe ▲	LATAM						Formosa ▼
	UPS	CPC Corporation	CNOOC Gas & Power Group	Amazon						ABC Distribution Ltd
	Takeda	Qantas Airways	Unilever	Unidas ▲						Transurban ▼
	Netflix	Terpel ▼	PETRONAS ▲	Norwegian Cruise Line ▲						Norsk Hydro
	BHP	Cathay Pacific Airways	EDP Energias	BayWa ▼						RWE AG
	Novo Nordisk	Dentsu	Renault ▲	HSBC ▼						Abengoa
	Wells Fargo	IHS	Mitsui & Co	Peugeot ▲						Solvay Energy Services ▼
	UPM	easyJet	Dow ▲							Hyosung
	Lundin	Indorama ▲	Rabobank							Antofagasta
	Asustek ▲	Telia Company AB	Brenntag ▲							Woolworths
	Gaseosas Colombianas ▼	Bank of America ▼	Arcelor Mittal ▲							
	Allen & Overy	Ecopetrol	Maersk ▲							
	Medtronic ▲	Zurich Insurance	Brambles							
	Arla Eko	Nedbank	Target							
	Petrobras	Capital One ▲	Schneider Electric							
	PTT ▲	Inditex	Kuehne & Nagel International							
	Aesop	Mettler-Toledo ▼	Suncorp							
	Gucci	Munich Re	Michelin ▲							
	Hitachi ▲	DHL	JetBlue							
	Pirelli ▲	EBRD								
	Braskem									
	Reliance Industries ▲									
	Aviva ▲									