

Zapadoslovenska Energetika AS

Electric Utilities Slovakia

ESG Risk Rating

26.9

Updated May 5, 2022

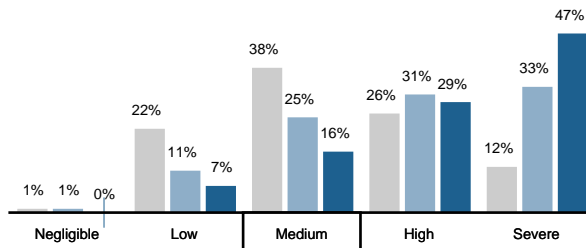
Not
available

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	7304/14662	50th
Utilities INDUSTRY	183/672	28th
Electric Utilities SUBINDUSTRY	52/297	18th

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Korea South-East Power Co., Ltd.	59.7 High	61.3 Strong	25.7 Medium
2. Virginia Electric & Power Co.	63.7 High	63.2 Strong	26.3 Medium
3. Zapadoslovenska Energetika AS	53.9 Medium	53.9 Strong	26.9 Medium
4. The Hongkong Electric Co., Ltd.	59.0 High	58.1 Strong	27.1 Medium
5. ENERGO-PRO as	49.9 Medium	48.5 Average	27.4 Medium

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ESG Risk Analysis

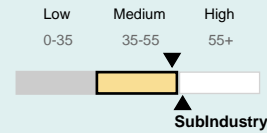
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

53.9
Medium

Not available
Momentum

Beta = 0.91



ZSE operates in an EU country and is subject to its net zero GHG emissions by 2050 targets and broader EU-wide regulations on carbon emissions. With increasing volumes of renewable power on the grid and increased possibility of cyber security issues that could impact operations, ZSE's electricity distribution business faces operational and asset integrity risks. Further, with its employees and contractors exposed to the hazards of working with high voltage electricity lines and substations, ZSE could also be impacted by safety breaches and accidents that might seriously endanger its personnel.

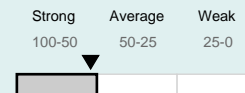
The company's overall exposure is medium and is moderately below subindustry average. Carbon -Own Operations, Product Governance and Occupational Health and Safety are notable material ESG issues.

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

53.9
Strong

Not available
Momentum



ZSE's Board of Directors and CEO oversee ESG related issues but the company does not report linking components of executive remuneration to ESG-related targets. Further, the company's sustainability disclosure lags best practice and not in compliance with reporting standards such as GRI. The company has aligned with the Slovak Republic's GHG target that aims for net neutrality by 2050 and has programmes that enable end consumers to opt for renewable energy, but it is unclear if the company has plans to tackle the emissions from its own generating capacity. ZSE has a strong cyber security programme and a formal asset management plan. The company also has a strong employee safety programme, certified to ISO 45001, but its lost time injury rates have been on the rise over the last two years, indicating some gaps in implementation.

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	
Community Relations	8.0 High	31.2 Average	5.8 Medium	21.4%
Emissions, Effluents and Waste	5.3 Medium	38.9 Average	3.4 Low	12.7%
Product Governance	6.0 Medium	48.0 Average	3.4 Low	12.7%
Carbon -Own Operations	5.4 Medium	51.9 Strong	2.6 Low	9.7%
Resource Use	4.0 Medium	44.5 Average	2.6 Low	9.6%
Occupational Health and Safety	6.6 Medium	73.1 Strong	2.3 Low	8.4%
Corporate Governance	5.0 Medium	57.0 Strong	2.2 Low	8.0%
Business Ethics	5.0 Medium	66.3 Strong	1.9 Negligible	6.9%
Land Use and Biodiversity	4.4 Medium	62.7 Strong	1.6 Negligible	6.1%
Human Capital	4.2 Medium	73.7 Strong	1.3 Negligible	4.7%
Overall	53.9 Medium	53.9 Strong	26.9 Medium	100.0%

Events Overview

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

Category (Events)

 **Severe (0)**

 **High (0)**

 **Significant (0)**

 **Moderate (0)**

 **Low (0)**

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Events Overview

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

Category (Events)

None (19)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Community Relations

Data Privacy and Security

Emissions, Effluents and Waste

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

Land Use and Biodiversity

Lobbying and Public Policy

Marketing Practices

Occupational Health and Safety

Quality and Safety

Sanctions

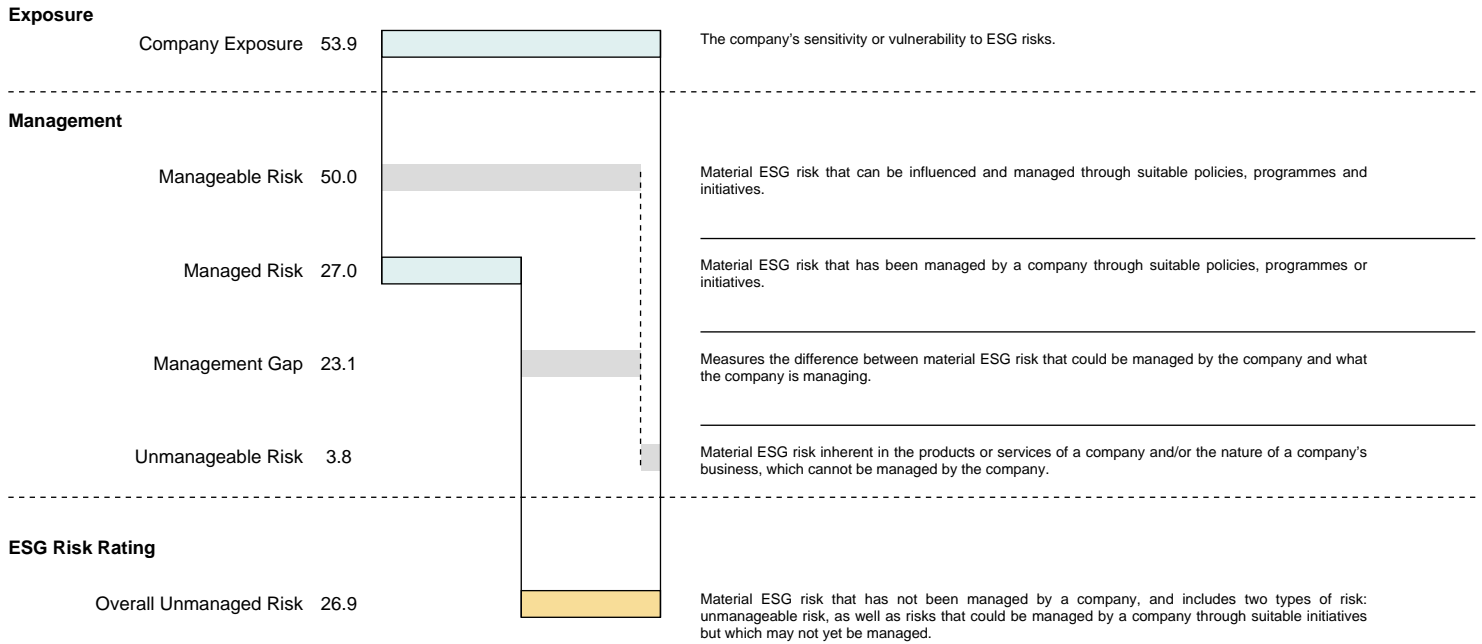
Society - Human Rights

Water Use

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Risk Decomposition



Momentum Details

Not available due to a lack of comparable historical information.

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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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