

Zapadoslovenska Energetika as

Electric Utilities Slovakia

ESG Risk Rating

20.4

Last Full Update May 23, 2023

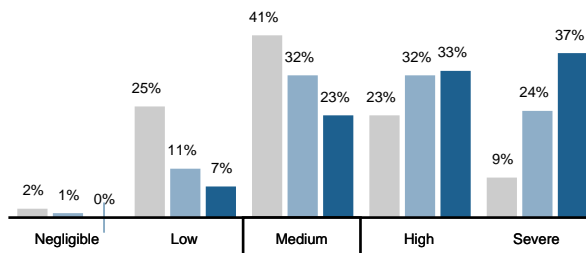
-6.5

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	4404/15518	29th
Utilities INDUSTRY	90/706	13th
Electric Utilities SUBINDUSTRY	24/287	9th

Peers Table

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

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Eurogrid GmbH	43.1 Medium	56.6 Strong	20.2 Medium
2. NSTAR Electric Co.	47.8 Medium	61.9 Strong	20.3 Medium
3. Zapadoslovenska Energetika as	56.7 High	68.8 Strong	20.4 Medium
4. Jersey Central Power & Light Co.	41.9 Medium	53.5 Strong	21.0 Medium
5. India Clean Energy Holdings	56.6 High	66.5 Strong	21.6 Medium

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ESG Risk Analysis

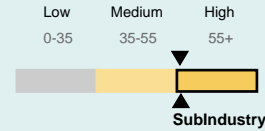
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

56.7
High

+2.9
Momentum

Beta = 0.98



Zapadoslovenska Energetika AS (ZSE), which is majority owned by the Slovakian Government, operates in the EU and is subject to national net-zero GHG emissions commitments by 2050 and EU-wide regulations on carbon emissions. With rising volumes of renewable power on the grid (and the opportunities it brings coupled with their rising demand), climate change-driven extreme weather events and the increased possibility of cybersecurity 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 generating stations, high voltage electricity lines and substations, ZSE could also be impacted by safety breaches and accidents that might seriously endanger its personnel.

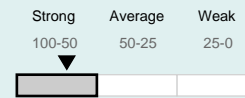
The company's overall exposure is high and is similar to subindustry average. Carbon -Own Operations, Occupational Health and Safety and Product Governance are notable material ESG issues.

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

68.8
Strong

+14.9
Momentum



ZSE's executive board of directors oversee ESG-related issues and the company's 2022 integrated annual report was written in accordance with GRI Standards 2021. The company has aligned with the Slovak Republic's GHG target that aims for net neutrality by 2050, as well as a 100% reduction of its scope 1 and 2 emissions by 2040 and has programmes that enable end consumers to opt for renewable energy, although it is unclear if the company has plans to tackle the emissions from its own generating capacity. ZSE has a strong cybersecurity 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 several 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	
Carbon -Own Operations	8.1 High	48.4 Average	4.2 Medium	20.5%
Community Relations	8.0 High	68.7 Strong	3.1 Low	14.9%
Resource Use	4.5 Medium	46.3 Average	2.8 Low	13.9%
Emissions, Effluents and Waste	6.0 Medium	61.5 Strong	2.7 Low	13.0%
Occupational Health and Safety	6.6 Medium	78.7 Strong	1.9 Negligible	9.4%
Product Governance	6.0 Medium	80.4 Strong	1.7 Negligible	8.1%
Business Ethics	5.0 Medium	72.5 Strong	1.6 Negligible	7.6%
Corporate Governance	5.0 Medium	70.0 Strong	1.5 Negligible	7.3%
Land Use and Biodiversity	4.4 Medium	86.8 Strong	0.6 Negligible	2.9%
Human Capital	3.2 Low	89.4 Strong	0.5 Negligible	2.3%
Overall	56.7 High	68.8 Strong	20.4 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

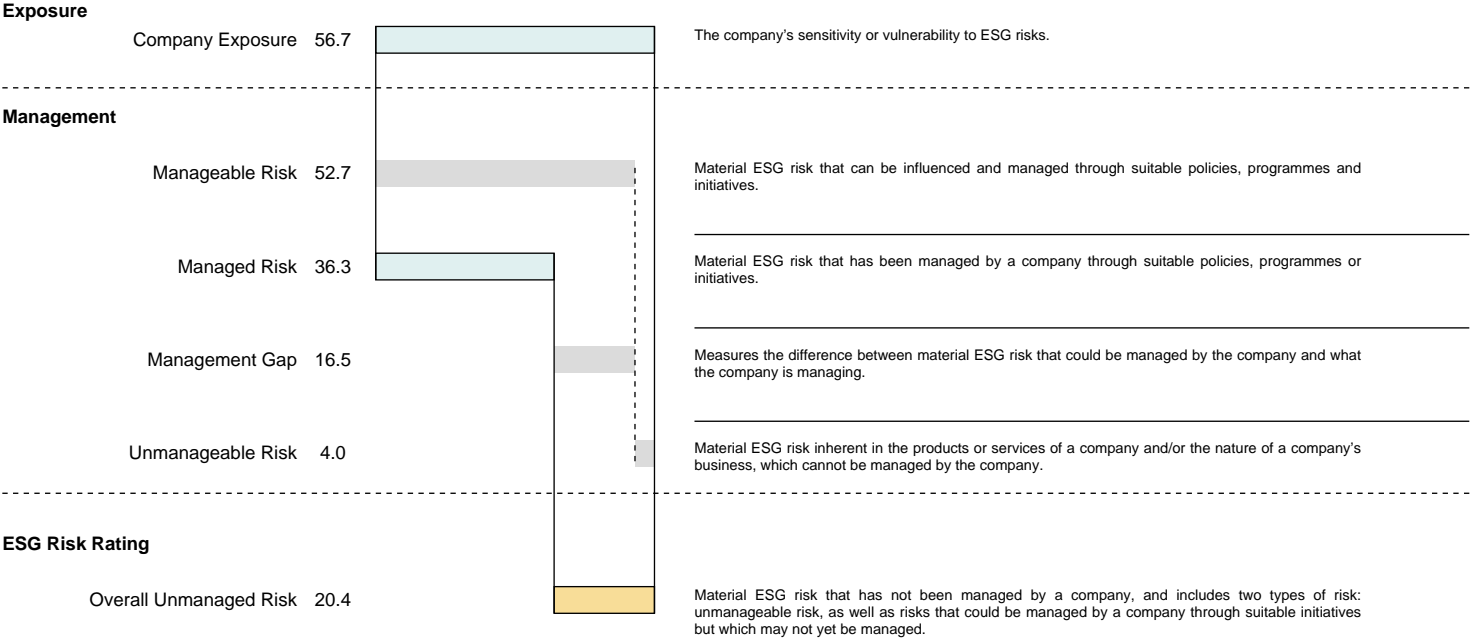
Society - Human Rights

Water Use

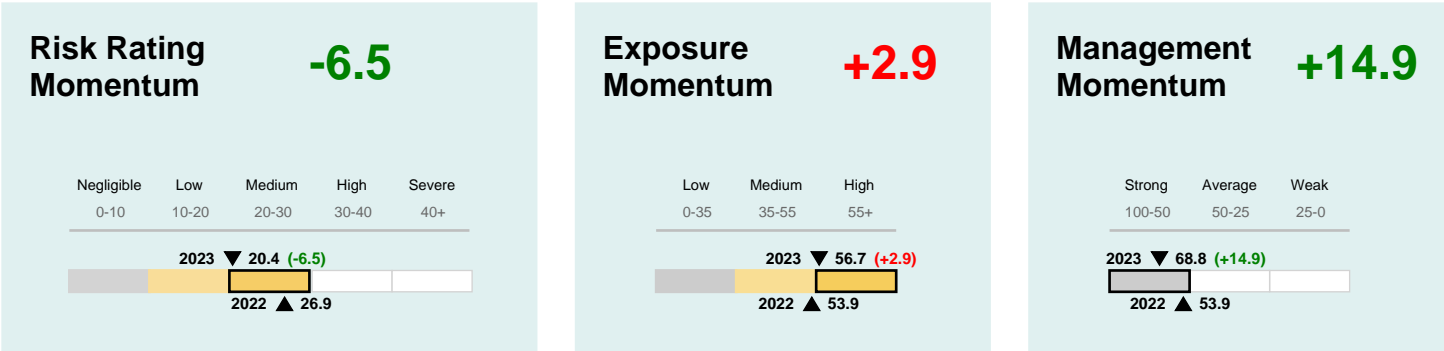
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Risk Decomposition



Momentum Details



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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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