

## Information on Sustainalytics Corporate ESG Assessment for Bulgarian Energy Holding EAD

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To learn more about Sustainalytics ESG Risk Rating framework, please visit: <https://www.sustainalytics.com/esg-data#framework>.

# Bulgarian Energy Holding EAD

Multi-Utilities Bulgaria

## ESG Risk Rating

# 34.2

Updated Dec 16, 2021

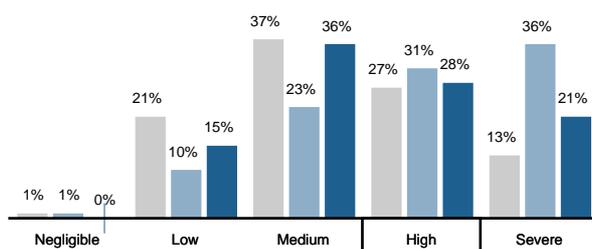
## Not available

Momentum

## High Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	11095/15081	74th
Utilities INDUSTRY	312/673	47th
Multi-Utilities SUBINDUSTRY	44/71	61st

## Peers Table

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

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Fluvius System Operator CV	33.1 Low	35.4 Average	22.0 Medium
2. Eneco Beheer NV	53.8 Medium	59.0 Strong	24.5 Medium
3. Bulgarian Energy Holding EAD	54.3 Medium	39.9 Average	34.2 High
4. Energie AG Oberösterreich	54.3 Medium	38.4 Average	34.9 High
5. International Company for Water & Power Projects	59.1 High	43.5 Average	35.2 High

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## ESG Risk Analysis

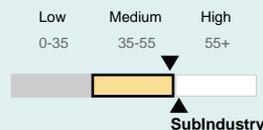
Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**54.3**  
**Medium**

Not available  
Momentum

Beta = 0.92



In addition to thermal power plants, BEH EAD also operates a nuclear power plant and gas transmission infrastructure. As air emissions, gas leaks or poorly managed nuclear waste may have adverse impacts on residents, incidents could expose the company to community protests and operational disruptions. BEH EAD's investment strategy for NEK EAD is focused on rehabilitation, reconstruction and new construction of hydropower projects. However, the company's business model continues to rely on fossil fuels such as coal and natural gas. As the transition to a low-carbon economy may increase GHG emission allowance prices, BEH EAD may experience increased operating costs and stranded assets. In addition to carbon emissions, BEH EAD's thermal power plants also generate air pollutants, like SO<sub>2</sub> or NO<sub>x</sub>, as well as waste and effluents, whose mismanagement may prompt significant penalties or fines.

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

**39.9**  
**Average**

Not available  
Momentum



In recent years, BEH EAD did not publish relevant ESG reports and its environmental policy is assessed as weak. Furthermore, a board committee is responsible for overseeing governance issues only and sustainability performance targets are not incorporated in the company's executive compensation plan. In contrast, BEH EAD has a strong whistleblower programme in place.

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

# Bulgarian Energy Holding EAD

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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	7.2 Medium	15.0 Weak	6.2 High	18.2%
Emissions, Effluents and Waste	8.8 High	44.9 Average	5.2 Medium	15.2%
Resource Use	5.0 Medium	25.0 Weak	4.0 Medium	11.7%
Corporate Governance	5.0 Medium	30.0 Weak	3.5 Low	10.2%
Carbon -Own Operations	6.8 Medium	53.3 Strong	3.2 Low	9.2%
Product Governance	4.2 Medium	30.6 Average	3.0 Low	8.9%
Business Ethics	4.8 Medium	48.7 Average	2.6 Low	7.5%
Occupational Health and Safety	5.4 Medium	61.4 Strong	2.4 Low	7.1%
Land Use and Biodiversity	3.6 Low	36.2 Average	2.3 Low	6.7%
Human Capital	3.6 Low	52.5 Strong	1.8 Negligible	5.3%
<b>Overall</b>	<b>54.3 Medium</b>	<b>39.9 Average</b>	<b>34.2 High</b>	<b>100.0%</b>

## 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 (1)**

Emissions, Effluents and Waste

 **Low (1)**

Anti-Competitive Practices

# Bulgarian Energy Holding EAD

Multi-Utilities Bulgaria

## Events Overview

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

## Category (Events)

### ⚠ None (17)

Access to Basic Services

Accounting and Taxation

Bribery and Corruption

Business Ethics

Community Relations

Data Privacy and Security

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

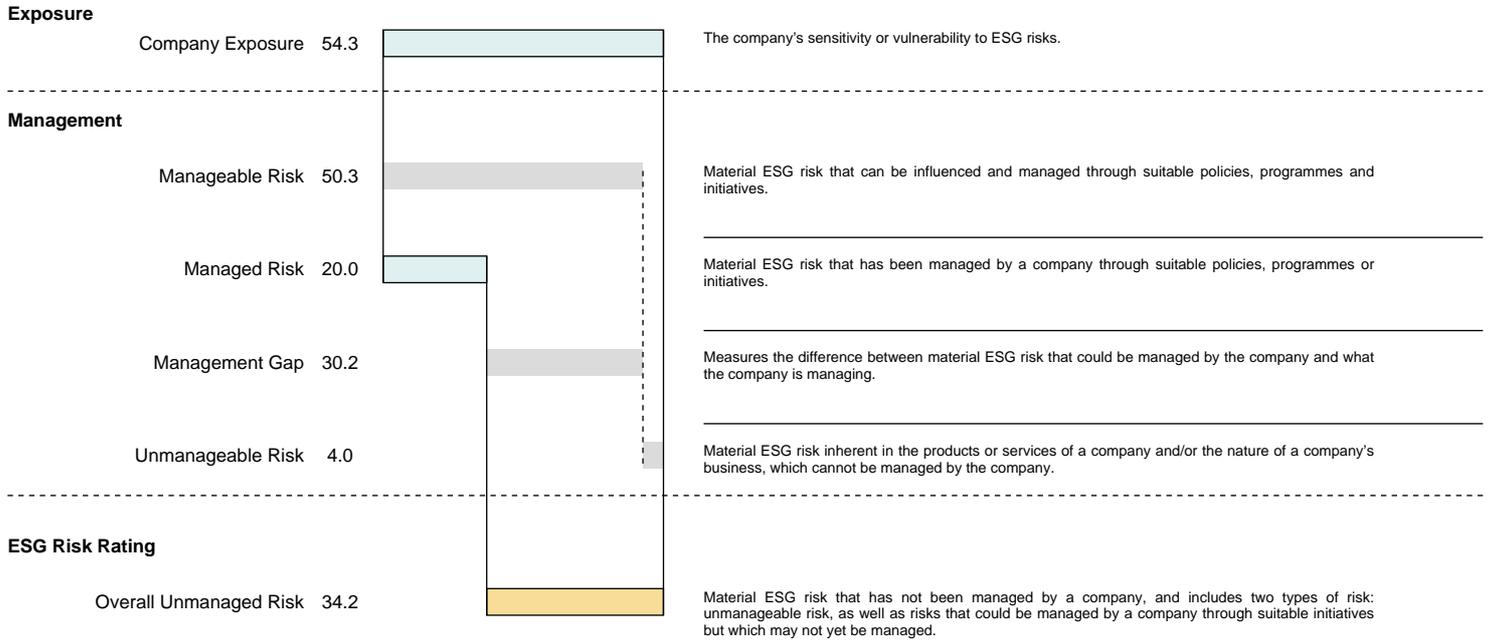
Society - Human Rights

Water Use

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## Risk Decomposition



## Momentum Details

Not available due to a lack of comparable historical information.

# Bulgarian Energy Holding EAD

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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )

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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Multi-Utilities Bulgaria

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