

Bulgarian Energy Holding EAD

Multi-Utilities Bulgaria

ESG Risk Rating

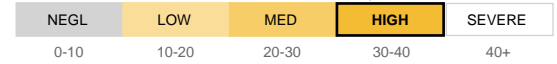
33.1

Updated Apr 21, 2023

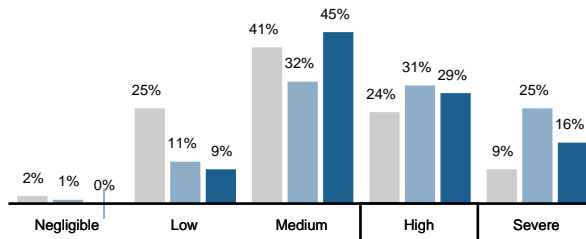
-1.4

Momentum

High Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	12114/15608	78th
Utilities INDUSTRY	381/710	54th
Multi-Utilities SUBINDUSTRY	60/95	63rd

Peers Table

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

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Algonquin Power Corp.	49.0 Medium	45.8 Average	28.1 Medium
2. SGSP (Australia) Assets Pty Ltd.	54.9 Medium	44.3 Average	32.3 High
3. Bulgarian Energy Holding EAD	54.6 Medium	42.5 Average	33.1 High
4. Empresas Públicas de Medellín ESP	50.7 Medium	36.4 Average	33.6 High
5. Berkshire Hathaway Energy Co.	49.0 Medium	33.2 Average	33.9 High

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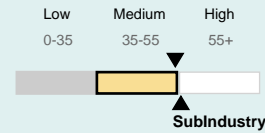
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ESG Risk Analysis

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

54.6 **+0.1**
Medium Momentum
 Beta = 0.94



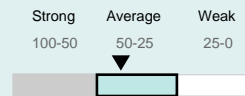
BEH is an integrated energy company, supplying electricity and gas, and owns nuclear, coal, and hydro generation assets. The company also operates a coal mine that supplies its coal plant. Operating large generating plants, gas and electrical transmission networks and a coal mine presents a range of risks to the company. As BEH is central to the Bulgarian energy system, any major asset integrity shortcomings may lead to outages. The company's coal operations have significant air emissions and can also result in effluent and coal ash management issues and can lead to community opposition. The construction of new pipeline or generation projects can also face opposition, leading to construction delays or even cancellations.

The company's overall exposure is medium and is moderately below subindustry average. Emissions, Effluents and Waste, Product Governance 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

42.5 **+2.9**
Average Momentum



In recent years, BEH 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. However, the company has ISO 14001 and OHSAS 45001 certification for its environmental and occupational health and safety systems for the majority of its operations, as per industry best practice. BEH also has a strong whistleblower programme in place.

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

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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	32.5 Average	5.7 Medium	17.1%
Emissions, Effluents and Waste	7.4 Medium	50.6 Strong	4.0 Medium	12.1%
Resource Use	5.0 Medium	25.0 Weak	4.0 Medium	12.1%
Product Governance	5.4 Medium	30.0 Average	3.9 Low	11.9%
Corporate Governance	5.0 Medium	29.0 Weak	3.6 Low	10.7%
Carbon -Own Operations	5.9 Medium	46.9 Average	3.1 Low	9.4%
Business Ethics	5.0 Medium	51.2 Strong	2.6 Low	7.7%
Occupational Health and Safety	6.0 Medium	64.5 Strong	2.5 Low	7.6%
Land Use and Biodiversity	4.0 Medium	40.0 Average	2.4 Low	7.2%
Human Capital	3.0 Low	56.2 Strong	1.4 Negligible	4.2%
Overall	54.6 Medium	42.5 Average	33.1 High	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 (1)

Quality and Safety

Low (1)

Emissions, Effluents and Waste

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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

Anti-Competitive Practices

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

Sanctions

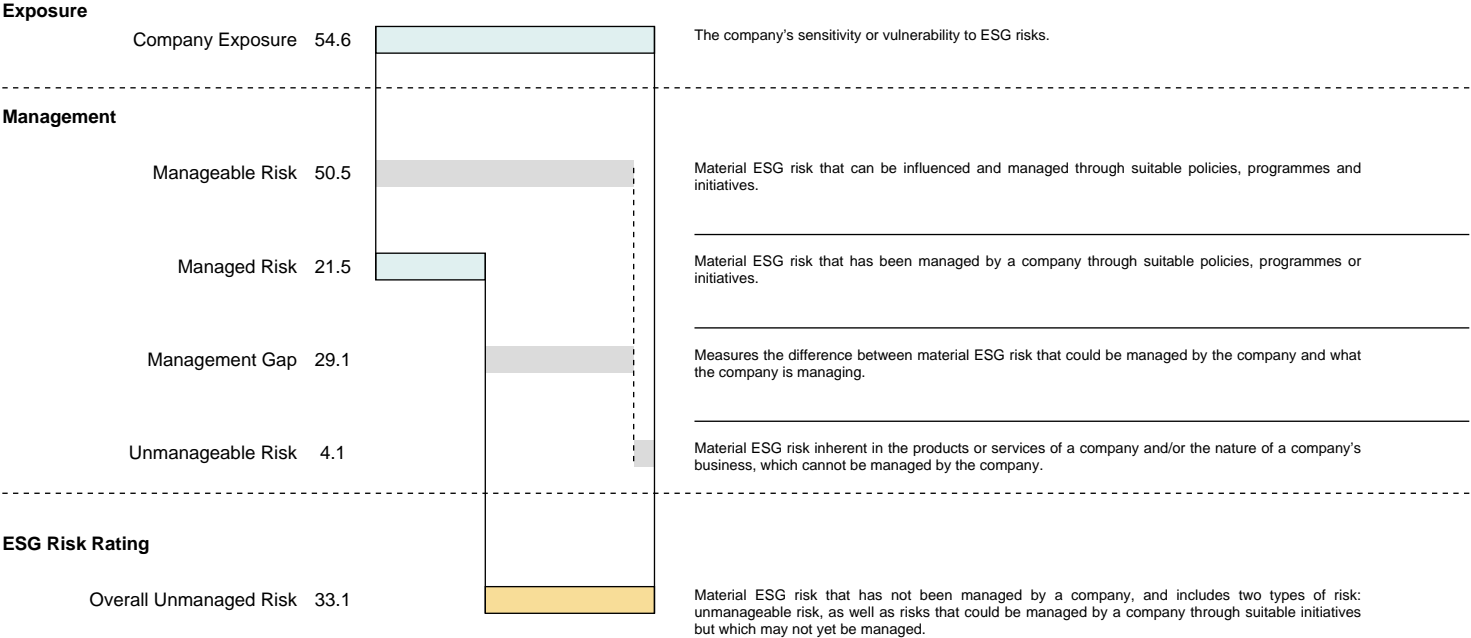
Society - Human Rights

Water Use

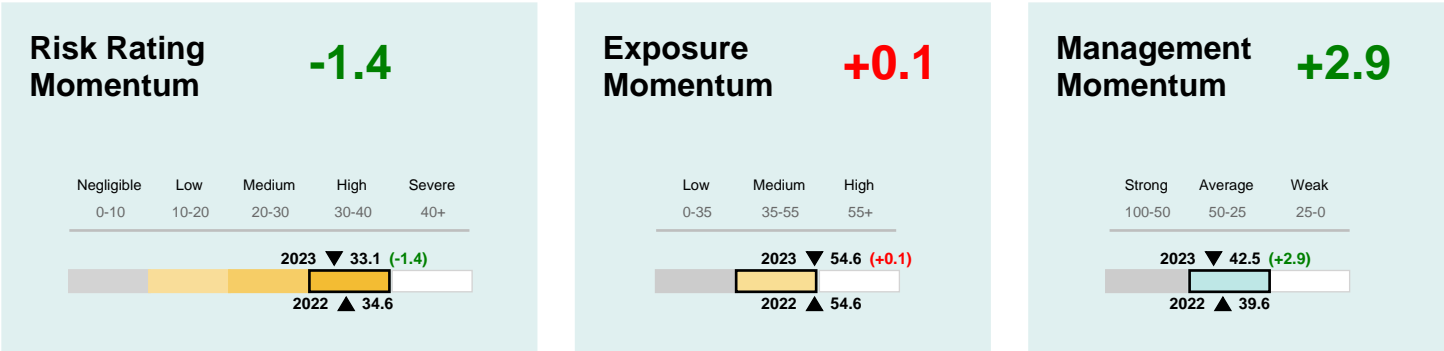
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Risk Decomposition



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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