

MVM Energetika Zrt.

Multi-Utilities Hungary

ESG Risk Rating

26.5

Last Full Update Feb 1, 2024

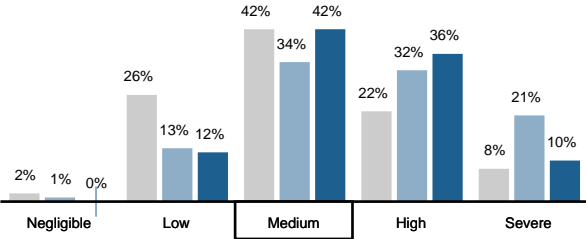
-15.9

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK		PERCENTILE	
	(1 st = lowest risk)		(1 st = Top Score)	
Global Universe	8901	15942	56th	
Utilities INDUSTRY	238	707	34th	
Multi-Utilities SUBINDUSTRY	43	107	40th	

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. PECO Energy Co.	49.0 Medium	53.5 Strong	24.6 Medium
2. Vattenfall AB	63.1 High	64.6 Strong	25.3 Medium
3. MVM Energetika Zrt.	54.6 Medium	55.5 Strong	26.5 Medium
4. Algonquin Power Corp.	49.0 Medium	45.8 Average	28.1 Medium
5. Puget Energy, Inc.	60.2 High	52.7 Strong	30.8 High

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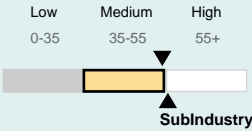
ESG Risk Analysis

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

54.6
Medium
Beta = 0.94

-5.3
Momentum



MVM Energetika Zrt's (MVM) nuclear and fossil-fuel electricity generation operations (representing 78% and 14%, respectively, of the FY2022 generation mix) produce negative externalities ranging from air emissions and fly ash to radioactive waste and effluents, which exposes the company to risks related to non-compliance with environmental regulations. The company's land acquisition and facility development or expansion can lead to community opposition due to environmental and social concerns. Failure to build strong relationships with local communities may result in complaints and disruptive protests, impacting the company's operations. Furthermore, MVM electricity generation and distribution as well as its gas operations expose its employees and contractors to safety incidents that can result in costly fines and operational disruptions.

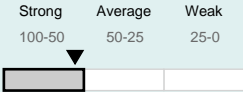
The company's overall exposure is medium and is moderately below subindustry average. Emissions, Effluents and Waste, Community Relations and Occupational Health and Safety are notable material ESG issues.

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

55.5
Strong

+23.9
Momentum



The company's 2022 integrated report is written in accordance with GRI Guidelines and thus follows best practice. MVM's general deputy CEO has been assigned responsibility for environmental matters, while the communications and corporate social responsibility director is responsible for social matters. The company discloses that ESG targets are considered for executive compensation, however, it does not provide any further quantitative details. The company's environmental management system is adequate featuring ISO 14001 certification for 35% of the operations, but the solid waste and effluent management programmes are weak. In 2022, MVM allocated HUF 1,807 million (USD 5 million) for community development. In regard to health and safety, 41% of the company's employees are covered by ISO 45001 certification and the lost time incidents rate has decreased in 2022 compared to 2021.

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	8.8 High	48.8 Average	4.9 Medium	18.7%
Occupational Health and Safety	6.6 Medium	48.5 Average	3.7 Low	14.0%
Emissions, Effluents and Waste	7.0 Medium	54.6 Strong	3.6 Low	13.5%
Product Governance	6.3 Medium	56.1 Strong	3.1 Low	11.8%
Corporate Governance	5.0 Medium	51.0 Average	2.5 Low	9.3%
Carbon -Own Operations	5.0 Medium	52.5 Strong	2.4 Low	8.9%
Resource Use	3.3 Low	55.4 Strong	1.8 Negligible	6.8%
Business Ethics	5.0 Medium	68.8 Strong	1.7 Negligible	6.5%
Land Use and Biodiversity	4.4 Medium	60.8 Strong	1.7 Negligible	6.5%
Human Capital	3.3 Low	71.3 Strong	1.1 Negligible	4.0%
Overall	54.6 Medium	55.5 Strong	26.5 Medium	100.0%

Events Overview

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

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (0)

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Events Overview

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Category (Events)

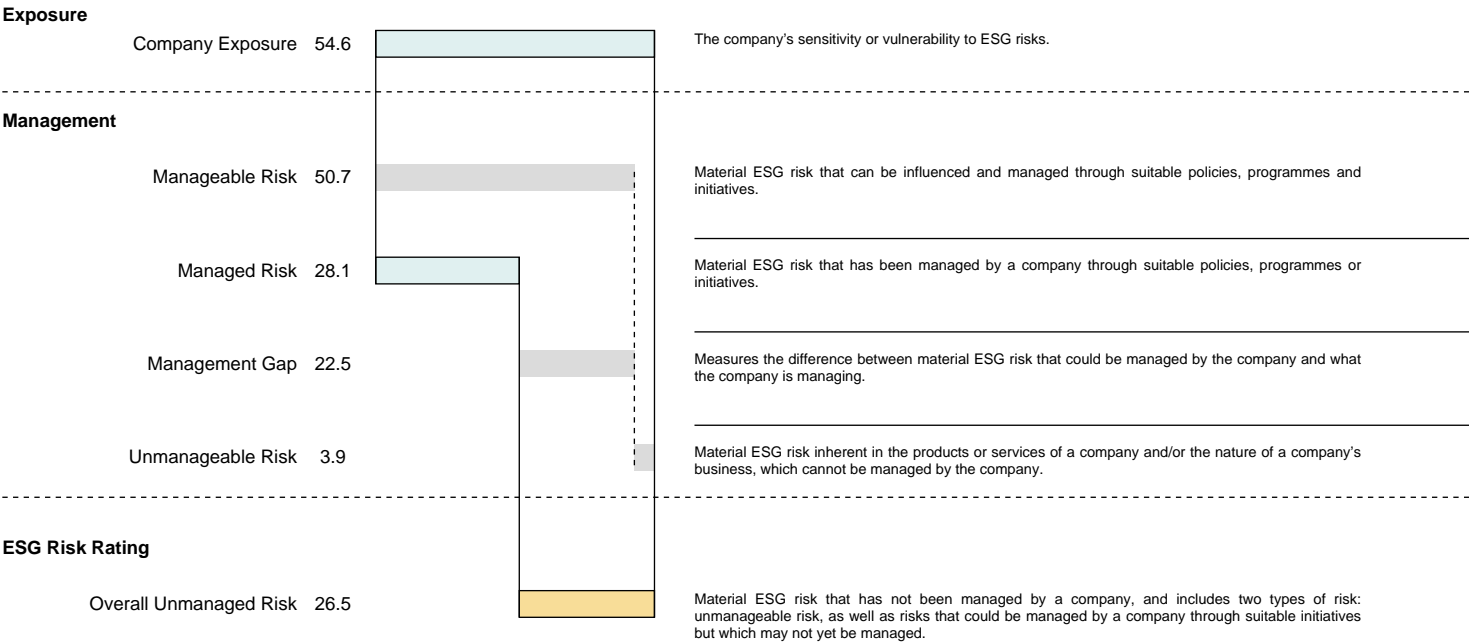
 **None (19)**

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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