

# Verbund AG

## 20.2 /100 Medium

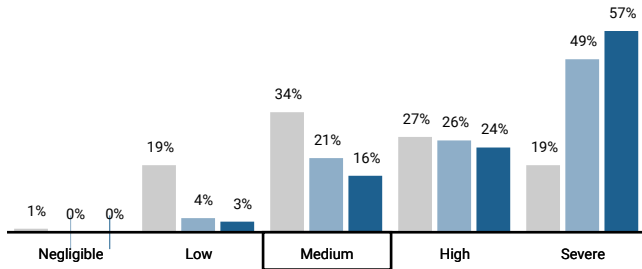
Electric Utilities | Austria | WBO:VER



### Rating Overview

The company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to more ESG issues than most companies in our universe. Furthermore, the company has not experienced significant controversies.

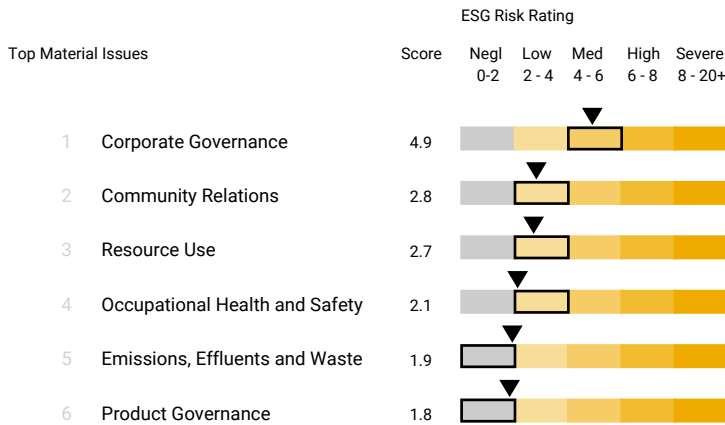
### ESG Risk Rating Distribution



### Relative Performance

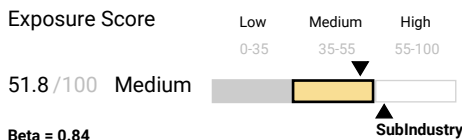
	Rank (1 <sup>st</sup> = lowest risk)	Percentile (1 <sup>st</sup> = lowest risk)
Global Universe	2567 out of 12705	21 <sup>st</sup>
Utilities (Industry Group)	22 out of 469	5 <sup>th</sup>
Electric Utilities (Subindustry)	8 out of 192	5 <sup>th</sup>

### Attribution Analysis



△ = Significant event

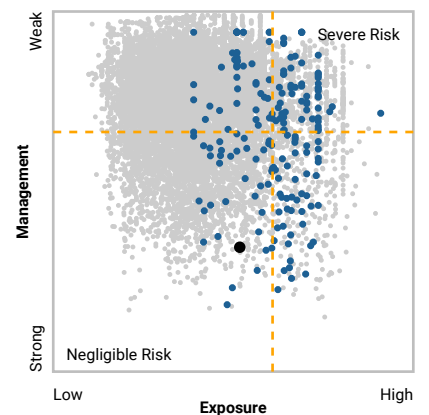
### Risk Analysis



The development of hydro and wind installations could have significant negative impacts on local communities due to extensive water and land usage. This may trigger operational disruptions, project delays or shutdowns triggered by conflicts with residents. In addition, Verbund's employees and contractors are exposed to health and safety risks raised by the dangerous nature of working on high voltage lines and at high altitudes. Frequent incidents may result in operational disruptions, liability lawsuits and fines. In addition, inadequate safety management at hydroelectric generating facilities can lead to major accidents that can endanger neighbouring populations. Poor design and management of both generating assets and grids could significantly increase operational risks over their lifespan, hindering the reliability of Verbund's electric service.

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

Verbund's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. The company's ESG-related issues are overseen by the board or the executive team, suggesting that these are integrated in core business strategy. The company's overall management of material ESG issues is strong.



# Verbund AG

## 20.2 /100 Medium

Electric Utilities | Austria | WBO:VER

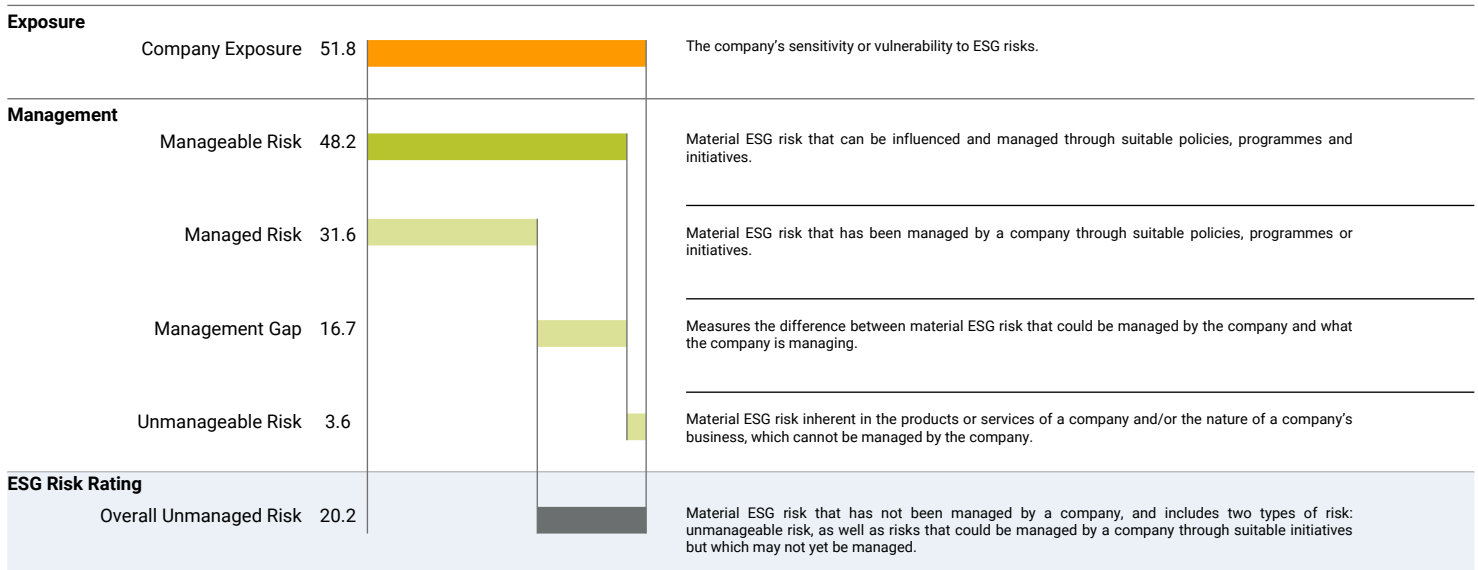


### Attribution Details

Issue Name	Contribution to						ESG Risk Rating	Risk Category
	ESG Risk Rating	Subindustry Exposure	Company Exposure	Excess Exposure	Manageable Risk Factor	Management Score		
Corporate Governance	24.0%	9.0	9.0	-	100%	46.0	4.9	
Community Relations	13.9%	8.0	7.6	-0.4	90%	70.0	2.8	
Resource Use	13.2%	6.0	4.5	-1.5	80%	50.6	2.7	
Occupational Health and Safety	10.6%	6.0	4.8	-1.2	90%	61.6	2.1	
Emissions, Effluents and Waste	9.3%	7.0	5.3	-1.8	90%	71.4	1.9	
Product Governance	9.1%	4.0	5.0	1.0	90%	70.3	1.8	
Business Ethics	7.5%	5.0	4.5	-0.5	95%	70.0	1.5	
Human Capital	6.1%	4.0	3.6	-0.4	95%	69.4	1.2	
Carbon - Own Operations	3.9%	10.0	5.0	-5.0	100%	84.4	0.8	
Land Use and Biodiversity	2.5%	3.0	2.6	-0.5	100%	80.0	0.5	
<b>Overall</b>	<b>100.0%</b>	<b>62.0</b>	<b>51.8</b>	<b>-10.2</b>	<b>-</b>	<b>65.5</b>	<b>20.2</b>	<b>Medium</b>

△ =Significant event

### Risk Details



# Verbund AG

Electric Utilities | Austria | WBO:VER

## 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**).

# Verbund AG

Electric Utilities | Austria | WBO:VER

## DISCLAIMER

**Copyright © 2019 Sustainalytics. All rights reserved.**

The ownership and all intellectual property rights to this publication/report and the information contained herein are vested exclusively in Sustainalytics and/or its suppliers. Unless otherwise expressly agreed in writing between you and Sustainalytics, you will not be permitted to use this information otherwise than for internal use, nor will you be permitted to reproduce, disseminate, compile, create derivative works, furnish in any manner, make available to third parties or publish this publication/report, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies, recordings. The information on which this publication/report is based on reflects the situation as on the date of its elaboration. Such information has – fully or partially – been derived from third parties and is therefore subject to continuous modification. THE INFORMATION HEREIN IS PROVIDED SOLELY FOR INFORMATIONAL PURPOSES AND THEREFORE ARE NOT AN OFFER TO BUY OR SELL A SECURITY. NEITHER SUSTAINALYTICS NOR ALL ITS THIRD-PARTY SUPPLIERS PROVIDE INVESTMENT ADVICE (AS DEFINED IN THE APPLICABLE JURISDICTION) OR ANY OTHER FORM OF (FINANCIAL) ADVICE AND NOTHING WITHIN THIS PUBLICATION/REPORT CONSTITUTES SUCH ADVICE. SUSTAINALYTICS OBSERVES THE GREATEST POSSIBLE CARE IN USING INFORMATION, HOWEVER THE INFORMATION IS PROVIDED "AS IS" AND NEITHER SUSTAINALYTICS NOR ITS SUPPLIERS ACCEPT ANY LIABILITY FOR DAMAGE ARISING FROM THE USE OF THIS PUBLICATION/REPORT OR INFORMATION CONTAINED HEREIN IN ANY MANNER WHATSOEVER. MOREOVER, SUSTAINALYTICS AND ALL ITS THIRD-PARTY SUPPLIERS DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, COMPLETENESS, ACCURACY OR FITNESS FOR A PARTICULAR PURPOSE.

This publication/report may contain proprietary information from third parties (Third Party Data) and here you can find additional terms and conditions imposed by the following Third Party Data providers regarding the use of their data:

[www.sustainalytics.com/legal-disclaimers](http://www.sustainalytics.com/legal-disclaimers)