

Ignitis Group AB

Multi-Utilities Lithuania LIT:IGN1L

ESG Risk Rating

20.4

Updated Dec 13, 2021

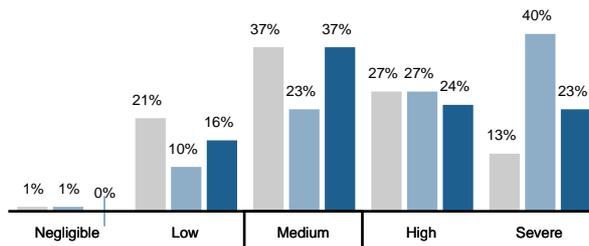
-6.1

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	3561/14983	25th
Utilities INDUSTRY	74/666	12th
Multi-Utilities SUBINDUSTRY	13/70	18th

Peers Table

Peers (Market cap \$1.2 - \$2.5bn)

Peers (Market cap \$1.2 - \$2.5bn)	Exposure	Management	ESG Risk Rating
1. Ignitis Group AB	53.7 Medium	66.4 Strong	20.4 Medium
2. AGL Energy Ltd.	67.9 High	54.9 Strong	33.1 High
3. Keppel Infrastructure Trust	69.3 High	41.0 Average	42.9 Severe
4. YTL Corp Bhd	68.4 High	30.3 Average	49.1 Severe
5. YTL Power International Bhd	69.6 High	25.1 Average	53.3 Severe

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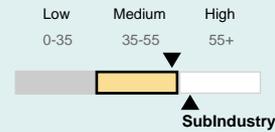
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ESG Risk Analysis

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

53.7 **-0.0**
Medium Momentum
 Beta = 0.85



While Ignitis Group places a strategic focus on expanding its portfolio of renewable generation, it still relies considerably on natural gas, which formed around half of its total power generation in FY2020. Failure to transition to assets with low carbon emissions might expose the company to regulatory and market risks. Moreover, the company's operations may impact local communities through the acquisition and development of wind farms, transmission lines or pipelines. This could trigger disruptive protests and enhanced public scrutiny. Ignitis Group's electricity and gas distribution business is also exposed to public safety issues. Insufficient maintenance or oversight could lead to gas leaks, fires, explosions and damage to high voltage lines. Additionally, the Lithuanian Government's move to liberalize the energy market also faces increases exposure to service quality risks.

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

66.4 **+11.5**
Strong Momentum



Ignitis Group's disclosure of ESG information in its 2020 annual report is in accordance with GRI standards, which is best practice, and ESG-related issues are overseen by a Sustainable Development Committee that is accountable to the CEO. This suggests ESG-related issues are integrated in the core business strategy. Furthermore, Ignitis Group has issued green bonds with a total face value of EUR 600 million, proceeds of which are being directed towards renewable energy and distribution network expansion projects. In FY2020, Ignitis introduced formal guidelines for engaging and coordinating with local communities before and during the construction of major assets. Ignitis has planned to invest EUR 1 bn between 2020 and 2029 to upgrade and maintain its electricity and gas networks to ensure enhanced safety and bolster the assets against physical risks posed by climate change.

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 Score Category	ESG Risk Management Score Category	ESG Risk Rating Score Category	Contribution to ESG Risk Rating
Corporate Governance	9.0 High	60.3 Strong	3.6 Low	17.5%
Resource Use	5.3 Medium	47.1 Average	3.3 Low	16.0%
Emissions, Effluents and Waste	5.3 Medium	58.5 Strong	2.5 Low	12.2%
Community Relations	6.8 Medium	73.5 Strong	2.3 Low	11.3%
Carbon -Own Operations	5.9 Medium	61.9 Strong	2.2 Low	10.9%
Occupational Health and Safety	5.1 Medium	80.1 Strong	1.4 Negligible	7.0%
Human Capital	3.4 Low	61.9 Strong	1.4 Negligible	6.9%
Land Use and Biodiversity	3.8 Low	63.7 Strong	1.4 Negligible	6.7%
Product Governance	4.2 Medium	79.2 Strong	1.2 Negligible	5.9%
Business Ethics	5.0 Medium	80.8 Strong	1.2 Negligible	5.7%
Overall	53.7 Medium	66.4 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 (1)**

Anti-Competitive Practices

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Events Overview

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

Category (Events)

None (18)

Access to Basic Services

Accounting and Taxation

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

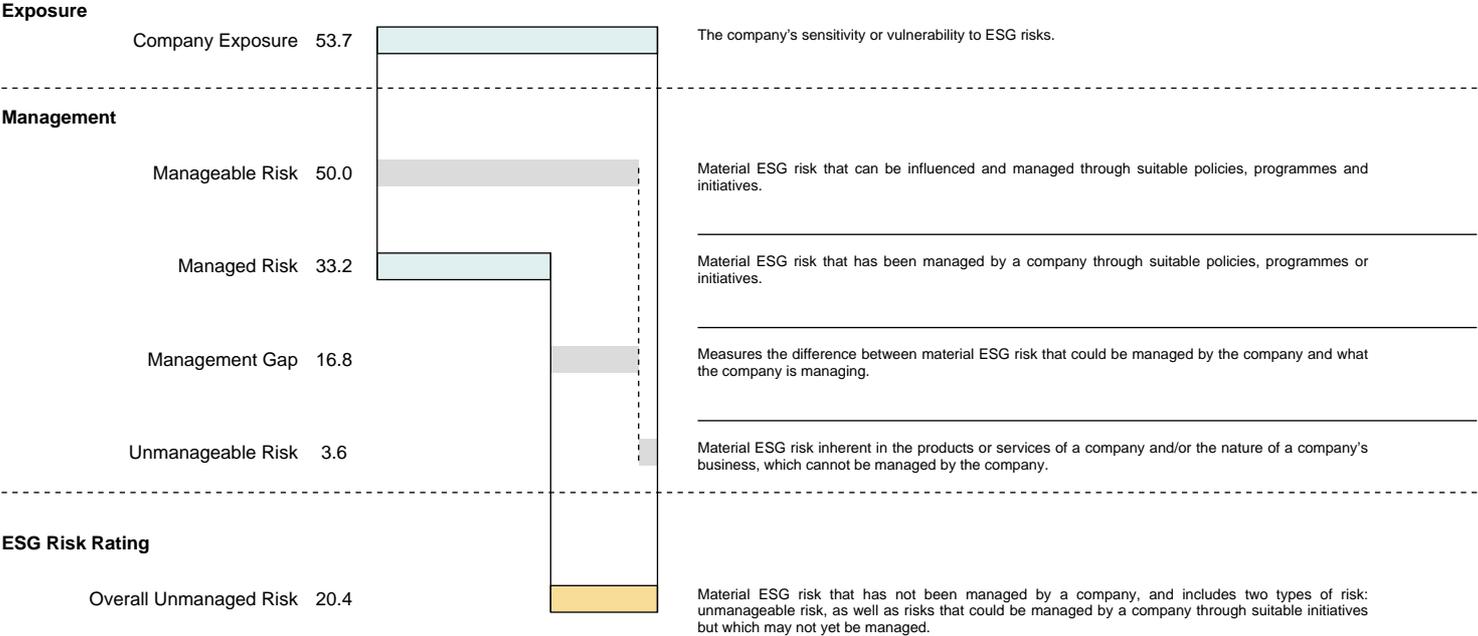
Society - Human Rights

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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