

Implenia AG

Industry: **Construction & Domicile: Switzerland**

Marketcap. **410 mm. USD**
Ticker: **SWX:IMPN**

Employees **7,653**

ESG Summary

Overall Performance

85 **Overall ESG Score**
Leader
Outperformer
Average Performer
Underperformer
Laggard

1 out of 65 **Relative Position**
Leader

100th **Percentile**
Leader

85 **Environment**
Leader

85 **Social**
Leader

84 **Governance**
Leader

Relative Performance

1 out of 65 **Relative Position**
Leader

Top 5 Companies		Score	Peers (Market cap \$0-\$1bn)		Score
1.	Implenia AG	85	Implenia AG	85	
2.	Sacyr, S.A.	83	ACS Servicios Comunicaciones &	75	
3.	Hochtief AG	81	PORR AG	75	
4.	Arcadis NV	80	Aecon Group Inc.	67	
5.	Veidekke ASA	78	Eolus Vind AB	50	

Historical Performance



Qualitative Performance - Controversies

1 **Highest Controversy**
Customer Incidents
Quality and Safety

1 **Low**
Customer Incidents
Quality and Safety

2 **Moderate**
None

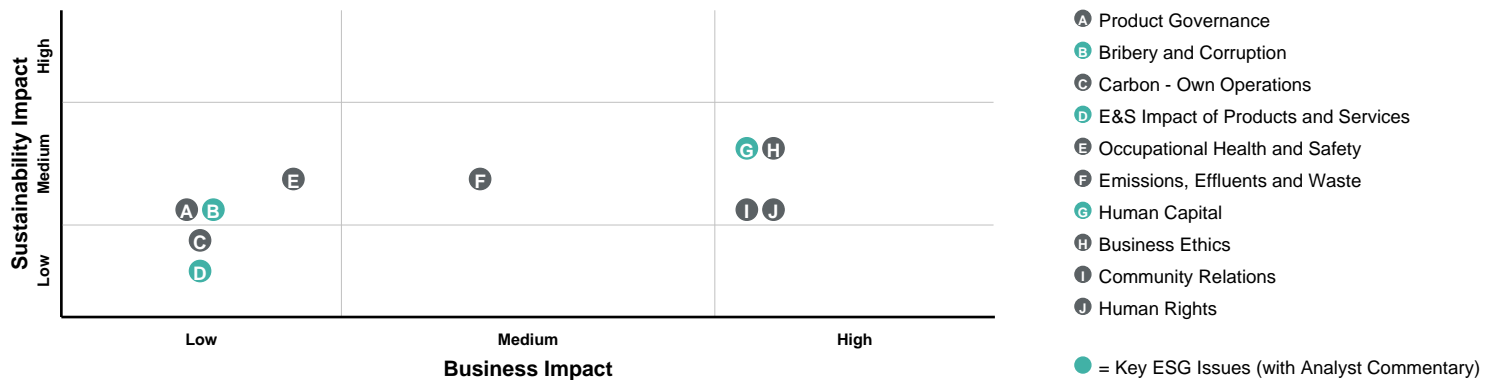
3 **Significant**
None

4 **High**
None

5 **Severe**
None

Overview of ESG Issues - Non-Residential Construction

The Materiality Matrix presents, from the perspective of the industry, the most material ESG issues from a business impact and/or environmental/social impact perspective. ESG issues can be interpreted as the most important management areas, i.e. the issues that could cause the most significant business and/or environmental/social impacts if not managed well. The location on the matrix indicates the relative importance of the ESG issue, with those located in the top right corners being the most material for the industry as a whole. The graph also highlights the 2-3 ESG issues that, for the company under consideration, our analysts have identified as the most relevant to comment on in more detail. This selection takes into account company specific factors such as business model, geographic presence, product offering, as well as important recent developments and trends (e.g. incidents, announcements of new initiatives, management changes). Analyst commentary on the latter ESG issues is provided in relevant sections further below.



Analyst Commentary

The company is considered a leader on ESG issues compared to its industry peers. This stems from its leading position on environmental, social and governance issues. The company has been implicated in no significant ESG-related controversies. Based in Switzerland, Implenia AG primarily engages in construction activities. The company is organized in four divisions: Civil Engineering (49.4% of FY2021 consolidated group revenue), Buildings (43.6%); Specialties (5%) and Real Estate (2%). During FY2021, 51.9% of revenue was derived in Switzerland, while the rest was obtained from other countries. In May 2021, Implenia acquired BAM Swiss, consolidating its market presence as a total contractor for large-scale projects in Switzerland. The company operates in Europe, where customers demonstrate increasing concern for the carbon footprint of the projects they commission. An inability to include sustainable materials and green buildings in its offering may result in loss of business opportunities and reduction of market share. Moreover, Implenia's success relies on a vast and diversely skilled workforce (7,653 FTEs as of year-end 2021), with employees ranging from architects and engineers to construction workers. Failure to attract and retain qualified personnel could lead to skill shortages, delays in fulfilling contractual agreements and customer losses. In addition, the company develops and constructs large-scale infrastructure projects that require bidding for public contracts. Potential involvement in unethical business acts such as kickbacks may lead to investigations, fines and indictment of company executives. Based on its operations, we consider E&S Impact of Products and Services, Human Capital and Bribery and Corruption to be the company's notable ESG issues. Implenia publishes a Sustainability Report written in accordance with the GRI Standards, Core option, demonstrating strong accountability to investors and the public with respect to ESG issues. The company has a Sustainability Committee, chaired by a member of the Executive Committee, suggesting that ESG matters are integrated in core business strategy. The company's overall management of ESG issues is strong.

E&S Impact of Products and Services

There is an increased customer demand for sustainable, high-performance buildings that are designed and constructed to reduce adverse impacts on the environment and human health throughout the building's life cycle. In addition, many countries, especially in Europe where Implenia operates, have implemented regulations to achieve GHG reduction targets. Failure to respond to these trends and focus on green building design and technologies could lead to a loss of contracts and of market share for Implenia. In FY2021, Implenia obtained 61 sustainability certificates (such as Minergie, BREEAM, LEED, among others) within building construction, while also deriving between 10% and 25% of its annual revenue from green buildings. In addition, Implenia is a founding member of the Sustainable Construction Network Switzerland that promotes the sustainable construction of buildings, civil engineering and infrastructure. Furthermore, in its code of conduct, Implenia states that it prefers subcontractors who are certified in accordance with ISO 9001/14001/OHSAS 18001 or similar, suggesting strong green procurement initiatives. The company engages with its business partners when minimum requirements related to the environment, working conditions or health and safety at work are not fulfilled. Considering its preparedness measures and involvement in controversies, we view the company as having Strong management of E&S Impact of Products and Services.

Human Capital

Implenia's competitiveness relies greatly on its employees' expertise in various areas such as architecture, engineering or field management (7,653 FTEs as of year-end 2021). As competition for qualified manpower in the construction industry is high, the company might face difficulties in attracting and retaining such professionals. Labour shortages could lead to project delays and associated financial losses for Implenia. In addition, strained labour relations could lead to strikes, derailing project schedules and potentially leading to penalties for failure to deliver on contract deadlines.

Based on available disclosure, in FY2021, around 80% of Implenia's employees were covered by collective bargaining agreements. Moreover, in order to foster the professional development of its employees, in 2020, Implenia launched the digital eCampus and conducts regular performance reviews for its employees. Implenia commits to ensure equal opportunities and its initiatives addressing discrimination and diversity in the workplace include mentorship programmes for specific groups as well as benefits to support diverse employees.

Considering its preparedness measures and involvement in controversies, we view the company as having Strong management of Human Capital.

Bribery and Corruption

Implenia operates in countries such as Germany, Norway, Sweden and Austria, where construction spending is primarily fuelled by public sector investment. Implenia's multiple interactions with government officials during the contract bidding and the permitting phases may expose the company to bribery and corruption risks. Misconduct could result in investigations, lawsuits, penalties and increased regulatory scrutiny.

Implenia has a very strong bribery and corruption policy that is aligned with best practice. For example, the policy includes clear definitions of bribery, corruption, conflict of interest and facilitation payments. In addition, the company's Audit Committee monitors its compliance management system; employees are provided with guidelines of what is considered acceptable behaviour and compliance training sessions are organized on a regular basis. To detect and address ethical misconduct, Implenia provides its employees, customers and other third parties with the possibility to anonymously report violations via its hotline or on the Implenia Intranet. Considering its preparedness measures and involvement in controversies, we view the company as having Strong management of Bribery and Corruption.

Key ESG Issues For This

Key ESG Issue	Indicator Name	Company Score (out of 100)	Peer Group Average	Leading Practice Average	Leading Practice Gap
E&S Impact of Products and Services	Green Procurement Policy	100	46	93	●
	Recycled Material Use	Contact Your Client Advisor	--	--	●
	Sustainable Products & Services	100	43	97	●
	Green Building Memberships	100	41	100	●
Human Capital	Freedom of Association Policy	Contact Your Client Advisor	--	--	●
	Working Hours Policy	Contact Your Client Advisor	--	--	●
	Discrimination Policy	25	50	94	●
	Diversity Programmes	50	40	72	●
	Collective Bargaining Agreements	Contact Your Client Advisor	--	--	●
	Employee Turnover Rate	Contact Your Client Advisor	--	--	●
	Percentage of Temporary Workers	Contact Your Client Advisor	--	--	●
	Human Capital Development	Contact Your Client Advisor	--	--	●
Bribery and Corruption	Bribery & Corruption Policy	100	45	97	●
	Bribery & Corruption Programmes	75	48	89	●
	Whistleblower Programmes	50	49	90	●

● A negative to +25 point gap or Event Category 0-2 ● A 26-74 point gap or Event Category 3 ● A 75+ point gap or Event Category 4-5

Report Parameters

Settings

The relative performance data in this report is based on the following settings:

Weight Matrix:	Default Weight Matrix
Comparative group:	Peer Group
Reference Universe:	Default
Company type:	Public
Company type selection:	Combined
Template type:	Type B
Template type selection:	Combined

Profile Log

Annual Report:	2021
CSR Report:	2021
Latest Feedback Request:	May 2022
Company Response:	May 2022
Last Analyst Review:	May 2022

Glossary of Terms

Business Impact

The magnitude of the potential impact that a key ESG issue may have on the financial performance of companies within an industry.

Controversy

An event or aggregation of events relating to an environmental, social and governance topic.

Disclosure

A company's transparency on its ESG preparedness and performance via sustainability reporting and its utilization of key reporting and verification standards.

Event

A series of incidents which pertain to a common theme. An event assessment is based on the highest impact or risk score assigned to the related incidents, alongside a broader assessment of event trend and company preparedness and response.

Category 5 – Severe (raw score of 0):	The event has a severe impact on the environment and society, posing serious risks to the company. This category represents the most egregious corporate behavior.
Category 4 – High (raw score of 20):	The event has a high impact on the environment and society, posing significant risks to the company. This category often reflects structural problems in the company.
Category 3 – Significant (raw score of 50):	The event has a significant impact on the environment and society, posing moderate risks to the company.
Category 2 – Moderate (raw score of 80):	The event has a moderate impact on the environment and society, posing minimal risks to the company.
Category 1 – Low (raw score of 99):	The event has a low impact on the environment and society, posing negligible risks to the company.

Historical ESG Performance

Historical scoring data over a rolling 36-month period. Note that the industry leader and industry average are based on Sustainalytics' full research universe and default weight matrix rather than customized portfolio settings or weights.

Incident

Company operations and/or products and services that have a negative impact on the environment, society and external stakeholders.

Indicator Performance

How a company performs on the indicators on which it has been assessed.

Key Indicator	Indicators that relate to an industry key ESG issue, provide considerable insight into a company's ESG preparedness/performance, and/or distinguish between leaders and laggards.
Raw Score	A score out of 100 assigned to an indicator based on a set of internal criteria.
Indicator Weight	The percentage of weight assigned to each indicator in an industry. Note: weight matrices are customizable.
Weighted score	The raw score multiplied by the weight assigned per indicator.
Trend Icons	Indicates if the raw score of an indicator improved, declined or remained unchanged over the last 12 months.
↑ ↓ →	

Key ESG issue

Key ESG issues identify the most important areas in which a company has potential to cause significant sustainability impacts or experience significant ESG-related business impacts, and that must therefore be managed effectively. To determine the most relevant ESG issues per industry, lead analysts assessed potential of each industry to cause significant sustainability impacts and, separately, the potential for these to impact corporate financial performance.

E&S Impact of Products and Services	E&S Impact of Products and Services refers to the management of environmental or social impacts of products or services, including: inherent characteristics of input materials, both positive and negative, and impacts during use, disposal and recycling. E&S Impact of Products and Services may include carbon impacts if MEI.8.PS Carbon – Products and Services is not regarded as a material ESG issue for the subindustry.
Human Capital	Human Capital focuses on the management of human resources. It includes the management of risks related to scarcity of skilled labour through retention and recruitment programmes, and includes career development measures such as training programmes. Additionally, it includes labour relations issues, such as the management of freedom of association and diversity issues, as well as working hours and minimum wages.
Bribery and Corruption	Bribery and Corruption focuses on the management of risks related to alleged or actual illicit payments, such as kickbacks, bribes and facilitation payments to government officers, suppliers or other business partners, as well as the receipt of those payments from suppliers or business partners. If these are not material in their own right for a subindustry, these issues are handled within MEI.4 Business Ethics.

Leader

The score of the best performing company in the industry or any selected subset of companies.

Leading Practice

Leading Practice Average: For each indicator, the Leading Practice Average is the top quartile mean score among industry peers.

Leading Practice Gap: The Leading Practice Gap is the difference between the Leading Practice Average and the company's score for that particular indicator. The size of the gap is indicated by a colored dot.

Outlook

A forecast of how a controversy rating will change over the next 12 months.

Negative	The event is likely to deteriorate within 12 months, leading to a downgraded rating of the corresponding indicator.
Positive	The event is likely to improve within the next 12 months, leading to an upgraded rating of the corresponding indicator.
Neutral	The event is unlikely to change significantly within the next 12 months, and is not expected to undergo a change in rating of the corresponding indicator.

Overall ESG Score

Assessment of a company's overall ESG preparedness and performance. These scores are dynamic, depending on the weight matrix, comparison group and reference universe selected.

Percentile

The company's percentile rank within its industry or within another client-selected reference group.

Preparedness

A company's systems and policies to manage potential ESG impacts and risks. Key indicators of a company's ESG preparedness include policies, management systems, programs and targets.

Qualitative Performance

A company's ESG performance based on qualitative information relating to events and incidents that have resulted in negative ESG impacts.

Category 5 – Severe (raw score of 0):	The event has a severe impact on the environment and society, posing serious risks to the company. This category represents the most egregious corporate behavior.
Category 4 – High (raw score of 20):	The event has a high impact on the environment and society, posing significant risks to the company. This category often reflects structural problems in the company.
Category 3 – Significant (raw score of 50):	The event has a significant impact on the environment and society, posing moderate risks to the company.
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Category 1 – Low (raw score of 99):	The event has a low impact on the environment and society, posing negligible risks to the company.

Quantitative Performance

A company's ESG performance based on quantitative social and environmental metrics such as carbon intensity, number of fatalities, etc.

Relative Position

The company's performance classification is relative to its global industry peers, based on the company's absolute ESG score. Each industry has a fixed band of scores that links to a relative position range. Companies can fall in five categories: laggards, underperformers, average performers, outperformers and leaders. The industry specific bands are based on the rating scores of approximately 4,000 companies that are assessed under the Sustainalytics comprehensive ESG Ratings framework. The bands are reviewed and updated annually.

Sustainability Impact

The magnitude of potential sustainability impacts (measured in terms of depth, breadth, and duration) that may be caused by an industry's activities if not managed effectively.

Tag

A key word associated with a key ESG issue and linked to incidences to facilitate search functionalities.

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