

The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

ESG Risk Rating

17.2

Updated Jan 11, 2021

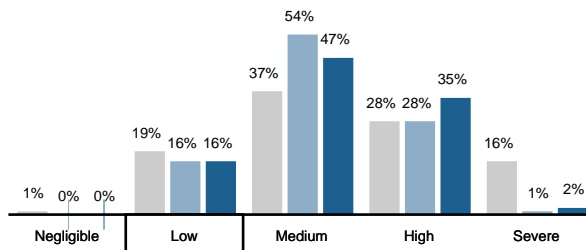
-2.1

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	1588/13557	13th
Paper & Forestry INDUSTRY	5/79	6th
Paper and Pulp SUBINDUSTRY	4/62	6th

Peers Table

Peers (Market cap \$1.7 - \$2.2bn)

	Exposure	Management	ESG Risk Rating
1. The Navigator Co. SA	40.4 Medium	63.5 Strong	17.2 Low
2. Domtar Corp.	42.6 Medium	46.7 Average	24.7 Medium
3. Shandong Chenming Paper Holdings Ltd.	40.6 Medium	26.8 Average	30.8 High
4. Shanying International Holdings Co., Ltd.	41.0 Medium	18.5 Weak	34.2 High
5. PT Pabrik Kertas Tjiwi Kimia Tbk	46.7 Medium	19.7 Weak	38.5 High

The Navigator Co. SA

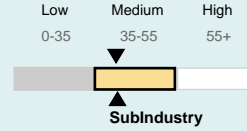
Paper and Pulp Portugal LIS:NVG

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

40.4 **-1.5**
Medium Momentum
 Beta = 0.98



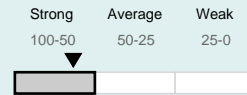
Navigator owns and operates four large-scale industrial complexes in Portugal, being exposed to various environmental risks. The production of pulp and paper generates liquid by-products such as black liquor, whose spill could pollute nearby waters, triggering fines, permit suspension and clean-up costs. In addition, chemical and mechanical processes producing pulp and paper use vast amounts of fresh water. Given that droughts tend to be more frequent in the context of climate change, failure to increase the water efficiency of its operations could expose Navigator to freshwater withdrawal restrictions and operational disruptions. Moreover, the company's operations bear a notable carbon-footprint. Increasingly stringent carbon regulations and failure to respond to these by transitioning towards renewable energy sources, for example, may expose the company to compliance costs.

The company's overall exposure is medium and is similar to subindustry average. Resource Use, Carbon -Own Operations and Emissions, Effluents and Waste are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

63.5 **+3.7**
Strong Momentum



In FY2019, Navigator published its second Sustainability Report. The report is written in accordance with the GRI Standards: Comprehensive option which is in line with best practice, signalling strong accountability to investors and the public. Additionally, the company's ESG-related issues are overseen by the Sustainability Forum headed by the Chief Executive Officer, suggesting that these are integrated in core business strategy. However, in 2020, the NGO World Rainforest Movement alleged that several communities in Mozambique were threatened and misrepresented by Portucel, fully owned by Navigator, in relation to land acquisition.

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

The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

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	
Corporate Governance	9.0 High	52.0 Average	4.3 Medium	25.1%
Resource Use	6.0 Medium	70.8 Strong	2.6 Low	15.1%
Emissions, Effluents and Waste	6.3 Medium	67.5 Strong	2.5 Low	14.4%
Carbon -Own Operations	4.8 Medium	68.6 Strong	2.2 Low	12.6%
Community Relations	3.0 Low	35.0 Average	2.1 Low	11.9%
Business Ethics	2.0 Low	38.8 Average	1.3 Negligible	7.3%
E&S Impact of Products and Services	2.0 Low	60.7 Strong	0.8 Negligible	4.6%
Land Use and Biodiversity -Supply Chain	2.0 Low	77.5 Strong	0.8 Negligible	4.4%
Occupational Health and Safety	3.2 Low	96.0 Strong	0.4 Negligible	2.5%
Land Use and Biodiversity	2.1 Low	83.1 Strong	0.4 Negligible	2.1%
Overall	40.4 Medium	63.5 Strong	17.2 Low	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)

Community Relations

Low (0)

The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

Events Overview

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

Category (Events)

None (16)

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Emissions, Effluents and Waste

Energy Use and GHG Emissions

Environmental Impact of Products

Intellectual Property

Land Use and Biodiversity

Land Use and Biodiversity - SC

Lobbying and Public Policy

Occupational Health and Safety

Sanctions

Social Impact of Products

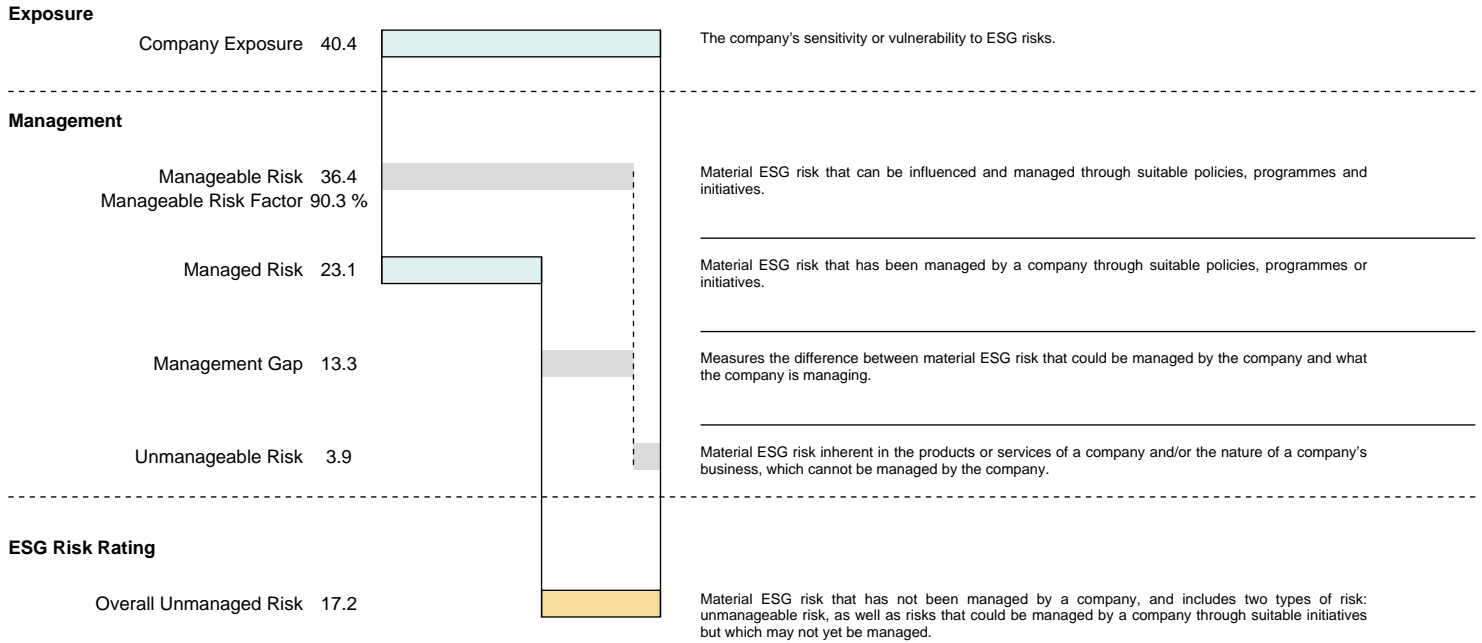
Society - Human Rights

Water Use

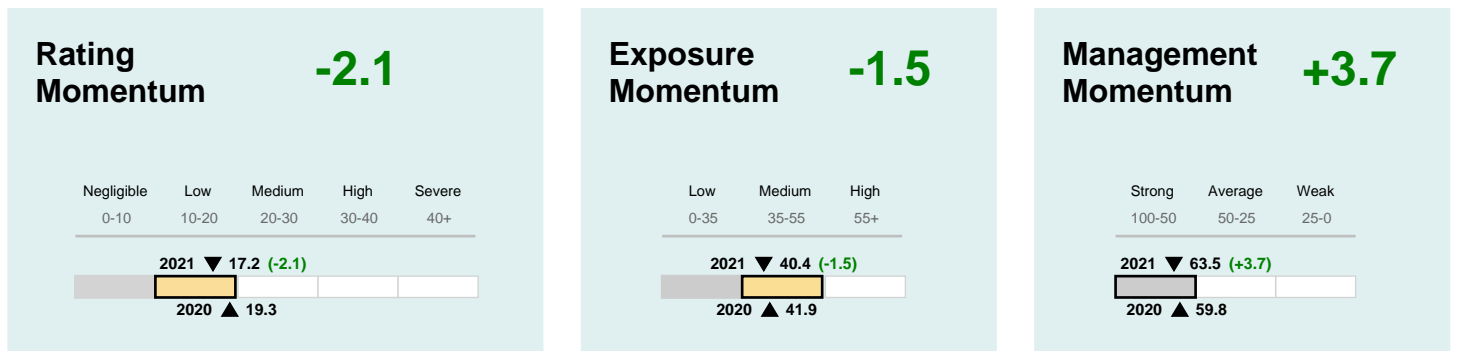
The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

Risk Decomposition



Momentum Details



The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

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**).

The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

DISCLAIMER

Copyright © 2021 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, comingle, 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