

# The Navigator Co. SA

Paper and Pulp Portugal LIS:NVG

## ESG Risk Rating

# 14.3

Updated Jan 27, 2022

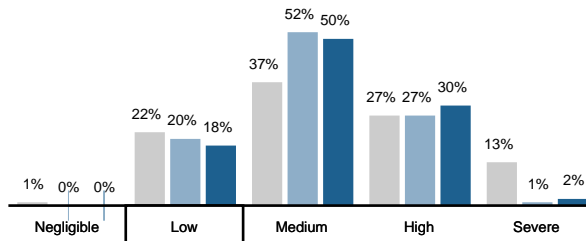
# -2.9

Momentum

# Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	1097/15125	8th
Paper & Forestry INDUSTRY	3/81	3rd
Paper and Pulp SUBINDUSTRY	3/60	4th

## Peers Table

Peers (Market cap \$2.1 - \$2.6bn)

	Exposure	Management	ESG Risk Rating
1. The Navigator Co. SA	39.7 Medium	70.8 Strong	14.3 Low
2. Shandong Chenming Paper Holdings Ltd.	42.4 Medium	30.2 Average	30.9 High
3. YFY Inc.	47.0 Medium	32.2 Average	33.4 High
4. Shanying International Holdings Co., Ltd.	42.0 Medium	20.6 Weak	34.2 High
5. Daio Paper Corp.	47.0 Medium	25.4 Average	36.3 High

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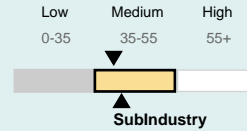
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## ESG Risk Analysis

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

**39.7** **-0.6**  
**Medium** Momentum  
 Beta = 0.95



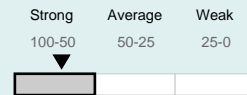
Navigator owns and operates four large-scale industrial complexes in Portugal, consisting of paper and pulp mills. It also manages 107,370 ha of forest holdings and nurseries in Mozambique and Portugal. As a manufacturer of pulp and paper, the company is exposed to negative environmental impacts and associated liability risks. These risks include hazardous waste and effluent pollution, and the use of freshwater in water-stressed areas. Navigator is Europe's leading manufacturer of bleached eucalyptus pulp; eucalyptus has a large water footprint due to its fast-growing nature. Failure to increase the water efficiency of its operations could expose Navigator to freshwater withdrawal restrictions and operational disruptions. In response to increasingly stringent carbon regulations and pricing in Europe, a transition to renewable and biomass energy use may reduce compliance costs.

The company's overall exposure is medium and is moderately below subindustry average. Emissions, Effluents and Waste, Carbon -Own Operations and Resource Use 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

**70.8** **+7.3**  
**Strong** Momentum



Navigator's strong ESG management is supported by adequate environmental and social policies, and strong supply chain monitoring and health and safety performance, as well as biodiversity and GHG reduction programmes. The company's facilities are ISO 14001 certified, and its forests in Portugal are FSC certified, indicating that Navigator meets industry best practices and standards that are third-party verified. Aligned with best practices, the company's ESG-related issues are overseen by its Sustainability Forum, headed by the chief executive officer, and executive compensation is tied to ESG performance targets. Navigator has committed to achieve carbon neutrality by 2035 at its Portuguese pulp and paper mills and has implemented comprehensive emissions reductions targets and renewable energy programmes.

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	51.4 Average	4.4 Medium	30.7%
Community Relations	3.8 Low	39.9 Average	2.4 Low	17.1%
Emissions, Effluents and Waste	6.0 Medium	67.5 Strong	2.4 Low	16.5%
Resource Use	5.7 Medium	90.6 Strong	1.6 Negligible	11.0%
Carbon -Own Operations	4.5 Medium	93.7 Strong	1.1 Negligible	7.9%
Business Ethics	1.9 Low	47.5 Average	1.0 Negligible	7.3%
Land Use and Biodiversity -Supply Chain	1.9 Low	95.0 Strong	0.5 Negligible	3.2%
Occupational Health and Safety	3.0 Low	96.0 Strong	0.4 Negligible	2.9%
E&S Impact of Products and Services	1.9 Low	79.5 Strong	0.4 Negligible	2.7%
Land Use and Biodiversity	2.0 Low	93.8 Strong	0.1 Negligible	0.9%
<b>Overall</b>	<b>39.7 Medium</b>	<b>70.8 Strong</b>	<b>14.3 Low</b>	<b>100.0%</b>

## 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 (2)**

Community Relations

Lobbying and Public Policy

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## Events Overview

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

## Category (Events)

### ⚠ None (15)

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

Occupational Health and Safety

Sanctions

Social Impact of Products

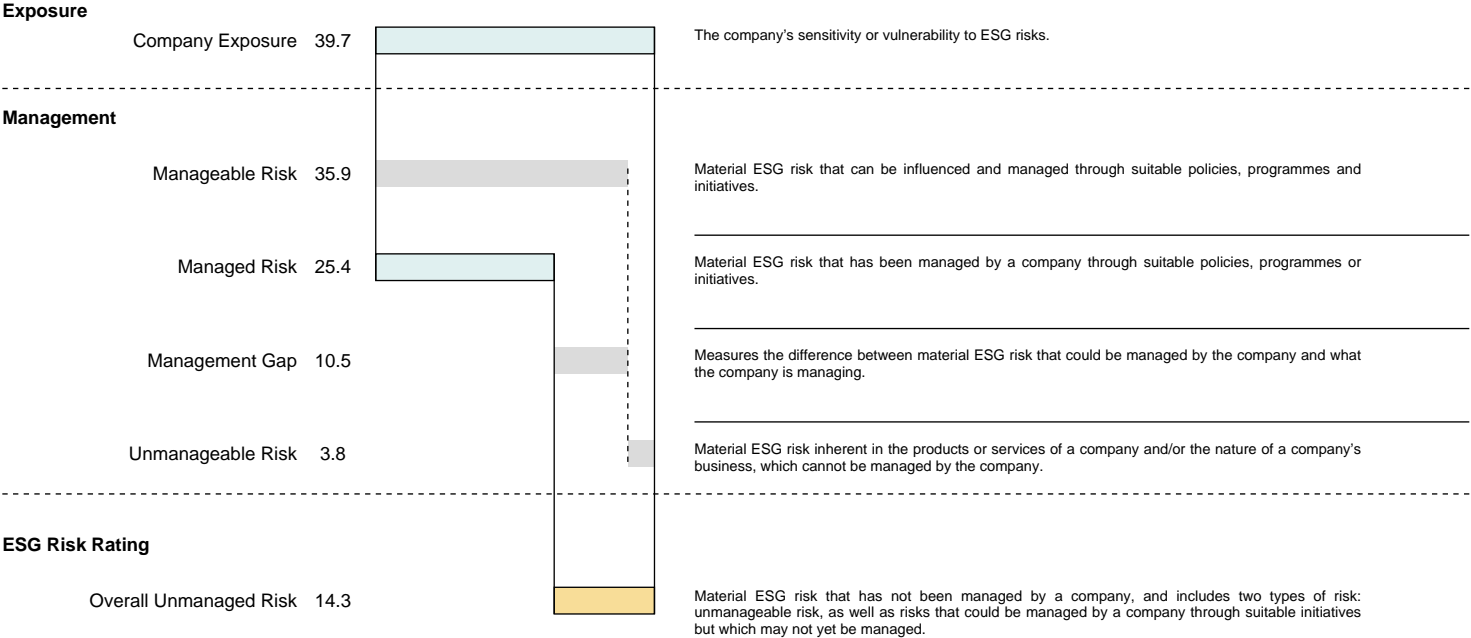
Society - Human Rights

Water Use

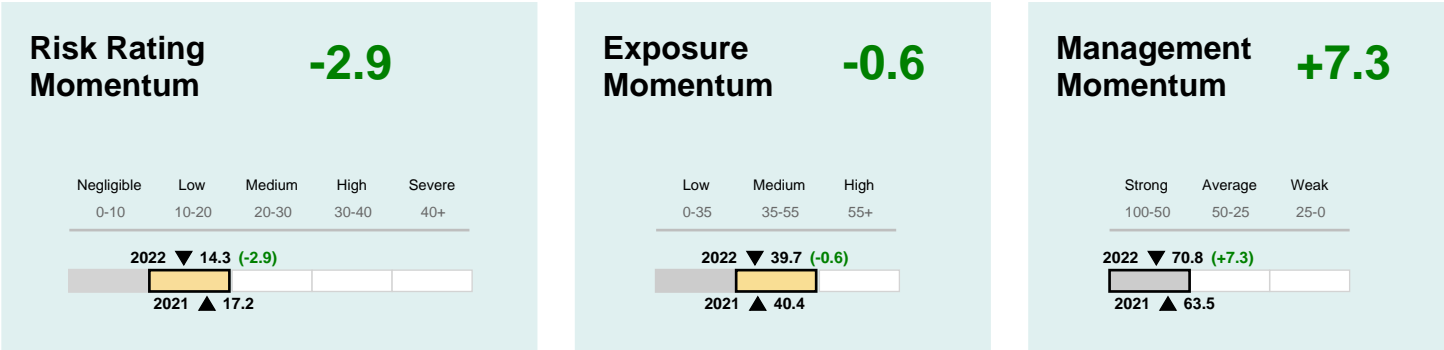
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## Risk Decomposition



## Momentum Details



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## 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**).

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