The Navigator Company, S.A.

Paper and Pulp | Portugal | LIS:NVG

18.6 /100 Low ▼

Rating Overview

The company is at low risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. Furthermore, the company has not experienced significant controversies.

ESG Risk Rating Distribution

Relative Performance

Rank (1st = lowest risk) Percentile (1st = lowest risk)

Global Universe
1551 out of 9589 17th

Paper & Forestry (Industry Group)
8 out of 66 12th

Paper and Pulp (Subindustry)
8 out of 46 16th

Attribution Analysis

Risk Analysis

Exposure Score

41.0 /100 Medium

Management Score

60.6 /100 Strong

Beta = 1.00

Navigator owns and runs four large-scale industrial complexes in Portugal and is developing one in Mozambique as well. Chemical and mechanical processes producing pulp and paper use vast amounts of fresh water. Given that droughts are more frequent as climate change advances, failure to increase the water efficiency of its operations, could expose Navigator to water usage restrictions and operational disruptions. Apart from its water-intensity, the production of pulp and paper also generates liquid byproducts -- such as black liquor -- whose spill could pollute nearby waters triggering fines, permit suspension and clean-up costs. In addition, Navigator’s industrial operations are highly-energy intensive. Increasingly stringent carbon regulations and failure to respond to these by diversifying its energy sources expose the company to high compliance costs and regulatory scrutiny.

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

The company's overall management of material ESG issues is strong.
## The Navigator Company, S.A.

### SUSTAINALYTICS ESG RISK RATING SUMMARY REPORT

**Paper and Pulp | Portugal | LIS:NVG**

**Jan 29, 2019**

### 18.6 /100 Low

<table>
<thead>
<tr>
<th>ESG Risk Rating</th>
<th>Subindustry Exposure</th>
<th>Company Exposure</th>
<th>Excess Exposure</th>
<th>Manageable Risk Factor</th>
<th>Management Score</th>
<th>ESG Risk Rating</th>
<th>Risk Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negl</td>
<td>0-10</td>
<td>Low</td>
<td>10-20</td>
<td>High</td>
<td>Severe</td>
<td>40-100</td>
<td></td>
</tr>
</tbody>
</table>

### Attribution Details

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>Contribution to Company Excess</th>
<th>Manageable Management</th>
<th>ESG Risk Rating</th>
<th>Risk Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
<td>23.9%</td>
<td>9.0</td>
<td>9.0</td>
<td>100%</td>
</tr>
<tr>
<td>Carbon - Own Operations</td>
<td>17.7%</td>
<td>6.0</td>
<td>6.0</td>
<td>80%</td>
</tr>
<tr>
<td>Resource Use</td>
<td>15.6%</td>
<td>6.0</td>
<td>6.0</td>
<td>80%</td>
</tr>
<tr>
<td>Community Relations</td>
<td>12.9%</td>
<td>3.0</td>
<td>3.0</td>
<td>90%</td>
</tr>
<tr>
<td>Emissions, Effluents and Waste</td>
<td>10.9%</td>
<td>6.0</td>
<td>6.0</td>
<td>90%</td>
</tr>
<tr>
<td>Business Ethics</td>
<td>5.4%</td>
<td>2.0</td>
<td>2.0</td>
<td>95%</td>
</tr>
<tr>
<td>Land Use and Biodiversity - Supply Chain</td>
<td>4.3%</td>
<td>2.0</td>
<td>2.0</td>
<td>80%</td>
</tr>
<tr>
<td>E&amp;S Impact of Products and Services</td>
<td>4.2%</td>
<td>2.0</td>
<td>2.0</td>
<td>100%</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>3.3%</td>
<td>3.0</td>
<td>3.0</td>
<td>90%</td>
</tr>
<tr>
<td>Land Use and Biodiversity</td>
<td>1.7%</td>
<td>2.0</td>
<td>2.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Overall

| Overall | 100.0% | 41.0 | 41.0 | 0.0 | - | 60.6 | 18.6 | Low |

△ = Significant event

### Risk Details

#### Exposure

- **Company Exposure**: 41.0
  - The company's sensitivity or vulnerability to ESG risks.

#### Management

- **Manageable Risk**: 36.9
  - Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

- **Managed Risk**: 22.4
  - Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

- **Management Gap**: 14.5
  - Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

- **Unmanageable Risk**: 4.1
  - Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

#### ESG Risk Rating

- **Overall Unmanaged Risk**: 18.6
  - 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.

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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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