SUSTAINALYTICS ESG RISK RATING SUMMARY REPORT

Laboratorios Farmaceúticos Rovi SA
Pharmaceuticals | Spain | MCE:ROVI

Date Aug 5, 2020

Rating Overview
The company is at medium 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.

Momentum Score
Not available due to a lack of comparable historical information

ESG Risk Rating Distribution

Relative Performance

Rank
1. Laboratorios Farmaceúticos Rovi SA 21.8 Medium 50.3 Medium 60.8 Strong
2. Tsumura & Co. 38.7 High 47.9 Medium 20.6 Weak
3. NATCO Pharma Ltd. 39.3 High 47.0 Medium 17.6 Weak
4. Guangxi Wuzhou Zhongheng Group Co., Ltd. 41.3 Severe 47.5 Medium 14.0 Weak
5. Zhejiang Hisoar Pharmaceutical Co., Ltd. 47.6 Severe 50.0 Medium 5.1 Weak

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Laboratorios Farmaceúticos Rovi SA
Pharmaceuticals | Spain | MCE:ROVI

**21.8  Medium Risk**

**Exposure Score**
- **Low**: 0-35
- **Medium**: 35-55
- **High**: 55+

**Beta**: 1.01

ROVI's portfolio of low-molecular-weight heparins and other forty own and licensed specialty drugs exposes the company to quality and safety risks. Bemiparin, one of the company’s flagship products, is pending marketing approval in several countries. Manufacturing errors or unreported side effects could lead to delays or even the denial of such authorization. In addition, ROVI has an extensive portfolio of products in the R&D phase, focused on glycomics, drug release technologies and multilayer technologies for urethral catheters. Unethical research practices could lead to reputational damage and delays in bringing new products to the market. At the same time, the success of ROVI’s R&D efforts depends on its ability to recruit and retain qualified scientific personnel. Human capital mismanagement could trigger skill shortage, preventing the company from executing on its strategy.

The company's overall exposure is medium and is similar to subindustry average. Product Governance, Business Ethics and Human Capital are notable material ESG issues.

**Management Score**
- **Strong**: 100-50
- **Average**: 50-25
- **Weak**: 25-0

**Beta**: 1.01

ROVI's overall ESG-related disclosure follows best practice, signalling strong accountability to investors and the public. The company’s ESG related issues are overseen by the board or the executive team, suggesting that these are integrated in core business strategy. The company’s overall management of material ESG issues is strong.

### Attribution Details

<table>
<thead>
<tr>
<th>Issue Name</th>
<th>ESG Risk Rating</th>
<th>Subindustry Exposure</th>
<th>Company Exposure</th>
<th>Manageable Risk Factor</th>
<th>Management Score</th>
<th>Management Weight</th>
<th>ESG Risk Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance</td>
<td>18.7%</td>
<td>9.0</td>
<td>9.0</td>
<td>100%</td>
<td>54.8</td>
<td>19.2 %</td>
<td>4.1</td>
</tr>
<tr>
<td>Product Governance</td>
<td>27.1%</td>
<td>10.0</td>
<td>10.0</td>
<td>80%</td>
<td>51.0</td>
<td>17.1 %</td>
<td>5.9</td>
</tr>
<tr>
<td>Access to Basic Services</td>
<td>23.2%</td>
<td>6.0</td>
<td>6.0</td>
<td>100%</td>
<td>15.7</td>
<td>12.8 %</td>
<td>5.1</td>
</tr>
<tr>
<td>Business Ethics</td>
<td>15.1%</td>
<td>8.0</td>
<td>8.0</td>
<td>95%</td>
<td>62.1</td>
<td>16.2 %</td>
<td>3.3</td>
</tr>
<tr>
<td>Bribery and Corruption</td>
<td>8.2%</td>
<td>6.0</td>
<td>6.0</td>
<td>95%</td>
<td>73.8</td>
<td>12.2 %</td>
<td>1.8</td>
</tr>
<tr>
<td>Human Capital</td>
<td>4.3%</td>
<td>6.0</td>
<td>6.0</td>
<td>95%</td>
<td>88.8</td>
<td>12.2 %</td>
<td>0.9</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>1.9%</td>
<td>2.0</td>
<td>2.1</td>
<td>95%</td>
<td>84.4</td>
<td>4.3 %</td>
<td>0.4</td>
</tr>
<tr>
<td>Emissions, Effluents and Waste</td>
<td>1.4%</td>
<td>3.0</td>
<td>3.2</td>
<td>90%</td>
<td>100.0</td>
<td>6.1 %</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Overall</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>50.0</strong></td>
<td><strong>50.3</strong></td>
<td><strong>93.2%</strong></td>
<td><strong>60.8</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>21.8</strong></td>
</tr>
</tbody>
</table>

△ = Significant event

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# Risk Details

<table>
<thead>
<tr>
<th>Exposure</th>
<th>Company Exposure</th>
<th>50.3</th>
<th>The company’s sensitivity or vulnerability to ESG risks.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>Manageable Risk</td>
<td>46.8</td>
<td>Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.</td>
</tr>
<tr>
<td></td>
<td>Managed Risk</td>
<td>28.4</td>
<td>Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.</td>
</tr>
<tr>
<td></td>
<td>Management Gap</td>
<td>18.4</td>
<td>Measures the difference between material ESG risk that could be managed by the company and what the company is managing.</td>
</tr>
<tr>
<td></td>
<td>Unmanageable Risk</td>
<td>3.4</td>
<td>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.</td>
</tr>
</tbody>
</table>

## ESG Risk Rating

| Overall Unmanaged Risk | 21.8 | 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. |

## Momentum Details

Not available due to a lack of comparable historical information
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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