

# Laboratorios Farmacéuticos Rovi SA

Pharmaceuticals Spain MCE:ROVI

## ESG Risk Rating

# 16.4

Last Full Update Aug 1, 2023

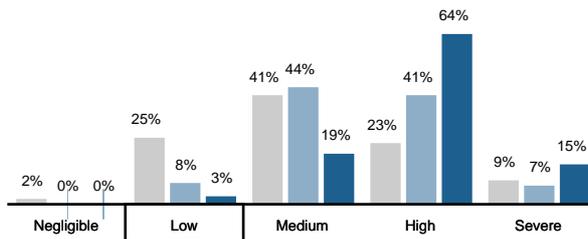
# -0.9

Momentum

# Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	2217/15673	15th
Pharmaceuticals INDUSTRY	22/895	3rd
Pharmaceuticals SUBINDUSTRY	1/431	1st

## Peers Table

Peers (Market cap \$2.5 - \$2.6bn)

	Exposure	Management	ESG Risk Rating
1. Laboratorios Farmacéuticos Rovi SA	45.3 Medium	68.4 Strong	<b>16.4 Low</b>
2. Corcept Therapeutics, Inc.	42.6 Medium	37.9 Average	<b>27.6 Medium</b>
3. Sincere Pharmaceutical Group Ltd.	45.1 Medium	32.8 Average	<b>31.3 High</b>
4. HUTCHMED (China) Ltd.	53.9 Medium	44.6 Average	<b>31.5 High</b>
5. Ajanta Pharma Ltd.	43.1 Medium	26.9 Average	<b>32.3 High</b>

# Laboratorios Farmacéuticos Rovi SA

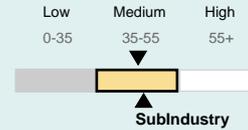
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## ESG Risk Analysis

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

**45.3** **-3.8**  
**Medium** Momentum  
 Beta = 0.96



Laboratorios Farmaceuticos Rovi SA (ROVI)'s dependency on the EU market exposes the company to financial and legal risks, as drug pricing and reimbursement regulations have been strengthening in Europe. On the other hand, the company does not market any products in the US. This reduces its exposure to product governance issues relative to its peers, due to the higher likelihood of liability litigation in the country. Furthermore, the company's revenue dependency on its contract manufacturing business (49% of FY2022 revenue), indicates the need to have strong quality standards and continuous process improvements in place, in order to avoid product safety issues that could lead to operational and financial disruptions. Lastly, ROVI's extensive R&D activities increase its exposure to ethics concerns related to its clinical trials.

The company's overall exposure is medium and is similar to subindustry average. Access to Basic Services, Product Governance and Business Ethics 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

**68.4** **-1.0**  
**Strong** Momentum



ROVI's board-level audit committee oversees the company's environmental and social performance. Sustainability-related targets, such as maintaining ISO 14001 certification standards, are integrated into executives' remuneration, accounting for 10% of the compensation plan. With regard to its notable ESG issues, the company has implemented a strong product and service safety programme, which includes regular internal audits and annual process reviews. Nevertheless, its access to medicine initiatives could be improved, for example, by setting quantitative targets to enhance equitable access to medicine. Furthermore, there is no evidence of the company setting an equitable pricing strategy to improve drug affordability. Finally, ROVI has committed to conduct clinical trials in accordance with internal best practice guidelines and principles.

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	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Access to Basic Services	5.7 Medium	21.4 Weak	<b>4.5 Medium</b>	27.3%
Product Governance	10.0 High	74.0 Strong	<b>4.1 Medium</b>	24.9%
Corporate Governance	9.0 High	59.5 Strong	<b>3.6 Low</b>	22.2%
Business Ethics	5.7 Medium	78.3 Strong	<b>1.5 Negligible</b>	8.9%
Human Capital	5.7 Medium	80.0 Strong	<b>1.4 Negligible</b>	8.3%
Carbon -Own Operations	2.6 Low	69.4 Strong	<b>0.8 Negligible</b>	4.8%
Emissions, Effluents and Waste	2.9 Low	95.6 Strong	<b>0.4 Negligible</b>	2.4%
Bribery and Corruption	3.8 Low	100.0 Strong	<b>0.2 Negligible</b>	1.2%
<b>Overall</b>	<b>45.3 Medium</b>	<b>68.4 Strong</b>	<b>16.4 Low</b>	<b>100.0%</b>

## Events Overview

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

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (1)**

Quality and Safety

**1 Low (0)**

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## Events Overview

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

## Category (Events)

**None (12)**

Access to Basic Services

Accounting and Taxation

Animal Welfare

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Emissions, Effluents and Waste

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

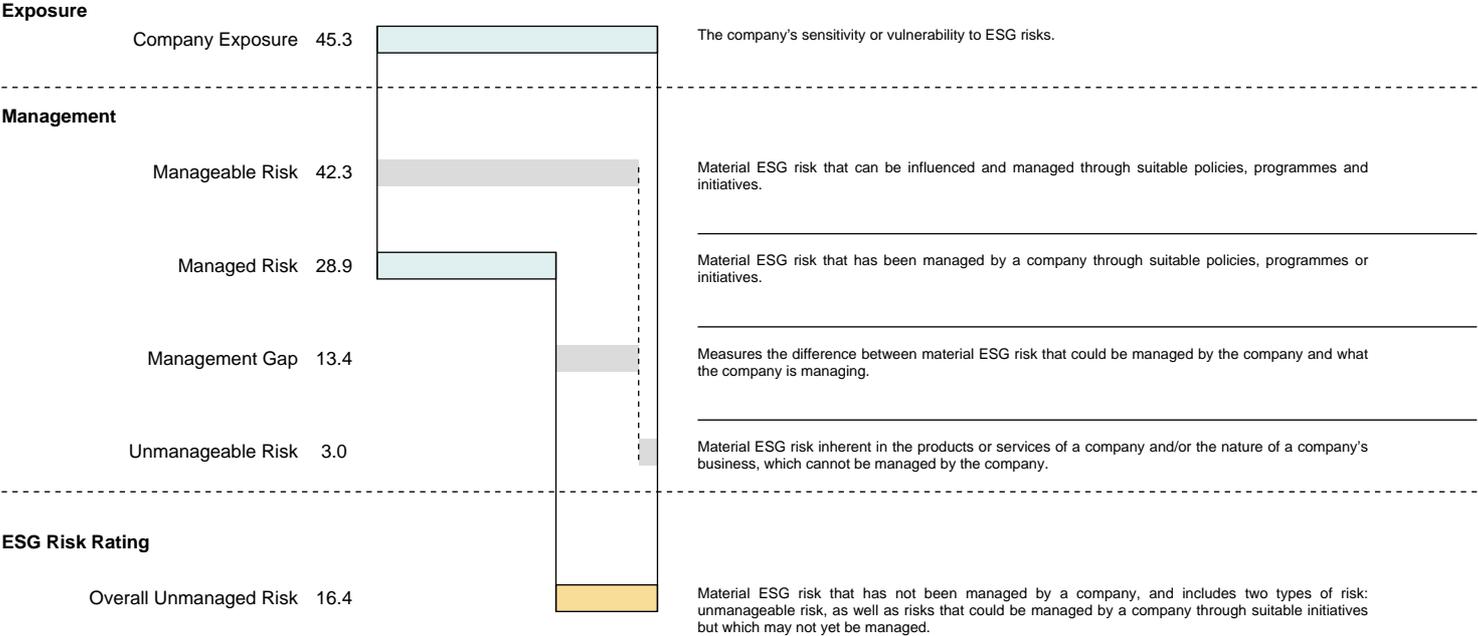
Lobbying and Public Policy

Marketing Practices

# Laboratorios Farmacéuticos Rovi SA

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## Risk Decomposition



## Momentum Details



# Laboratorios Farmacéuticos Rovi SA

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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**).

# Laboratorios Farmacéuticos Rovi SA

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