



*Eucalyptus globulus*  
The best fibre for the finest paper





ANNUAL REPORT 2019



THE

NAVIGATOR

COMPANY





*No organisation exists in isolation* from the world.

As well as what it produces, a business is the result of the relations it cultivates with its stakeholders, and the way in which it interprets, anticipates and responds to the needs of society as a whole.

We believe that the whole is more than just the sum of its parts. That is why we have a firm commitment to taking a long-term view and a comprehensive sustainability strategy that addresses the full spectrum of issues - environmental, social and economic.

The Navigator Company is a pillar of the Portuguese economy and not just one of the country's leading exporters: we create more national value added than any other exporter in Portugal. More than just a source of satisfaction, this underlines our awareness that creating lasting and sustainable wealth involves sharing knowledge in areas that range from technology to sustainable forest management, all of this grounded on a virtuous relationship with natural and renewable resources.

Our 2019 Annual Report reflects this corporate sense of purpose and our desire to create value with the community.

Commissioned especially for this publication, the engravings reproduced on the chapter dividers in this report illustrate and document the work we do to protect biodiversity, one of our contributions to improving Portugal's woodlands.

These are twelve examples of the 235 species of fauna and 740 species of flora protected by The Navigator Company in its conservation areas. These are numbers that have increased, in contrast to the global tendency for losses of protected species.

This conservation strategy applied from day to day in our woodlands holdings is part of our holistic vision of sustainability, the same belief that in 2019 gave us confidence to make a public commitment to achieving carbon neutrality by 2035, a decade and a half ahead of the Portuguese and European target dates.

So the 2019 Annual Report offers more than an account of the past year. It is intended as a manifesto for the vision and high standards in which we believe.

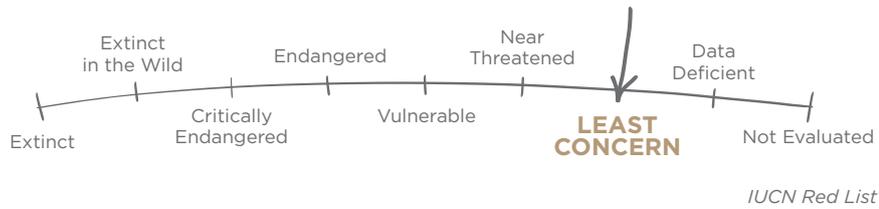
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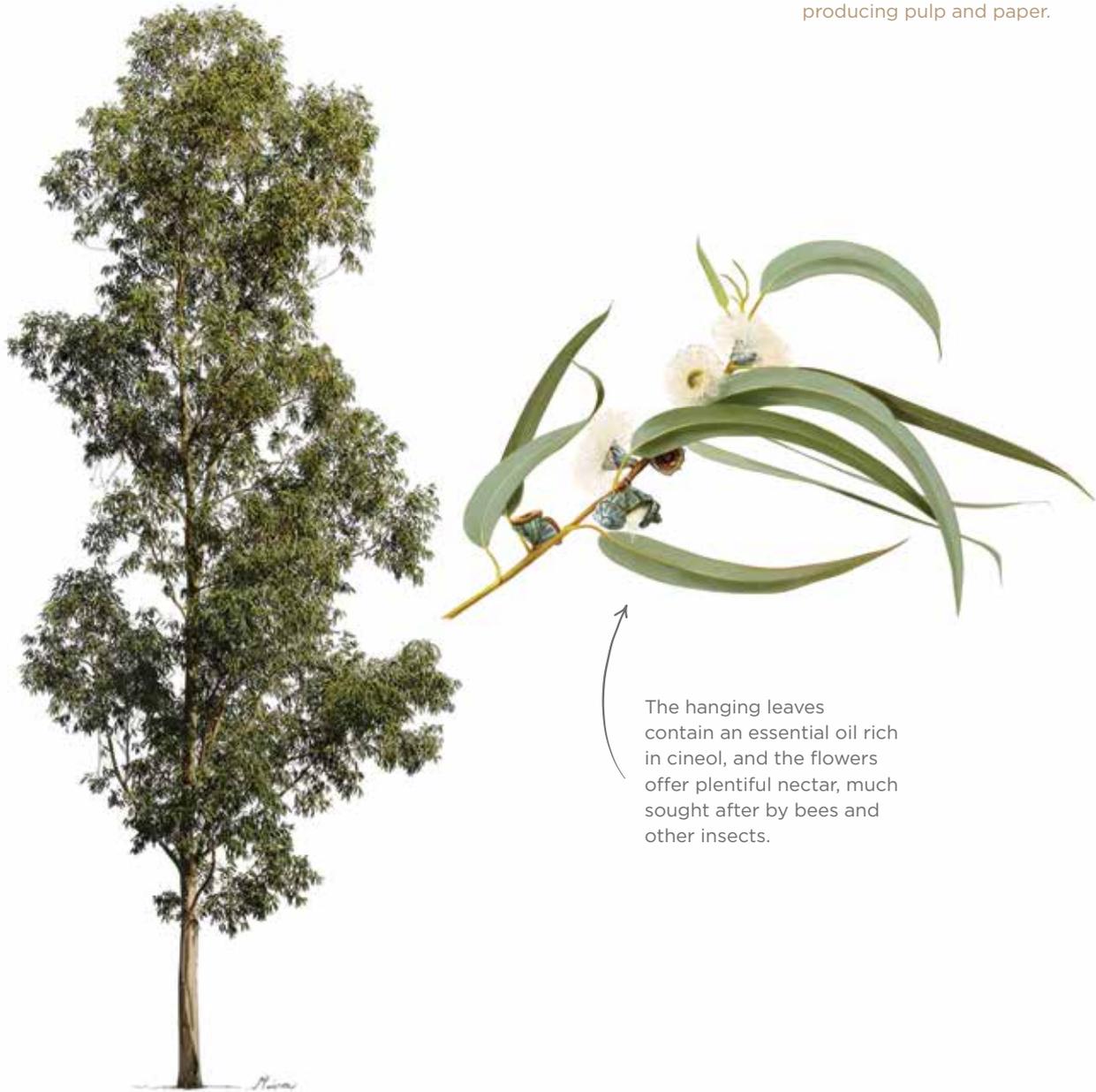
# MISSION, VISION AND VALUES

01

## Tasmanian Blue Gum (*Eucalyptus globulus*)



The *Eucalyptus* genus belongs to the Myrtaceae family and numbers more than 700 species. *E. globulus* is an evergreen tree that can grow to a height of 55 metres. Its long, cream coloured trunk is smooth and straight, and sheds its bark. A fast-growing tree, it attains adulthood in ten to twelve years, and is regarded worldwide as the best eucalyptus species for producing pulp and paper.



The hanging leaves contain an essential oil rich in cineol, and the flowers offer plentiful nectar, much sought after by bees and other insects.

*E. globulus* has become naturalised in the Iberian peninsula, where it was introduced in the early nineteenth century. In Portugal it has found ideal soil and climate conditions for it to adapt and produce generous yields. It is found predominantly in the regions influenced by the

Atlantic to the north of the River Tagus, and also in the western Algarve. On holdings managed by Navigator, it benefits from sustainable forest management and all plantations are certified.

# MISSION, VISION AND VALUES



## Vision

To extend our leadership position in printing and writing paper to other business areas and add to Portugal's international stature.

## Mission

Our mission is to be a global company with a reputation for innovation and sustainability in processing forestry materials into products and services that improve people's lives.

## Values

### *Trust*

We believe in people, we welcome everyone's contribution, we respect their identity, promoting development, cooperation and communication.

### *Integrity*

We are guided by principles of transparency, ethics and respect in our dealings amongst ourselves and with others.

### *Entrepreneurship*

We are passionate about what we do, we like to get out of our comfort zone, we have the courage to take decisions and to accept risks in a responsible way.





***Innovation***

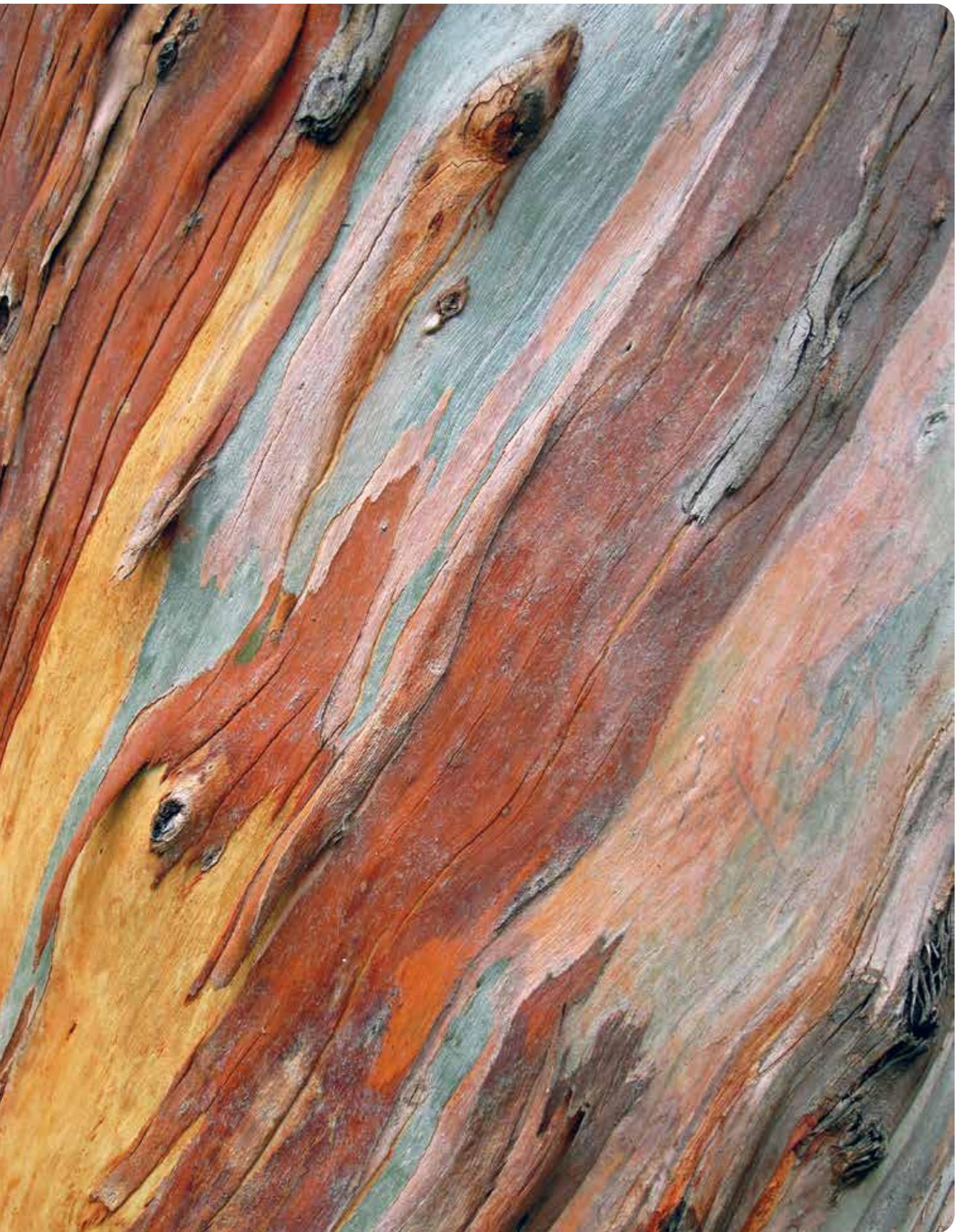
We seek to bring out everyone's skills and creative potential to do the impossible.

***Sustainability***

Corporate, social and environmental sustainability is our business model.

***Excellence***

In our work we focus on quality, efficiency, safety and getting it right.



# MESSAGE FROM CHAIRMAN AND CEO

02



# MESSAGE FROM CHAIRMAN AND CEO

In 2019, The Navigator Company reinforced its commitment to corporate, social and environmental sustainability as one of the most relevant values of its business model.

In fact, sustainability is in Navigator's DNA, materialising in the most diverse areas of its activity, with emphasis on the sustainable management of the approximately 109,000 hectares of forest that it directly manages, the significant investment it makes in the environment, research and development, the professional growth of its people and its constant commitment to local communities.

We operate in a sector, the bioeconomy, which is, by definition – and also because of the recurring efforts and investments we make in the environmental area – an environmentally integrated and sustainable business model:

- > Our raw material, the forest, is renewable and is also the main source of CO<sub>2</sub> fixation.
- > Our final product is essentially biodegradable, approximately 80% recycled in successive cycles and subject to energy recovery at the end of such cycles.
- > We recover about 80% of our waste through energy recovery, composting and incorporation into higher-value products.

- > We return more than 80% of the water we use into the environment, after treatment according to the most demanding control parameters

It is in this context, and in keeping with Navigator's long-standing commitment to sustainability, that the year 2019 was marked by the commitment to achieve carbon neutrality at its manufacturing facilities as early as 2035, meeting the target already assumed by the European Union and Portugal 15 years in advance. In this way, we demonstrate unequivocally our commitment to go further and to achieve the most demanding standards.

To this end, we have the objectives of producing all our electricity from renewable sources, of reducing fossil CO<sub>2</sub> emissions in other production processes by replacing fossil fuels with biomass, of reducing specific energy consumption by 15% by 2025 and of offsetting emissions that cannot be eliminated by increasing the productivity of eucalyptus areas, planting native forests and the forest products produced.

As regards the economic and financial performance of the Company, the 2019 financial year was also characterised by an adverse market environment, with a sharp

drop in pulp prices and a fall in demand for both pulp and paper, as well as a deterioration of variable production costs, particularly due to increases in the prices of wood, energy and chemical products.

In addition to these market conditions, 2019 was also a year characterised by operational difficulties at our industrial sites and some social instability, which led to stoppages due to strikes that occurred throughout the year in Setúbal, Figueira da Foz and Vila Velha de Ródão, which meant that production volumes did not reach the levels reached in previous years.

These difficulties, both external and internal, led to the Company's results being lower than the previous year, with an EBITDA of €372 million, i.e. around 18% lower than in 2018, and an EBITDA/sales margin of 22%.

Nevertheless, and looking at the industry, it must be acknowledged that these results are quite robust in the light of the circumstances and behaviour of our peers, demonstrating once again the high quality of our teams and the resilience of our integrated pulp and paper business model.

Thus, in the pulp business Navigator managed to increase sales volume by more than 10%, partially offsetting the effect of the sharp decline in prices, with a turnover of about €165 million, nearly 1.2% lower than in 2018.

In the UWF paper business, sales volumes were about 4.4% below those of 2018, reflecting lower production volumes, but paper prices showed great resilience, with the A4 B-copy benchmark registering an average value of €903/ton, 3.4% above the 2018 average; this despite the pressure on prices, with special emphasis on the last quarter. The Company's performance reflects a strategy of protecting its margin in Europe and the U.S., regions where we record most of our sales, and some redirection of volume to other geographies with occasionally more favourable market situations.

With regard to the tissue business, the volume produced and sold increased significantly by 52%, reaching 95,700 tonnes, as a result of the start-up of the new mill in Aveiro. Sales volume stood at €132 million, up 45% on 2018. Both finished products and reels registered price increases compared to 2018, which offset the rise in costs. The accelerated growth of the reel business, resulting from the start-up of the new tissue mill, has altered the mix of products sold, impacting the

Group's average selling price, a situation which will be mitigated by the consolidation of the Aveiro mill's activity.

The line of robust results also made it possible to maintain a very attractive shareholder remuneration. Thus, on 24 April 2019, The Navigator Company distributed a dividend of €200 million, resulting in a gross value of €0.27943/share. In addition, several purchases of own shares occurred during the year, totalling 5,452,000 shares, in a clear sign of confidence in these instruments, representing an investment of around €18 million.

Additionally, relevant changes occurred in Corporate Governance in 2019, with the election of the Board of Directors to a new term of office, which also resulted in the replacement of the Company's Chief Executive Officer. This process involved a transition in which I had the opportunity to combine the functions of the Chairman of the Board of Directors with those of the interim CEO, an experience that allowed me to better understand the enormous value and skills of the people working in our Company who, undoubtedly, represent its main asset.

This is the reason why the Executive Committee – which I had the honour of chairing, in defining what will be the fundamental pillars of its activities in the new term of office – has made it a priority to continue investing in people as a key asset for the future, making special mention of the strengthening of a culture of differentiation through merit, technical, operational and leadership development and training, developing the potential of its employees and continuing a policy of rejuvenation with the commitment to avoiding any loss of knowledge.

Along this priority, the following are also defined as fundamental guidelines:

- > *The protection and development of the Company's core business.* The Company's performance is also especially tied to a great concern with the excellence of the production process, the quality of its products and the Company's overall efficiency.
- > Strengthening forest productivity and sustainability and commercial excellence in managing our margins and sales are other key objectives for the term of office described in this chapter.

> *The consolidation and development of options for the Company's organic growth*, seeking to further develop the tissue business as a natural growth option, and also evaluating other growth possibilities related to the main businesses.

> *Strengthening our sustainability agenda*, defining and implementing objectives that reconcile shareholder return with the social impact of our activity; seeking sustainability as a source of competitive advantage aligned with our business; protecting the forest and biodiversity and promoting the role of the forest in combating climate change and creating wealth for local communities; pursuing our goal of achieving carbon neutrality in our industrial complexes by 2035.

I have now completed this period in which I have combined the duties of Chairman

Lisbon, 19 February 2020

**João Castello Branco**

*Chairman of the Board of Directors  
Chief Executive Officer until 31 December 2019.*

with those of the Chief Executive Officer, duties which have now been assigned to Mr António Redondo, who has been with this Company since 1987. He possesses a profound knowledge of the Company's activity and business after having worked in various operational areas and also because he has served as Executive Director since 2007.

I would like to express my wish that all members of our executive management as well as all the Company's employees enjoy the best personal and professional success. I am certain that their skills, competence and commitment will enable them to achieve excellent operational performance, which I am certain they are capable of delivering.

To all of the stakeholders in general, and to our shareholders in particular, we extend our thanks for continuing to invest decisively in Navigator.

# BOARD OF DIRECTORS



João Castello Branco



António Redondo



Adriano Silveira



João Paulo Oliveira



João Lé



Fernando Araújo



Nuno Santos



Manuel Regalado



Teresa Presas



Mariana Belmar da Costa



Ricardo Pires



Sandra Santos



Vítor Novais Gonçalves



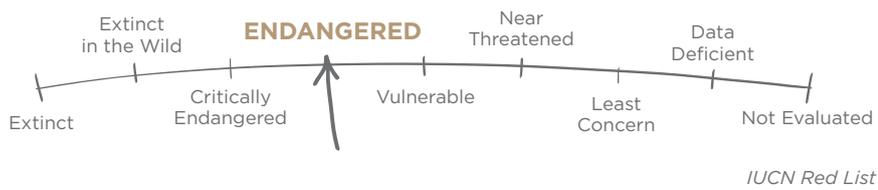
Vitor Paranhos Pereira

# NAVIGATOR IN 2019

03

## Bonelli's eagle (*Aquila fasciata*)

The Bonelli's eagle is a large bird of prey typical of the Mediterranean habitat with a wingspan of up to 1.7 metres. With a reproducing population of slightly more than 100 pairs nationwide.



It is characterized by a white front side which contrasts with its dark wings. As a rule, it hunts alone for prey such as rabbits, partridges and other Columbiformes (pigeons and doves) and reptiles. The reproductive period of the Bonelli's eagle is from December to June, with a brood of up to three chicks.

The distribution of the Bonelli's eagle is discontinuous and uneven across the country, with two distinct types of habitats: steep valleys with crags (in north-eastern Trás-os-Montes and Beira Interior). It builds its nest on steep slopes, or in well-forested hilly areas (Alentejo

and Algarve), where it nests in large trees. It is found on Navigator's properties in the southwest Alentejo, where it is subject to protection and conservation measures.

## Key Indicators 2019

Turnover of  
€ 1,688 million

EBITDA

€ 372 million

EBITDA/Sales Margin

22%

Net profit

€ 168 million

Free cash flow

€ 186 million

Capex

€ 158 million

Dividends paid

€ 200 million

Net Debt/EBITDA

1.9 times

ROE

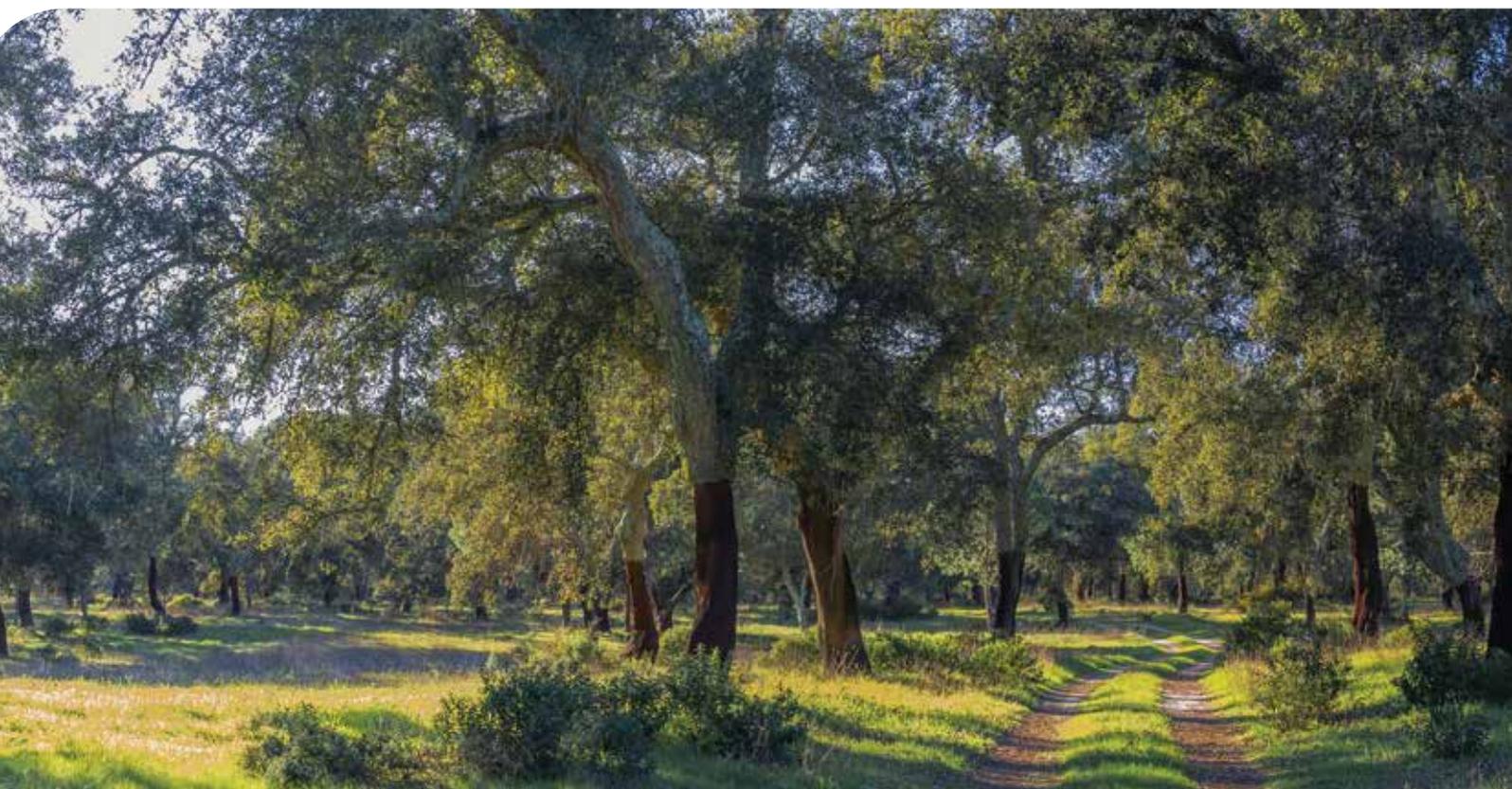
15.2%

ROCE

12.9%

Nº. of employees

3,280



## The Group's business had the following milestones:

**Adverse environment** with strong decline in pulp prices and reduced demand for pulp and paper

Paper business **shows strong resilience** despite volume reduction

**45% growth in the value of tissue sales** with the start-up of the new mill

Activity affected by **various production stoppages**, in particular due to strikes in the Group's various mills

**EBITDA margin reduction** caused by the decline in pulp prices and higher production costs, namely due to the cost inflation of some factors such as energy, wood and chemicals

Launch of a **new plan for cost optimisation**, operational efficiency and digital transformation, integrating the previous M2 and ZBB Corporate Programmes, striving for a deeper review of the organisational structure and fixed and variable costs

Confirmation of commitment to achieving **carbon neutrality** at industrial complexes by 2035, with global investments of **€158 million**, of which **€24 million** have already been made in 2019



## Sharing of Value

Aware of the impact that its activity has on society, Navigator's aim is to create sustainable value and share it with its various stakeholders. By creating value, the Company benefits not only its shareholders, but also its employees, its customers, its suppliers, the local communities and society in general.

Thus, the economic value generated<sup>1</sup> by Navigator in 2019 was €1,727 million (2018: €1,729 million) had the following distribution among its various stakeholders:

> **Shareholders:** total return to shareholders was €218 million, through the distribution of €200 million (2018: €200 million) in dividends and €18 million in purchases of own shares

> **Employees:** salaries and benefits were paid to Navigator's employees corresponding to a total of €146 million (2018: €162 million)

> **Suppliers:** total spending on suppliers was €1,521 million (2018: €1,620), with direct impact on approximately 5,665 national suppliers and 1,789 foreign suppliers

> **State:** Payments to the State represented €46 million (2018: €68 million)

> **Community:** Investment in the community totalled €1.8 million<sup>2</sup> (2018: €2.4 million)

### Value generated

€1,727  
Million

**Suppliers**  
€1,521  
Million

**Shareholders**  
€218  
Million

**Employees**  
€146  
Million

**State**  
€46  
Million

**Community**  
€1.8  
Million

<sup>1</sup> According to the GRI criteria of the 2019 Sustainability Report

<sup>2</sup> Reported in 2019 Sustainability Report

## Profile

An integrated producer of forest, pulp, paper, tissue and energy, The Navigator Company currently represents a pillar of the national economy and impacts the lives of thousands of people along the entire value chain. The Company guides its actions towards the creation of sustainable value for society as a whole, through systematic commitment to knowledge sharing and stakeholder training.

The responsibility and investment it devotes to sustainable forest management, research and development, the most advanced technologies and the qualification of people are reflected in the high quality of its products, a global leader in the sector.

European leader in the production of uncoated wood-free (UWF) fine printing and writing papers, and sixth worldwide, Navigator is also the leading company in Europe and the fifth largest in the world in the production of bleached eucalyptus kraft pulp (BEKP). Its installed production capacity is 1.6 million tonnes per year, both for UWF paper and pulp. In the tissue business, for which 2019 was the first full year of operation of the new mill in Aveiro, total capacity is 120,000 tonnes of finished product and 130,000 tonnes of reels.

The Company also stands out as a producer in the energy area, being responsible on an annual basis for between 4% and 5% of the

electricity production in Portugal. In 2019, 60% of energy produced by Navigator at its four industrial complexes came from biomass, giving it the leading role in the sector, with this ecological and non-fossil fuel accounting for about 52% of the country's overall energy.

Navigator's important role for the country also results from being the third largest exporter in Portugal and the largest generator of National Added Value, representing approximately 1% of the national GDP, about 3% of the national exports of goods, and more than 30,000 direct, indirect and induced jobs.

## Forest with life

A source of important economic wealth and an engine for rural and regional development, living space and biological diversity, a factor of environmental quality and a determining element in the landscape, the forest represents a strategic priority for Navigator.

In 2019, the Company generated 108,269 hectares of forest in Portugal, in 18 districts from north to south, and directly allocated more than €33.5 million to this forest value chain, compared to €28 million in the previous year. This value represents an important sustainability factor in all its pillars – environmental, social and economic – by contributing to the qualification of national producers, generating employment, sustaining populations in the country's interior and contributing to local taxes. On the other

Company  
Directors  
Forum





hand, it represents Navigator's contribution to the existence of better-managed forests in Portugal – less abandoned and more capable of fulfilling their environmental function as the largest terrestrial source of CO<sub>2</sub> capture and fixation.

In 2019, The Navigator Company thus reinforced its commitment to partnership and knowledge sharing with forestry producers and service providers by conducting 15 technical training sessions and 154 on-the-job training sessions.

The Company actively continued its programme to encourage the adoption of forest certification systems in areas that it does not directly manage – since its own areas are 100% certified by the international systems FCS<sup>®3</sup> (Forest Stewardship Council) and PEFC<sup>™4</sup> (Programme for the Endorsement of Forest Certification schemes). The effort led by Navigator resulted in the acquisition of certified wood on the domestic market rising from 42% in 2018 to 51.5% in 2019.

Meeting the certification criteria is a guarantee of good forestry and environmental practices on the ground, and this includes a constant commitment to biodiversity, which Navigator preserves and enhances. The coexistence of eucalyptus forests with pine forests, cork

oak forests, arbutus forests, oak-hornbeam forests, riparian galleries such as alder forests, willow forests and agricultural areas, allows for the creation of different habitats, where about 740 species of flora and 235 animal species from different groups of fauna, among which birds are prominent, currently live. Including several species of special conservation interest and some under a high level of threat. A total of 4,100 hectares of properties under Navigator's management belong to the Natura 2000 Network, while 11% of those holdings are areas of conservation interest.

### **Carbon neutrality in 2035**

After Navigator's performance in 2018 with regard to reducing emissions, reducing climate risks and developing a low-carbon economy was recognised by the Carbon Disclosure Project, with the Company garnering an "A" rating from this organisation, the Company made an ambitious commitment to the world in 2019: to have all its industrial complexes carbon neutral by 2035. With this resolution, which involves a total investment of €158 million, Navigator has become the first Portuguese company, and one of the first in the world, to meet the national and European decarbonisation targets 15 years in advance.

<sup>3</sup> Licence no. FSC C010852

<sup>4</sup> PEFC/13-23-001

“The Navigator Company Roadmap for Carbon Neutrality” contemplates a 90% reduction of the CO<sub>2</sub> emissions of its industrial complexes by 2035, by producing 100% of electricity from renewable sources, reducing fossil CO<sub>2</sub> emissions by replacing technologies and by reducing specific energy consumption by 15%. The 10% of emissions that cannot be eliminated will be offset across the forest and the forest products produced.

## Close relations

As a company that creates value for society, community involvement is one of the pillars of Navigator’s performance. In this context, 2019 saw an increase in the number of visits to the Company’s mills (86%), with a total of 5,416 persons. On the other hand, the “Mundo Rural/Produtores Florestais” (Rural World/Forestry Producers) project was created, with actions pertaining to these specific stakeholders, which in 2020 will be extended to a microsite and a magazine.

A key driver of community ties, Navigator’s forestry project in Mozambique, through Portucel Moçambique, is based

on a commitment to social sustainability and economic development, reflected in the Social Development Programme and promotion of forestry. In 2019, the Company’s support increased from covering 6,500 to more than 7,000 families, among the 25,000 living in the project areas in the provinces of Zambézia and Manica.

From the distribution of improved seeds and livestock, to support in areas such as health, education, access roads or energy, Portucel Moçambique invests in the social and economic development of the communities in which it operates. A new pilot project for fish farming was introduced in Manica in 2019, and two dams and their irrigation perimeters were installed in Zambézia. In addition, 300 kilometres of roads have been built and/or repaired and boreholes opened or restored, recovering – or allowing for the first time – access to drinking water for more than 20,000 people. Portucel Moçambique provides direct support to the government’s forestry development programme (MozFip), collaborating in its design as well as by making sapplings and other inputs available under special conditions.



## CUSTOMISED TRAINING

Navigator’s employee training and learning platform, completely redesigned in 2019, aims to meet the qualification needs of the various business areas, while offering the opportunity to strengthen skills and professional growth. The idea is that everyone proactively decides to learn through autonomous management, anytime and anywhere. The revamped Learning Center

includes, therefore, in addition to all Navigator’s “traditional” training offerings, e-Learning and b-Learning courses. In 2019, the Learning Center provided more than 500 online training courses in 17 different domains, available by computer or mobile.

## Our organisation *Group throughout the world*

- Subsidiaries
- Offices
- ▲ Industrial Units
- R&D and Nurseries

### Europe:

Amsterdam  
Aveiro  
Cologne  
Figueira da Foz  
London  
Madrid  
Moscow  
Paris  
Setúbal  
Verona  
Vila Velha de Ródão  
Vienna  
Warsaw

### USA & South America:

Mexico City  
Norwalk

### Asia:

Dubai  
Istanbul

### Africa:

Casablanca  
Maputo

### R&D and Nurseries:

Caniceira Nurseries  
Espirra Nurseries  
Ferreiras Nurseries  
Luá-Gurué Nurseries  
RAIZ





## Business Areas

**Research and Development**

**Agro-forestry**

**Pulp Production and Sales**

**Paper Production and Sales**

**Tissue Production and Sales**

**Energy**

# OUR BUSINESSES



## R&D + I

*Aveiro*

RAIZ

Forest and Paper  
Research Institute



## PULP

*Setúbal,  
Figueira da Foz  
and Aveiro*

1.6 million tons



## FOREST

108,269 ha

Forests with  
certified  
management in  
172 municipalities

12 million

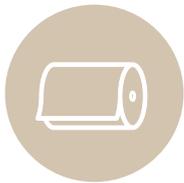
Plants at the  
nurseries  
in Espirra,  
Caniceira  
and Ferreiras



## UWF PAPER

*Setúbal  
and Figueira da Foz*

1.6 million tons



## TISSUE PAPER

*Vila Velha de Ródão and Aveiro*

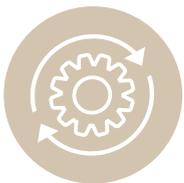
120,000 tons  
of finished product



## ENERGY

2.5 TWh

Electricity



## PROJECT UNDER DEVELOPMENT

*Mozambique*

173,000 ha

in Zambézia  
province

182,000 ha

in Manica  
province

12 million

plants at  
Luá Nurseries

## ECONOMIC AND FINANTIAL INDICATORS

MILLION EUROS

	2015	2016	2017	2018	2019
Total sales	1,628.0	1,577.4	1,636.8	1,691.6	1,687.9
EBITDA <sup>(1)</sup>	390.0	397.4	403.8	455.2	372.1
Operating earnings (EBIT)	282.9	230.4	255.0	303.2	233.6
Financial earnings	-50.3	-20.8	-7.7	-22.5	-18.9
Net Profit	196.4	217.5	207.8	225.1	168.3
Cash Flow <sup>(2)</sup>	303.6	384.6	356.6	377.2	306.8
Investment	148.5	138.6	114.7	216.5	158.0
Net debt <sup>(3)</sup>	654.5	640.7	692.7	683.0	715.3
Net assets	2,429.9	2,409.1	2,427.6	2,549.8	2,533.7
Liabilities	1,215.6	1,175.9	1,248.0	1,362.6	1,506.2
Equity	1,214.3	1,233.3	1,179.6	1,187.2	1,027.4
Gross Debt	727.1	708.3	818.1	763.8	877.1
Cash and Cash equivalents	72.7	67.6	125.3	80.9	161.9
Treasury stock (market value) <sup>(5)</sup>	181.6	1.6	2.1	3.1	22.7
Own shares held on Dec-31 <sup>st</sup>	50.5	0.5	0.5	0.9	6.3
EBITDA / Sales (%)	24.0%	25.2%	24.7%	26.9%	22.0%
ROS (%)	12.1%	13.8%	12.7%	13.3%	10.0%
ROE (%)	14.7%	17.8%	17.2%	19.0%	15.2%
ROCE (%) <sup>(4)</sup>	15.7%	12.3%	13.6%	16.2%	12.9%
Equity to assets ratio	50.0%	51.2%	48.6%	46.5%	40.6%
Net debt / EBITDA	1.68	1.61	1.72	1.50	1.92

### EUROS

Net earnings per share	0.274	0.303	0.290	0.314	0.237
N° of market shares (million)	717.0	717.0	717.0	716.6	711.2
Cash flow per share	0.423	0.536	0.497	0.526	0.431
EBITDA per share	0.544	0.554	0.563	0.635	0.523
Dividend per share <sup>(6)</sup>	0.614	0.237	0.349	0.279	0.279
Book value per share	1.694	1.720	2.362	2.378	2.081
Share price at year end	3.596	3.265	4.226	3.600	3.588

(1) Operating results + depreciation + provisions

(2) Net profits + depreciation + provisions

(3) Interest-bearing liabilities - Cash and cash equivalents

(4) Operating results / (average equity + average net debt)

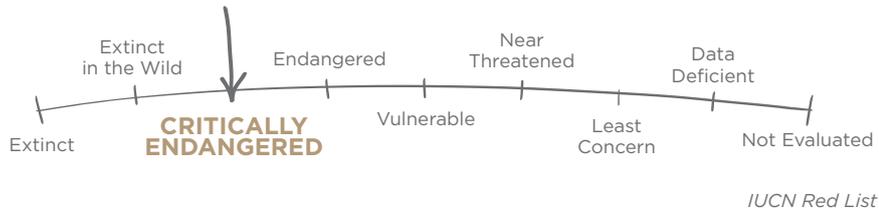
(5) During 2016, 50 million of own share were cancelled through the reduction of share capital

(6) On December 2015, the Group anticipated a dividend payment of 130 million euros relative to 2016 (equivalent to 0.1813 euros per share); if adjusted, dividends would be 0.433 euros per share in 2015 and 0.4184 euros per share in 2016

# BUSINESS DEVELOPMENTS - MARKET STATUS

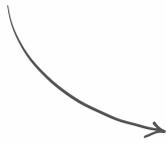
04

## Algerian oak (*Quercus canariensis* Willd )



The Algerian oak is an extremely rare species; there are only around 300 of these oaks in Portugal today. Because of the importance of this species, which can live up to 250 years, Iberian oak tree forests have been classified as one of the habitats of the Natura 2000 network.

This tree has a broad canopy, a greyish-brown fissured trunk, can grow up to 30 metres tall, and is a marcescent or deciduous species.



Native to the southwest Mediterranean basin, the Algerian oak is distributed across Morocco, Algeria and Tunisia, and appears in patches on the Iberian Peninsula. In Portugal, it is found only in the Monchique mountain range and the valleys of the Mira River

drainage basin, in small groves on steeper slopes. Found at Navigator's Águas Alves property, it is protected by being enclosed within areas of high conservation value, and through the recovery and expansion of the species' habitat.

# BUSINESS DEVELOPMENTS - MARKET STATUS

## OUR RESULTS IN 2019

	YEAR 2019	YEAR 2018	VARIATION <sup>(9)</sup> YEAR 19/YEAR 18
Total Sales	1,688	1,692	-0.2%
<b>EBITDA</b>	<b>372</b>	<b>455</b>	<b>-18.3%</b>
Operating Profit (EBIT)	234	303	-22.9%
Financial Results	-18.9	-22.5	15.9%
<b>Net Profit</b>	<b>168</b>	<b>225</b>	<b>-25.2%</b>
Operating cash flow	307	377	-70
Free cash flow <sup>(2)</sup>	186	211	-24
Adjusted free cash flow <sup>(3)</sup>	186	143	43
Investments	158	216	-58
<b>Net Interest-Bearing Debt <sup>(4)</sup></b>	<b>715</b>	<b>683</b>	<b>32</b>
EBITDA/Sales	22%	27%	-4.9%
ROS	10.0%	13.3%	-3.3%
ROE <sup>(5)</sup>	15.2%	19.0%	-3.8%
ROCE <sup>(6)</sup>	12.9%	16.2%	-3.2%
Financial Autonomy	40.6%	46.6%	-6.0%
<b>Net Debt/EBITDA <sup>(7)(8)</sup></b>	<b>1.92</b>	<b>1.50</b>	<b>0.42</b>

<sup>1</sup> Operating profit + depreciation + provisions;

<sup>2</sup> Change in net debt + dividends + purchase of own shares

<sup>3</sup> Adjusted FCF without proceeds from the sale of the pellet business

<sup>4</sup> Interest-bearing liabilities - cash and cash equivalents

<sup>5</sup> ROE = Annualised Net Profit / Average Equity (N+(N-1))/2

<sup>6</sup> Annualised operating profit / Average capital employed (N+(N-1))/2

<sup>7</sup> (Interest-bearing liabilities - cash and cash equivalents) / EBITDA for the last 12 months

<sup>8</sup> Impact of IFRS 16: Net Debt / EBITDA for 2019 of 2.05; Net Debt / EBITDA restated in 2018 of 1.6

<sup>9</sup> Variation of unrounded values

In 2019, The Navigator Company had a turnover of €1,688 million, which included €1,198 million in paper sales (71% of turnover), €165 million in pulp sales, €161 million in energy sales (with each segment representing 10%) and €132 million in tissue sales (8% of turnover). The 2019 turnover also included about €32 million in sales related

to other businesses (vs. €12 million in 2018). The year 2019 was marked by deteriorating market conditions, in particular by falling pulp prices and weakening demand in the European market. The large build-up of stocks, especially in China, at the end of 2018 and during the first half of 2019 contributed significantly to the fall in pulp prices.

## 4.1. UWF Paper

### The paper business showed strong resilience despite the reduction of volumes

Paper sales in the period totalled 1,447,000 tonnes (-4.4% vs. 2018) and were affected by lower production volumes. Navigator's marketable paper production

in 2019 totalled approximately 1,433,000 tonnes, below the 2018 volume, as a result of a combination of factors, in particular the strikes at PM4 in Setúbal during the first half and at the Figueira da Foz and Setúbal mills in November, as well as a number of planned, and above all unplanned, production shutdowns.



In this context, output from paper machine 3 in Setúbal was hampered by a series of tests and trials planned over the course of 2019, needed to optimise operations and the quality of the new heavyweight products manufactured on that machine. This pioneering project, entailed expanding operations to include a wide range of products from 75 to 300 g/m<sup>2</sup> and had significant implications for the pace of production, requiring unique and unprecedented adjustments to the machine.

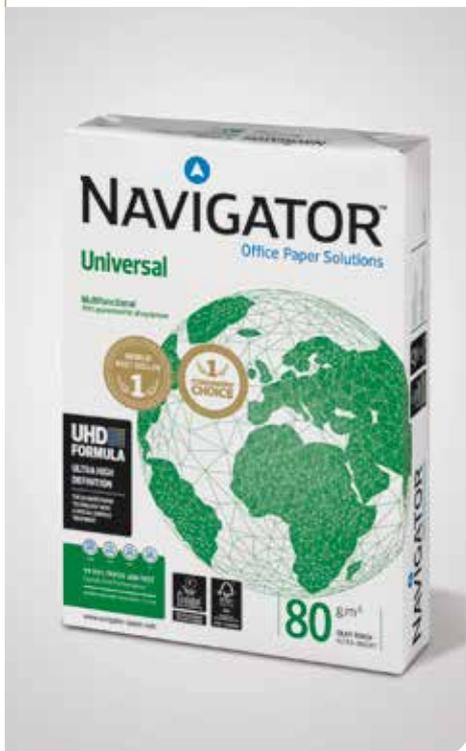
On the market side, the apparent demand (mills sales) for printing and writing papers in 2019 had the worst performance since the financial crisis of 2009, driven by the economic slowdown at a global level, but above all by a phenomenon of contraction in stock levels in the value chain, closely associated with the pulp price cycle.

In the current market context, paper prices have demonstrated great resilience, with the

UWF reference index – A4 B-copy – recording an average value of €903/tonne in 2019, 3.4% above the average value for 2018, reflecting a sustained evolution in the successive price increases in 2018 as well as at the beginning of 2019. Although the index had a positive annual evolution, paper prices were under pressure throughout the year and the decline was more pronounced in the fourth quarter. Between January and December, the price of the index fell 2.7%, with 2.1% attributable to the last three months of the year.

Within this framework, the Group's performance reflects a sales strategy aimed at margin protection in Europe and the United States, regions from which it receives most of its sales, with active control over total supply and some redirection of volumes outside these geographies. Thus, the Group's average selling price in Europe evolved very positively and the average selling price in the United States also evolved quite favourably, additionally benefitting

## NEW ARGUMENTS



The Navigator brand is known as the world's best-selling premium office paper brand and recognised by the European consumers as the most valuable brand of office paper.

This position was based, from the outset, on the product's intrinsic leadership in quality in aspects of performance and printing quality. With the emerging trends in colour inkjet printing, the Navigator brand developed a technology internally in 2019, enabling it to apply a special surface treatment that allows it to achieve the best colour inkjet printing quality available on the market. Due to this better definition in printing, it was renamed "Navigator UHD". This benefit in inkjet printing adds to all the attributes that have built the brand, thus being equipped to provide the best results in all available printing technologies. The Inacópia line has also been revamped and consolidated into the premium line, demonstrating printing quality in colour applications as the main attribute, but now with a new positioning: Elite paper, more focused on colour, and Office paper, more suitable for daily use in office environments.

But in terms of product consolidation, Navigator has found a favourable business segment in the professional inkjet sector, which strengthened robustly in 2019 in terms of sales and customer base expansion, with

products developed specifically for this purpose such as high-speed inkjet paper reels for the flexible production of books, catalogues and brochures, representing a growing segment in Europe.

At the end of the year, in December 2019, the Discovery paper was relaunched under the concept "Discover your unstoppable nature" and focused on eco-efficiency. Improved resource management is noteworthy, continuing to ensure better quality and machine performance without jamming. Also within this scope of environmental concerns, 2019 reinforced the Company's attention to the bag and paper packaging segment, with growing communication of the category's strengths.

from the EUR/USD exchange rate evolution. In the remaining regions, the mix of products sold reflects a greater volume of reels and greater weight of standard and/or economical products, common in situations of greater recession in demand and price degradation in international markets. Nevertheless, the Group managed to increase its market share

in Europe and achieve a slight gain in terms of its mill brands in 2019, which accounted for 70% of the sales of sheeted products.

In this context, paper sales reached €1,198 million vs. €1,248 million (-4% YoY), a figure essentially affected by the reduction of volumes sold.

**SOPORSET**  
SUPERIOR PERFORMANCE



## HEAVYWEIGHTS

The year is also marked by the start of production and marketing of high heavyweights, in an integrated approach of specific production on machine 3 in Setúbal (which has been technologically modified for such purpose, producing a wide range of products and grammages, from 80 gsm to 300 gsm). Now offering paper of up to 300 grams in the graphic brands Soporset and Inaset, the Navigator paper line reinforces its presence in the commercial printing sector, with a wide range of products, and enters new segments, such as the packaging of luxury products, enabling to reach other customers. This is what occurred with the perfume box of an Italian luxury brand, which is now made of Soporset paper. Navigator's work in Italy, with the introduction of heavyweight papers, has allowed it to gain new customers in the

luxury segment. To this end, the Company has designed a special catalogue of the entire paper line, from 60 to 300 grams, entitled "Samples to a Premium Life, Postcards from Italy", with a strong focus on sustainability, presenting not only samples of the paper, but also Navigator data on material reuse, incorporation of recyclable materials, among other items.



## PAPER VS DIGITAL

Navigator is in a business that, although mature, has strong attributes to remain essential to structuring activities in society, such as education and knowledge in general. A vast number of studies that have been carried out over the years show that, regardless of age group, preferences and evidence of paper superiority are clear and that it is irreplaceable by available technologies. While e-book sales have been declining, U.S. book sales figures indicate that printed book sales grew by almost 10% between 2015 and 2018. A meta-analysis of 1,840 scientific studies, conducted in 2018 by the University of Valencia,

confirms that there is an advantage of reading comprehension on paper as compared to the digital format, adding that such advantage is even greater in people under 20. In this context, the most important MBA programmes, some of which are in the Ivy League, including Stanford, Harvard and MIT, have already prohibited the use of electronic devices (laptops, tablets and mobile phones) in the classroom. Among the youngest, a study conducted in a school full of the children of managers from Silicon Valley, the mecca of technology, showed that the longer the children were exposed to screens, the worse

their performance on tests was. And if the evidence is clear, the users' choices confirm them: for example, the ARFIS 2016 study, conducted in 21 countries with 10,293 university students, revealed that they prefer to read on paper, as they obtain a greater focus and retention of information. In view of all the available data, 100 researchers and scientists from the European E-READ Action signed the Stavanger Declaration in January 2019, which warns that the transition from paper to digital may cause a delay in the development of reading comprehension and critical thinking in children.

## FINISHED PAPER

IN THOUSANDS OF TAO

	2015	2016	2017	2018	2019
Figueira da Foz	765	767	771	744	719
Setúbal	806	820	822	791	722
<b>Total Paper Output</b>	<b>1,571</b>	<b>1,587</b>	<b>1,593</b>	<b>1,535</b>	<b>1,441</b>
<b>Total Paper Sales</b>	<b>1,555</b>	<b>1,587</b>	<b>1,578</b>	<b>1,513</b>	<b>1,447</b>
<b>FOEX – A4- BCOPY Eur/t</b>	<b>822</b>	<b>824</b>	<b>815</b>	<b>873</b>	<b>903</b>

## 4.2. BEKP Pulp

### Pulp sales increase under adverse market conditions

After the BHKP pulp prices reached a maximum of \$1,050/tonne during 2018, and remained at this level for more than six months until the end of November, the year 2019 was marked by a progressive and steady decline in pulp prices, which reached \$680/tonne at the end of the year, a 35% drop from the peak. The average index value in 2019 was \$855/tonne, compared to \$1,038/tonne in 2018, down 17.7%. However, the evolution of the EUR/USD exchange rate mitigated the reduction in the price of pulp in euros, which fell by 13.3%, with an average price of €762.30/tonne.

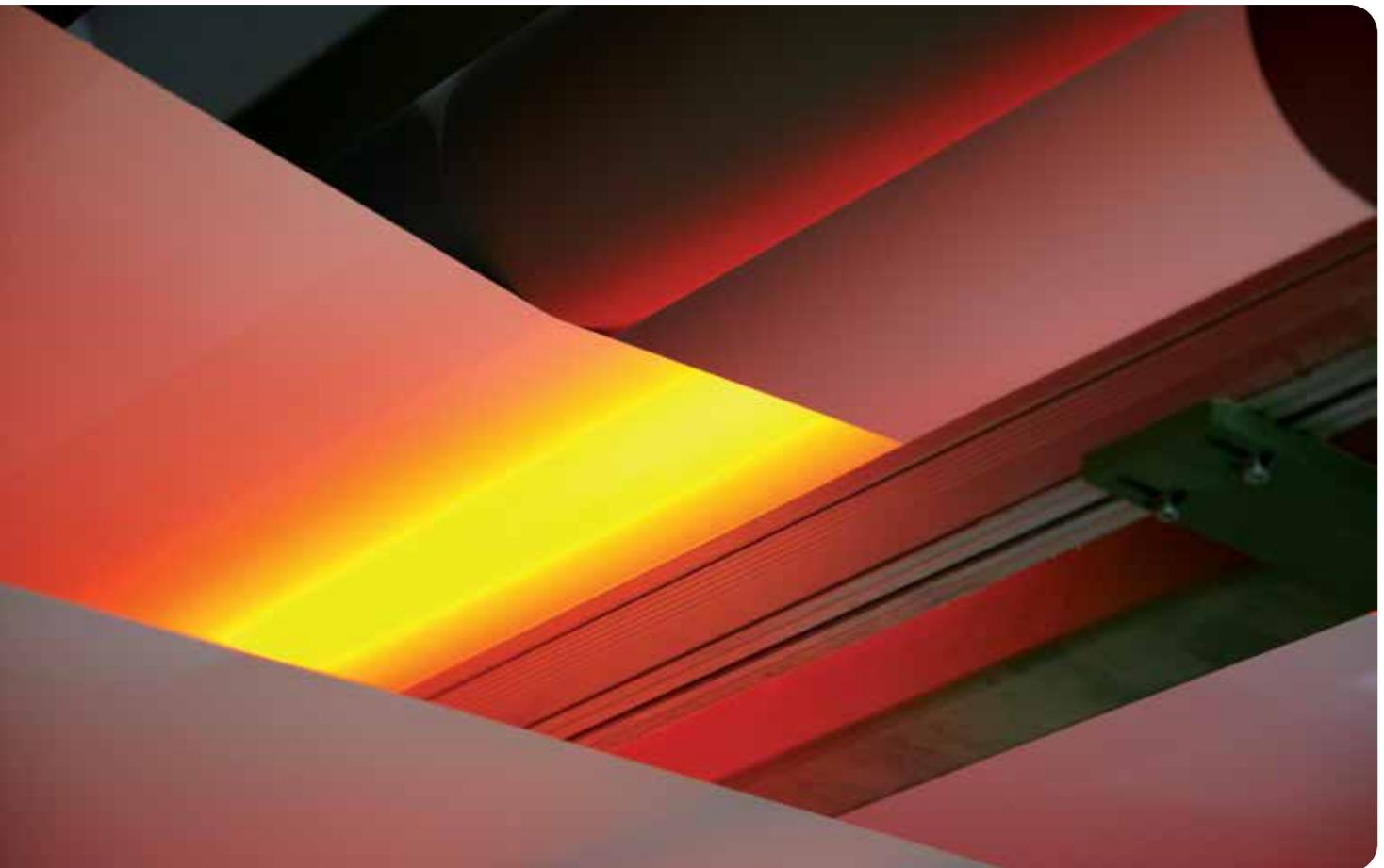
In 2019, Navigator's public production reached 1,426,000 tonnes (1.8% lower than 2018), and was affected by the major maintenance stoppages that occurred in the mills in April, May and September, the strike that took place in November at the Figueira da Foz and Setúbal pulp mills, as well as the ramp-up of

the Figueira da Foz mill capacity increase project, completed in 2018.

Nevertheless, the quantity of pulp available for sale was above that of the previous year, as a result of the capacity increase completed in 2018, the lower volume of pulp integrated into paper and the careful management of outputs and stocks at a time of significant weakening in demand for pulp in Europe and a considerable fall in prices.

Navigator recorded a pulp sales volume of 314,000 tonnes, which represents an increase of 24%, against the backdrop of stagnant global demand in the hardwood pulp market and a sharp decrease in Western Europe.

The increase in pulp sales volume, however, was not sufficient to offset the impact of the price reduction, with the value of sales reaching approximately €165 million (vs. €167 million in 2018).



## PULP

IN THOUSANDS OF TAD

	2015	2016	2017	2018	2019
Aveiro	296	341	354	358	350
Figueira da Foz	580	586	593	575	586
Setúbal	548	543	542	519	490
<b>Total Pulp Output</b>	<b>1,424</b>	<b>1,470</b>	<b>1,489</b>	<b>1,452</b>	<b>1,426</b>
<b>Total Pulp Sales</b>	<b>253</b>	<b>291</b>	<b>311</b>	<b>253</b>	<b>314</b>
<b>FOEX - BHKP Eur/t</b>	<b>705</b>	<b>628</b>	<b>729</b>	<b>880</b>	<b>762</b>
<b>FOEX - BHKP USD/t</b>	<b>784</b>	<b>696</b>	<b>819</b>	<b>1,038</b>	<b>855</b>

## 4.3. Tissue

In the tissue business, there was a significant increase of 52% in volume sold to 95,700 tonnes as a result of the start-up of the new Aveiro mill. The value of sales was €132 million vs. €91 million in 2018, up by 45%. This growth in volume reflects the structure of current tissue capacity and represents, on the one hand, an increase in sales of finished product, which grew by approximately 22%, to 74,500 tonnes, and, on the other hand, a strong increase in reel sales (x11), to 21,100 tonnes, which were marginal over the same period last year.

Both finished products and reels benefited from price rises in relation to 2018, clearly necessary to offset the increase in costs – especially for chemicals, energy and logistics. However, the faster growth in reels business, typical of the early stages of production in a new tissue mill, altered the mix of products sold, which had an impact on the average sales price.

## TISSUE

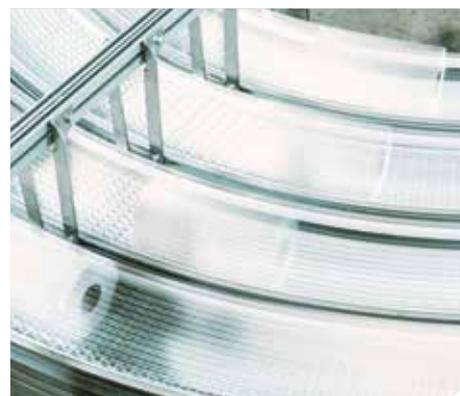
IN THOUSANDS OF TAD

	2015	2016	2017	2018	2019
Reel output	33	47	56	72	102
Finished product output	35	42	49	66	73
Sales of reels and merchandise	2	9	7	2	21
Finished product sales	37	42	48	61	75
<b>Total tissue sales</b>	<b>39</b>	<b>51</b>	<b>55</b>	<b>63</b>	<b>96</b>

### RESULTS AND CHALLENGES

In 2019, the Vila Velha de Ródão (VVR) mill celebrated its tenth anniversary, with a new milestone for Machine no. 2 achieved in January: 196 consecutive hours producing tissue paper, at a speed of 2,000 metres per minute. Also noteworthy in this mill is the start of production of a large napkin (40x40 cm) for Mercadona, one of the main Spanish supermarket chains, which entered the Portuguese market in 2019. In its

first full year of operation, the Aveiro tissue mill, besides having received the production allocated to large domestic customers, also started production for Mercadona, with a 33x32 cm napkin. It was an intense year of learning, both in terms of people and equipment, in which several challenges were overcome and growth was achieved in terms of team skills and product quality.





### MORE RESISTANT AND ABSORBENT

The bet on increasing the paper grammage allowed the launch of the new Amoos Mission Professional, a premium line with emphasis on superior strength and absorption – absolutely crucial for use in the professional segment – which allows

greater competitiveness in the Away from Home market. One of the stars of the new line, the centrefeed Jumbo toilet tissue, also brings innovation to the category: the new technology allows the tissue to be extracted from the centre of the roll.

## 4.4. Energy

In 2019, electricity sales totalled €161 million vs. €172 million in 2018, which represents a 6.8% reduction. This decrease is mainly due to the various stoppages during the year due to strikes and certain technical and operational problems at the Setúbal and Figueira da Foz

industrial complexes, resulting in lower volumes in gross electricity production. Overall, electricity sales by volume reached 1,631 GWh in the year 2019, as compared to the figure of 1,762 GWh recorded in 2018.

### ELECTRICAL MOBILITY

With energy at the heart of Navigator's decarbonisation strategy, the Corporate Energy Efficiency Programme assumes particular relevance. In addition to contemplating the installation of electricity production projects from renewable energy sources,

the programme includes various objectives, ranging from the installation of efficient lighting technologies in industrial complexes to the optimisation of production processes to reduce specific energy consumption, to the possibility of including electric vehicles in the

Company's fleet. As part of this strategy, in 2019 the industrial complexes of Aveiro, Figueira da Foz, Setúbal and Vila Velha de Ródão received a charging station for plug-in electric or hybrid vehicles.

# In 2019, Navigator produced 2,1 TWh of electricity at its industrial complexes.

Sixty percent was produced from biomass and the rest using natural gas and solar photovoltaic energy on a self-consumption basis.

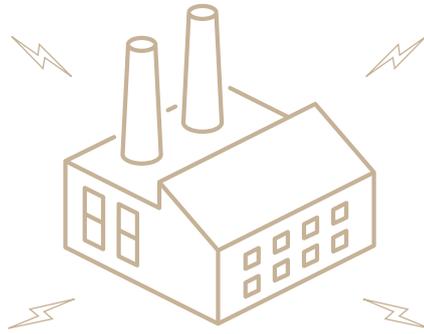
2.1 TWh represents 4% of Portugal's annual electricity generation, enough to cover the entire country:



- supply the Algarve region with electricity for about **one year**



- light public roads in mainland Portugal for about **20 months**



- light public roads in the Lisbon metropolitan area for about **8 years**



- power about 1.6 million electric cars\* on a round trip between **Lisbon and Moscow**

\* example using Nissan leaf



## 2 thermoelectric plants

biomass in Aveiro and Setúbal  
- exclusive production of electricity that is injected into the national electricity grid.



## 3 photovoltaic plants + 2 under design

- > **8,800 photovoltaic solar panels** in Setúbal, the largest of its kind in an industrial environment in Portugal – produces energy for the Navigator Paper Setúbal (NPS) paper mill.
- > **352 photovoltaic solar panels** at Herdade de Espirra, in Pegões, with capacity to supply about 30% of the facility's consumption.
- > **342 solar photovoltaic panels** at RAIZ in Aveiro for self-consumption of the administrative building.



## 4 biomass cogeneration plants

in Aveiro, Setúbal and Figueira da Foz  
**+ 2 natural gas cogeneration plants** in Setúbal and Figueira da Foz

- the six produce electricity and thermal energy (heat) used in the pulp and paper manufacturing process at Navigator's industrial facilities.

Cogeneration is a process that combines the production of heat (in the form of steam or hot water used in the industrial process) and electricity, providing more than 70% of the thermal energy from the fuels used. Cogeneration is a central element of the production process and constitutes the best technical solution available on the market to produce electricity with the best possible efficiency, by burning a fuel, whether of fossil origin or of a renewable nature, as is the case with biomass.

As for the origin of this energy, Navigator has two biomass thermoelectric plants, in Aveiro and Setúbal, which exclusively produce electric power that is injected into the national electricity grid. In addition, Navigator has three photovoltaic plants in operation, with a total of 9,494 photovoltaic solar panels, with two in the design phase. Of these panels in operation, 8,800 are located in Setúbal, the largest plant of this type in an industrial environment in Portugal, which produces energy for the Navigator Paper Setúbal (NPS) paper mill. Among the others, 352 are distributed by the photovoltaic power plant in Herdade de Espirra, in Pegões, with the capacity to supply around 30% of the power plant's consumption and 342 are at RAIZ (Forest and Paper Research Institute), in Aveiro, for self-consumption of the administrative building, supplying between 30% and 35% of the energy needs.

Cogeneration is also noteworthy, as it is a central element of the production process and constitutes the best technical solution available on the market to produce electricity with the best possible efficiency, by burning a fuel, whether of fossil origin or of a renewable nature, as is the case with biomass. Cogeneration is a process that combines the production of heat (in the form of steam or hot water used in the industrial process) and electricity, providing more than 70% of the thermal energy from the fuels used. Navigator has four biomass cogeneration plants in Aveiro, Setúbal (two) and Figueira da Foz. In addition, Navigator has two more natural gas cogeneration plants in Setúbal and Figueira da Foz – six produce electricity and thermal energy (heat) used in the pulp and paper manufacturing process at Navigator's industrial facilities.

## 4.5. Financial Performance

### 2019 EBITDA affected by market conditions and lower production volumes

EBITDA in 2019 stood at €372 million, compared to €455 million in 2018, a year in which the Group reported record EBITDA and which included the positive impact of the sale of the pellet business (+€13.3 million). EBITDA for 2019 includes a positive impact of around €6.3 million relating to IFRS 16. The EBITDA/Sales margin in 2019 was 22% (compared to a 27% margin in 2018).

### Strong generation of free cash flow

Free cash flow was €186 million, versus €143 million in 2018, excluding the extraordinary effect of the proceeds from the sale of pellets, which represented a cash inflow of €67.6 million in 2018. This positive evolution of free cash flow, in a context marked by less expensive operating performance than in the previous year, reflects a significant reduction in the value of the investment (from €216 million to €158 million) and a significant improvement in the management of working capital.

At the end of December, Navigator's net interest-bearing debt totalled €715 million (excluding the impact from IFRS 16), which represented an increase of €32 million from the end of 2018, following a period in which the Group paid €200 million in dividends and acquired own shares of €18 million. The Net

Debt/Ebitda ratio remains at a conservative value of 1.9 times (excluding the impact from IFRS 16).

### Financial results improve by €3.6 million

Financial results improve by €3.6 million to -€18.9 million (vs. -€22.5 million), having been positively impacted by €3.4 million from the results in the investments of liquidity surplus (which in 2018 were negative) and by €3.4 million from the change in interest on the amount of \$42.5 million still to be received from the sale of the pellet business in 2018. In addition to the interest received on this debt, this amount also includes the change in the calculation of the actual amount receivable. Negative factors included the result from financing operations, which increased by approximately €1.7 million, due essentially to higher average debt over the period, and also implementation of IFRS 16, which had a negative impact of €1.8 million.

Pre-tax profit totalled €214 million (vs. €281 million), with an effective rate of 21.7%. Thus, the Group achieved net profit in 2019 of €167 million, down from €225 million in 2018.

## 4.6. Capital market performance

Compared to the previous year, 2019 was quite productive for global stock markets, with the vast majority of the indices recording gains of over 20%. However, the gains observed are only slightly higher than those recorded in the summer of 2018, because the end of 2018 was particularly difficult for most capital markets. Various geopolitical themes affected these gains, which include the trade tensions between the U.S. and China, uncertainties over Brexit and the conflicts in Hong Kong and in South America.

In this context, the performance of companies in the pulp and paper sector recorded a mixed performance, marked by a decline in the months of August and September, with most share prices reaching annual lows in this period. However, with a few exceptions, the vast majority of these producers were able to recover to their share price registered at the start of the year.

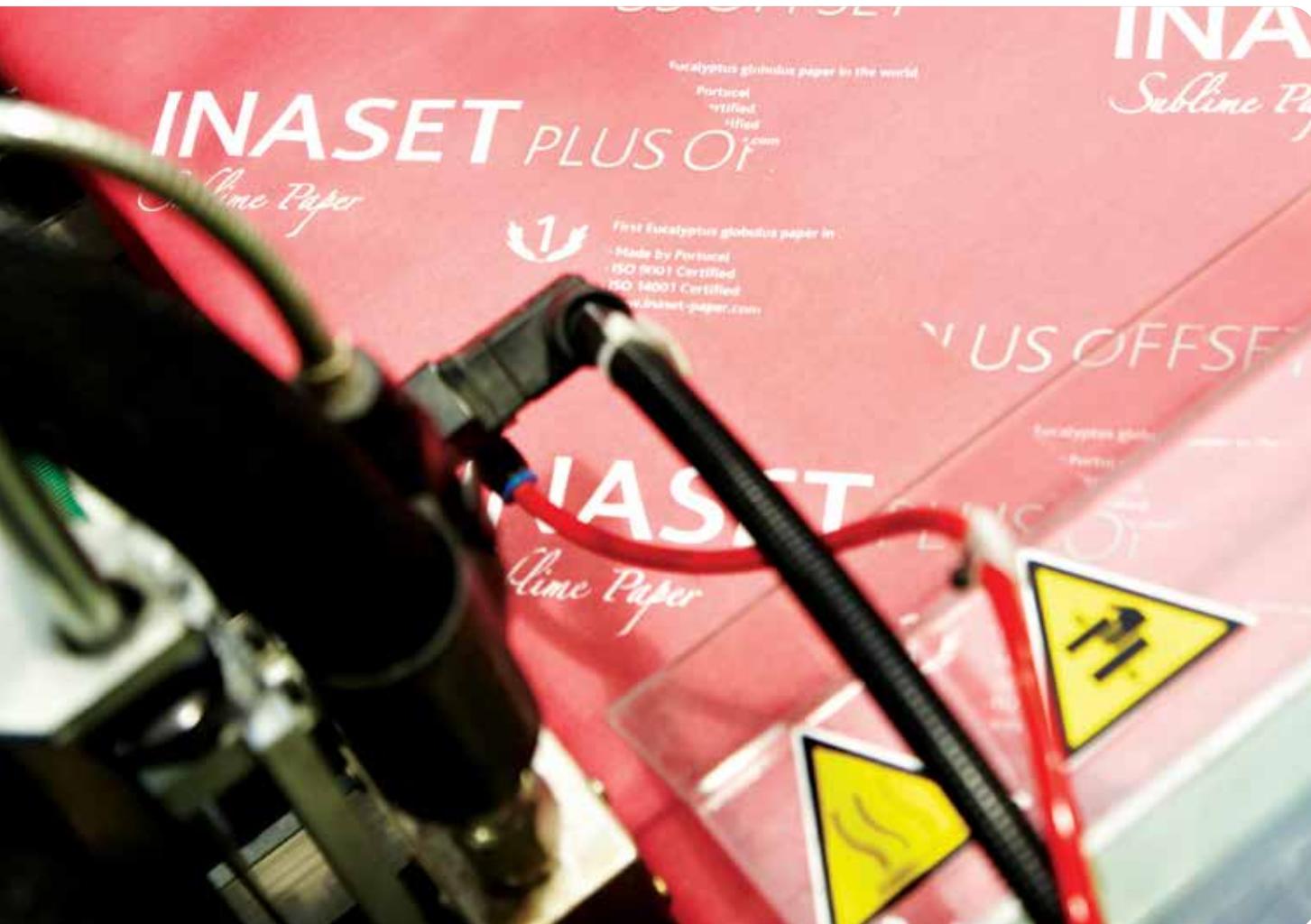
Navigator recorded a negative evolution in the first half of the year, with losses close to 5%, in line with the performance of most companies in the sector. During the second half, there was a more positive evolution, with

a share price at the end of the year of €3.58, a figure very much in line with that recorded in early 2019. In this context, the share price reached a maximum of €4.45 on 6 March before the distribution of dividends, while the minimum share price was €2.82 on 6 August. Navigator shares recorded an increase in liquidity in 2019, trading an average daily volume of around 1 million shares, compared with a volume of 812,005 shares in 2018.

With regard to shareholder remuneration, on 24 April 2019, The Navigator Company distributed dividends of €200 million, which translates into a gross value of €0.27943/share. In addition, several purchases of own shares occurred during the year, totalling 5,452,000 shares, in a clear sign of confidence in the stock, representing an investment of around €18 million.

At the end of 2019, the Company held an Extraordinary General Meeting, with the sole purpose to approve the proposal to distribute reserves in the amount of €99,138,919.82, equivalent to €0.1394/share, and whose payment was carried out in January 2020.





## 4.7. Contribution of the Navigator Group to State tax revenue in 2019

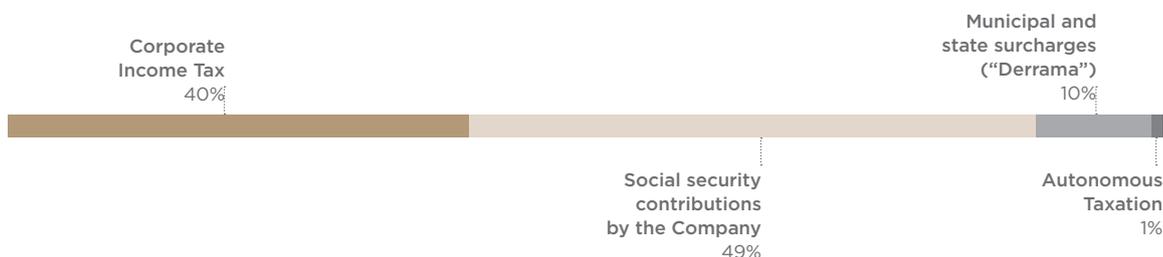
Fiscal policy has a significant impact on the business community, affecting the Group's entire value chain. Within the scope of the activity carried out by companies that make up the Navigator Group, such companies incur a multitude of taxes, fees and contributions, making the Group an important contributor to government revenue in Portugal, and thus to the achievement of social objectives and national development.

Aware of the role that it represents in the Portuguese business community, and as required from a transparency perspective by its stakeholders, Navigator in recent years has sought to determine its tax footprint, identifying the level of taxes it incurs economically and the values of tax that

it collects and administers on behalf of the State or third parties, thereby contributing in this dual aspect to the State's tax revenue.

As shown in the chart below, in 2019, and at the level of taxes aid - which includes the payment of more than 22 different taxes, contributions and fees -, the Group paid a total of €52.6 million (2018: €101.7 million), equivalent to an effective tax burden of 24.50% in 2019 (2018: 31.12%), calculated on pre-tax profit. Such tax burden pertained primarily to the amount paid for Corporate Income Tax (IRC), including municipal and state surcharges, Autonomous Taxation (TA) and Social Security contributions of €21 million (2018: €70.6 million) and €20.5 million (2018: €19.7 million), respectively.

## TAXES BORNE



The total amount of taxes borne includes environmental taxes of significant dimension currently paid by the Group, in the total amount of €8 million (including, among others, the Tax on Petroleum Products, Water Resources Fee, Public Maritime Domain Fee, Public Water Domain Fee, Waste Management Fee, Special Electricity Consumption Tax (IEC), Special Energy Sector Contribution (CESE), Motor Vehicle Tax (IUC) and CO<sub>2</sub> Tax), up approximately 55% from the previous year (2019: €8 million vs. 2018: €3.6 million) and which also demonstrates the contribution here in Portugal from a tax perspective to the pursuit of sustainability objectives, in line with the Group's policy and its relevant investment in forest resources in Portugal. Thus, the Group truly makes a significant sectoral contribution, which, with the creation of new taxes or financial contributions, will certainly imply double taxation and tax burden for the Group in the future, the consequence of which will be to limit Navigator's ability to invest in new, more sustainable projects such as the ones it has been carrying out.

Navigator collected €990 million of taxes in favour of the State (2018: €1,057 million), with VAT once again contributing the most to this amount (2019: €948 million vs. 2018: €1,018 million), which highlights the Group's collaboration in tax revenue collection for the Portuguese State. It should be noted that Navigator is not remunerated by the State for the collection of these taxes, unlike in other jurisdictions and, even among us, other economic operators are remunerated by the Tax Authority (e.g. pledges made at the request of the Tax Authority), which means that Navigator internalises and fully bears the costs inherent to collecting these taxes in favour of the State.

It is also important to cite the increase in the "labour tax rate" indicator

(2019: 26.96% vs. 2018: 17.59%), corresponding to the ratio between tax on labour resources (Social Security contributions by both the company and employees and Personal Income Tax withholdings on revenue from employed work) and pre-tax profit. In order to determine this information, there were also €9.5 million in Social Security contributions payable by employees (2018: €9.1 million) and €27.7 million in Individual Income Tax (IRS) withholdings (2018: €28.7 million), mainly on wages and salaries.

As for the geographic distribution in Portugal of taxes levied on a territorial basis ("derrama municipal" [municipal surcharge], IMI [municipal property tax], IMT [municipal real estate transfer tax] and other municipal taxes), the Group has the greatest presence in the regions of Setúbal, Figueira da Foz, Vila Velha de Ródão and Aveiro, with taxes of €1.5 million, €820,000, €320,000 and €250,000, respectively.

The Tax Footprint report is particularly important for the Group in an effort to digitise the tax function, the reliability of tax information in order to comply with reporting and tax obligations, as well as insofar as it aggregates the compilation and analysis of the key indicators concerning the multiplicity of taxes borne and collected in favour of the State and the Group's significant contribution to public revenue in Portugal.

Finally, in the context of compliance with country-by-country tax reporting obligations presented by the Group, it is demonstrated that in 2018 the Group paid 92.93% of the Corporate Income Tax (IRC) incurred (2017: 93.78%) in the 18 (2017: 17) jurisdictions where the Group is represented by a company, which demonstrates that income tax is mainly paid in Portugal.

## 4.8. Customers

Knowing about the direct customers and end users of our papers, is one of the ultimate objectives of Navigator's activity, as these stakeholders are fundamental links in the value chain. Our team works on a daily basis with and for the customer, in a relationship of closeness and dialogue, in order to establish long-lasting partnerships, always aiming at the creation of high-quality products and services.

In 2019, the Company once again reinforced its commitment to customer visits, so that they could verify, on site and in a transparent manner, the quality of the processes and products, from the nurseries, where everything begins, to the industrial complexes. With regard to UWF paper, Navigator received about 100 visits from customers among a total of about 1,000 persons from all over the world.

The importance of this close relationship with the UWF paper customer has led to the development of new functions within the Company. Sales Development Managers are an example of this. In some markets in Europe and the Americas, they help the customer to develop sales by presenting arguments and training their salespeople, and by conducting promotional activities for our products with the sales force of distributors.

The role of Regional Marketing Manager, which adapts the Company's marketing strategy to the customer of specific markets such as Africa, the Middle East, the Americas and Northern Europe, was also reinforced in 2019. Navigator reaches more and more countries, with paper sales in more than 130 countries in 2019, and increased penetration in new markets.

We currently have new countries with paper sales and have expanded the UWF customer base with 90 new customers in Europe - across a universe of 681 assets - and another 90 in markets outside Europe - across a universe of 430 assets -, mainly in Africa, Latin America and the Middle East. This increased penetration reinforces the robustness of the business model.

Although some of its customers had to face important credit restrictions, this did not affect Navigator's overall results. The market share in Europe, for example, grew by 1% in 2019 thanks to this effort to create a more comprehensive customer network.

Also in the tissue area, Navigator has extended its product line to specific segments and invested in strengthening communication with these customers.



Participation in Hygienalia, the main professional cleaning trade fair in the Spanish market, was used to show customers first-hand the new Amoos Mission Professional line.

In order to support the choice of paper tissue for each consumer, Navigator launched some sales materials in 2019. One of them is the Amoos Professional Training Catalogue, with paper samples, which helps the customer to decide the performance needs of his or her business: more grammage, more metres, more resistance or smoothness, and the respective application depending on the type of paper. Two other examples are videos for paper dispenser communication and the advantages of Navigator tissue paper. In addition, there is a new message on the benefits of using virgin fibre, with the objective that, based on that information, all actors take the most responsible and sustainable decisions.

Thinking about the environment and the need to recycle packaging materials, the company, together with Sociedade Ponto Verde, promoted with the end customer the need to always separate and recycle packaging, extending this information to Amoos catalogues.

Communication with key customers corresponding to “away-from-home” distributors and their sales teams was

reinforced through participation in several customer conventions held in Portugal and Spain, where it was possible to present products and explain the respective facets of each of them.

In 2019, Aveiro and Vila Velha de Rodão, Navigator’s two industrial tissue complexes, received 27 visits from customers and potential customers, especially prominent retailers in the Iberian Peninsula. In October, the Company had the opportunity to show its commitment to sustainability to a group of Ikea managers, responsible for the paper category, who participated in the Navigator’s Love the Forest volunteering programme in the Arrábida Mountains and who also visited the Setúbal Industrial Complex and the plant nursery at Herdade de Espirra.

In the pulp market, in 2019 efforts were made to recover the customer portfolio in preferred sectors, ending the year with 84 active pulp customers. The geographical diversification supported a significant increase in sales volume. Technical dialogue with customers in the various markets was also reinforced. For Navigator, maintaining high quality standards, differentiated offerings according to the final product, efficient service and constant dialogue with customers are key elements in its value proposition.



## LETTING CUSTOMERS SPEAK

In 2019, various customers provided testimonials of the quality of Navigator products. Lyreco, one of the world’s leading distributors of solutions for the workplace, cited Navigator tissue’s “superior quality to any competitor”. The same occurred at Marjane premium supermarkets in Morocco: the retailer operates its proprietary brand under the same name, and the tissue segment was considered the best performing family. Office Depot, a leading European supplier of office supplies that operates several of its proprietary brands, two of which feature “made by Navigator” products, praises

the “superiority of the eucalyptus fibre” of Navigator tissue. Adis Higiene, a Spanish company in the sector of management, production and distribution of professional hygiene products and systems, highlights Navigator’s “high technology” in tissue production, acquiring from the Company all the product segments, from domestic and industrial hygienic products to industrial reels, napkins, cut paper, hand towels; according to Adis, what it values most is the commitment and personal treatment of Navigator teams and the functional proximity of all its operations.

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## 4.9. Suppliers

The year 2019 was marked by stability in the supply of the main chemical and packaging raw materials, despite the strong pressure felt as a result of restrictive environmental policies in China and strikes by carriers of hazardous raw materials.

With regard to the cost of purchasing chemicals, 2019 was marked by a strong price increase – of about 40% – in optical brighteners due production restrictions in China which significantly alter the supply conditions in this market. On the positive side, there was a significant price reduction (18%) in caustic soda, as a result of the strategy developed by The Navigator Company in the approach to this market.

With respect to packaging materials, a number of projects have been implemented with a view to optimising purchase prices and allowing a significant reduction in annual

expenditure. For instance the project developed with cardboard boxes and ream wrapping papers yielded a 10% cost reduction compared to previous years.

The major fires that occurred in 2017 in the pine areas of the Portuguese forest continue to create uncertainty in the markets consuming this type of wood, particularly the pallets market, and led to some attempt at price speculation, with The Navigator Company managing to avert any impact from the situation in 2019.

Navigator thus has an important set of national and international suppliers, representing the following make-up:

	2018	2019
Total no. of suppliers	7,561	7,454
% of local suppliers	75%	76%
% of foreign suppliers	25%	24%
Total expenses with suppliers (€)	1,620,238,914	1,521,225,054
% Expenses with local suppliers	74%	74%
% Expenses with foreign suppliers	26%	26%

## 4.10. Logistics

In 2019, outbound logistics handled around 2.2 million tonnes (paper, pulp and tissue), with around 2 million tonnes in primary transport between Navigator's mills and customers to more than 130 countries and around 5,800 delivery points, while there was about 200,000 tonnes in secondary transport between logistics platforms in Europe and the U.S. and customers.

Of the primary transport volume in the paper business, about 65% was shipped by sea and 35% by road, and much of the volume transported by sea was moved from the mills to the ports by rail. With respect to pulp activity, maritime transport accounted for approximately 92%, while the remainder was carried out through road transport. About 5% of tissue was shipped by sea and 95% by road. Overall, The Navigator Company continues to be the largest exporter of containerised cargo in Portugal, estimating to have

represented about 6% of this cargo exported by national ports.

**2.2 million**  
million tonnes  
moved in 2019

In 2019 despite the exchange rate effect and market mix, Navigator developed projects pertaining to operational efficiency and, consequently, cost optimisation, which allowed the Company to achieve its budget objectives. Future opportunities were also envisaged in the port of Figueira da Foz (improvement of maritime accessibility) and in the vicinity of the Figueira mill, through the use of a rail terminal for moving containers to the port of Sines, more beneficial in terms of costs and CO<sub>2</sub> emissions when compared to road transport.



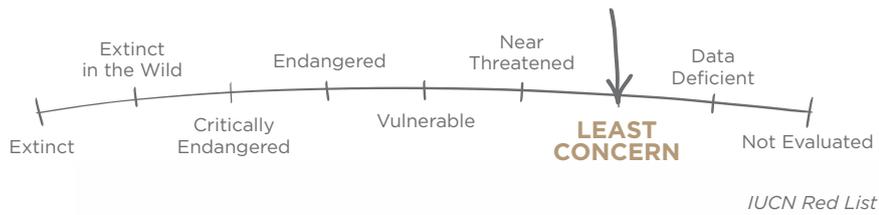
### BET ON RAIL TRANSPORT

Speed and safety in transport, cost reduction and environmental gains. Taking into account the three gains from rail transport, Navigator advanced in 2019 with the upgrading of some terminals in the vicinity of its manufacturing units, such as the Granja do Ulmeiro terminal in Figueira da Foz. The operator went ahead with the financing, and the Company is responsible for ensuring its optimisation, cargo volume and consequent increase in rail flow. Containers from the Figueira da Foz mill destined for the port of Sines therefore are now placed at the Granja do Ulmeiro terminal - which was prepared to carry out international transport in the medium and long term. The environmental gains - with a reduction in CO<sub>2</sub> emissions - in terms of logistics and costs are evident.

# STRATEGIC PRIORITIES

05

## *Eurasian blue tit* (*Cyanistes caeruleus*)



Small, colourful and highly energetic, the Eurasian blue tit is the most abundant of its kind found in Portugal.

It is an insect-eating bird, often seen moving among the foliage, sometimes in acrobatic positions. The Eurasian blue tit searches for cavities to build its nest, and is a frequent occupant of artificial birdhouses.



It is known for its "blue cap", black eyestripe and white face, which contrast with its yellow chest and abdomen.

The Eurasian blue tit can be found throughout mainland Portugal, but is most commonly seen in oak and cork-oak grazing areas and lightly wooded places with old, leafy trees. It has been identified by Navigator on all of its properties throughout the country, especially

in oak and cork-oak grazing habitats, oak tree forests, olive groves, zones of mixed cork oak and stone pine, and along riversides. At Herdade da Espirra, the company is setting up birdhouses to preserve and increase local tit populations.

## 5.1. Forestry

The forest is at the heart of everything that Navigator does. As the source of its raw material, the defence and protection of forest areas is fundamental for the Company. Through its products and services, the forest – which occupies a third of the national territory – plays a vital role in the well-being of people and society. And it is an important source of economic wealth and of rural and regional development. Furthermore, in a context of urgency in the face of climate change, the Company's know-how in areas such as the sustainable management of forests and natural resources is extremely valuable.

In forest managed by Navigator, which at the end of 2019 totalled 108,269 hectares in 172 municipalities from the North to South of the country, around 1,000 hectares in Galicia and 13,500 hectares of concession area with eucalyptus stands in Mozambique (out of a total concession of 246,000 for planting), the Company assumes its role as a driver of local economies, by promoting the management

and enhancement of rural areas, but also biodiversity conservation and fire prevention.

In a country dominated by regional asymmetries and the desertification of the interior, the income that is drawn from the forest is fundamental to guarantee the interest of the owners in managing and caring for the land. This is fundamental to counter the trend of abandonment of the territory and mitigate the risks inherent to forest areas without active management, in addition to develop a network of supporting economic activities, which creates thousands of indirect jobs.

In this sense, the commitment to the value of forests can be seen as an element of territorial cohesion, of combating desertification and the ageing of the population in the interior, as well as promoting better, more managed and less abandoned forests, with obvious economic benefit for the communities.



## THE NAVIGATOR FOREST IN PORTUGAL IN 2019

108,269 ha

**Total area**  
(55% owned and  
the remainder leased)

80,333 ha

**Eucalyptus**  
(74% of the total and 2,000 hectares  
less than in 2018)

3,890 ha

**Occupation of  
cork oak forest**  
(27 hectares more in 2018)

3,463 ha

**Plantations of pine  
and other coniferous species**

2,116 ha

**Soil with other  
arboreal species**  
(fruit, vines and olives)



1,789 ha

**Area dedicated  
to agricultural activities**

7,755 ha

**Paths  
and firebreaks**

774 ha

**Infrastructure  
and buildings**

### Driving force of the rural economy

In Portugal, according to data from Statistics Portugal (INE), between 2011 and 2015, of the 165 municipalities in the interior, only 60 had a positive natural growth rate. Navigator's forestry project is a driving force for the rural economy, creating employment and settlement opportunities for many suppliers and small services providers in these

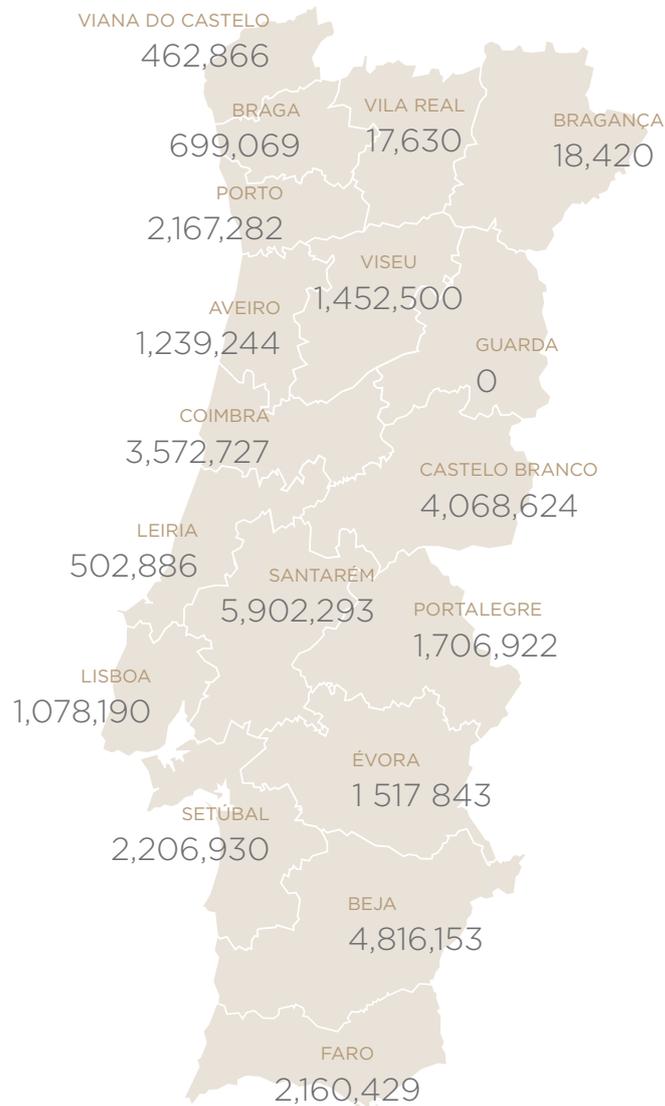
areas, while contributing to the development of the regions where it operates.

In 2019, Navigator invested €33,590,008 directly in this value chain, in the 18 districts of continental Portugal, and nearly 61% of this investment was allocated to regions in the interior of Portugal.

## NAVIGATOR'S INVESTMENT IN THE NATIONAL VALUE CHAIN

AMOUNTS IN EUROS

**Total**  
**33,590,008**





## THE FOREST THAT SUSTAINS A RURAL COMMUNITY

In 2012, a partnership between Navigator and the community of Linhares, in the municipality of Paredes de Coura, Minho, gave birth to a eucalyptus forest of about 80 hectares, planted and managed in a sustainable manner by the Company. For 24 years, it will generate an average annual income of €15,000, which is directed to the local population. The first income was used for

medical consultation, firewood to heat houses in the village and even the distribution of animals for the development of agricultural activity. Such subsidy remains in place to support agriculture. Most of the budget of the Compartes de Linhares Association (75% guaranteed by income from the eucalyptus forest) is invested in the care of the native forest - the remaining 40 hectares of the 120

hectares of community-held land -, composed mainly of maritime pine and oak, including replanting and clearing. A job that also represents another source of income for the local population. In parallel, Navigator's Forest Management Plan has created a natural barrier against fire in defence of the community.

## Quality in sustainable forest management

By promoting the sustainable and efficient production of eucalyptus wood in the country, Navigator supports national producers and helps to disseminate good forest management practices, with direct and indirect economic gains.

In a country with an extensive forest area, but also very fragmented in terms of ownership, this objective becomes a long-term endeavour, which must be pursued in a sustainable manner. For this reason, Navigator develops a relationship with forestry producers that is based on knowledge sharing and pedagogical action around the values of sustainable forest management and certification.

The Company has several courses of action with forestry producers. It can provide guidance, train, take care of property or just buy wood. Navigator is a partner in forestry activity, and in 2019 invested in the reforestation of 3,141 hectares, to create more profitable and sustainable stands, and devoted its efforts to technical training for service providers and other organisations to increase the certified areas. Many of these entities are asking for help to develop training actions on technical subjects, cultivation or safety procedures, and in 2019 Navigator held 15 sessions with 150 participants. This is in addition to on-the-job training for external forestry staff, which included 154 sessions for 438 people, for a total of 460 hours of training.

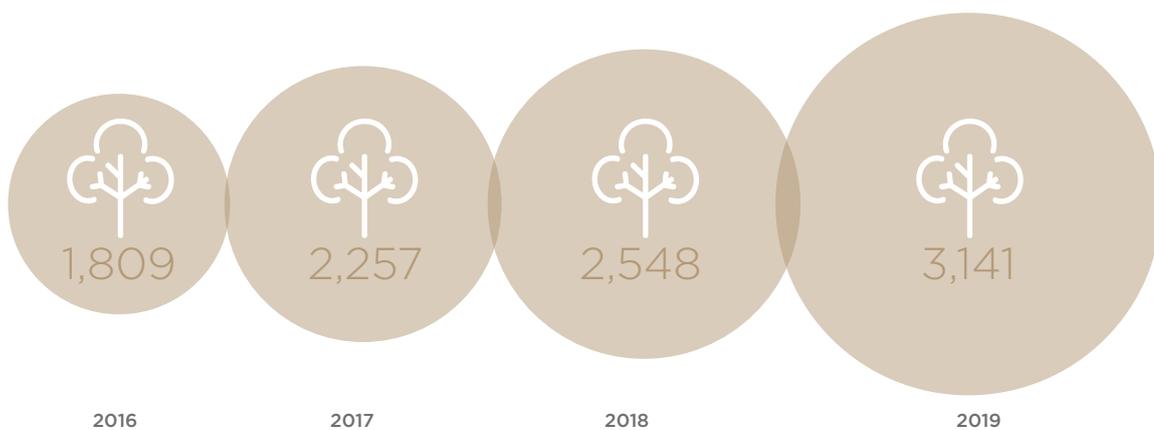
Essentially, all the actions of dissemination, improvement of technical services and



training of human resources, encouraged in the associations with greater presence among forestry producers, promote the local economy and ensure greater stability for the communities. And this commitment

to training, by including suppliers, is not only an added value for the sector, but also creates value for the companies themselves, as it closes the gaps detected during the systematic evaluation carried out by Navigator.

## REFORESTED HECTARES IN MANAGED AREAS WITHIN PORTUGAL



## “PROGRAMA REPLANTAR” (REPLANTING PROGRAMME)

Over the next six years, Navigator, through CELPA (Portuguese Paper Industry Association), will support the replanting of 50,000 hectares of eucalyptus through “Programa Replantar”, launched in 2019. The project was created to complement the “Limpa e Aduba” (Clean and Fertilise) Programme, started

in 2018 with a view to improving forest management and reducing the risk of fire on private properties. In 2019, the project took on 6,066 hectares, in which CELPA funded the fertilisation of land in exchange for the clearing of sporadic vegetation and the most effective selection of shoots. “Programa

Replantar” is now dedicated to the lowest-yielding stands. In these cases, CELPA collaborates with private owners to assume part of the cost of the replanting project, with no other consideration than the desire to one day witness the transformation of this wood into industrially tradable products.



## INCREASE THE PROFITABILITY OF THE EUCALYPTUS PLANTATION

The purpose of “e-globulus”, the free online platform – accessible on any device – launched in 2019, is to make available to private owners the global knowledge of RAIZ and Navigator. According to the location and conditions

of their plots of land, the owners receive advice on fertilisation, land preparation, adaptation of plants to space and vegetation control, among other information on sustainable and efficient management. Thereafter, the stand

may even be tracked by forestry technicians. As of 31 January 2020, six months after going live, this platform had 311 registered forest owners, 669 users and 8,557 views.

### Certified wood

Certification is a fundamental pillar of the sustainable forest management policy of Navigator, which has had its forest management model certified since 2007 for its all woodland holdings in Portugal, a commitment that it renews annually. The certification criteria imply compliance with good forestry and environmental

practices, and it is due to this correct forest management that, on the properties under Company management, wood production is 100% certified.

The Company’s own programme to encourage the adoption of forest certification systems in areas not managed by the company was reinforced throughout 2019. Wood subject

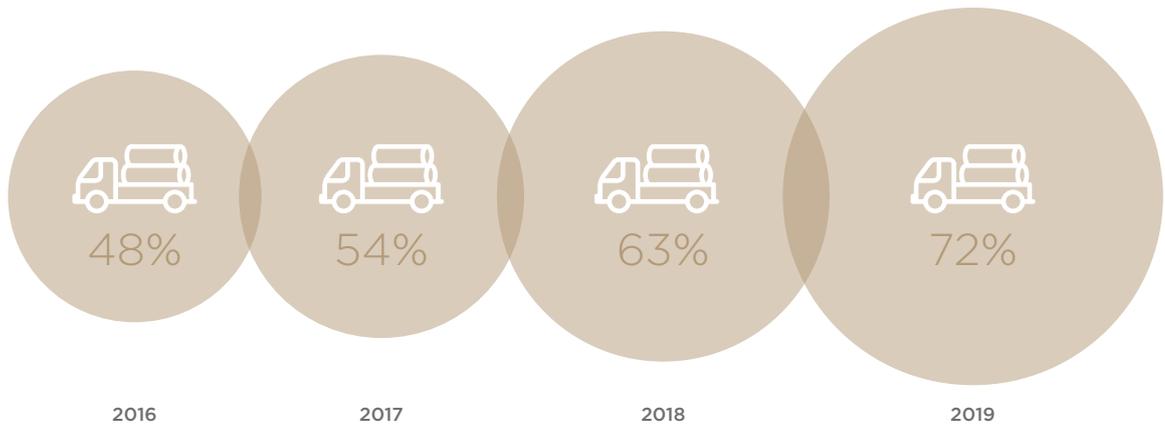
to certified management acquired in Portugal rose from 42% in 2018 to 51.5%, representing an effort by Navigator valued at more than €6 million.

The “Produtores Florestais” project is a good example of the initiatives carried out by The Navigator Company carried in 2019, with a view to promoting the appreciation of forest certification and promoting its adoption among forest owners. Started in 2018, the initiative has advantages for the owners, who not only benefit from the support provided throughout the certification process, but also from selling the raw material at a higher price. In 2019, the Company took the project to the

main agricultural and forestry fairs in Portugal, making thousands of contacts with forest owners who learned about the practices that best suit their properties.

Navigator’s pedagogical and commercial focus has translated into the constant growth of national certified wood, so the target has been set at 75% for the 2020-2025 horizon. In 2019, due to the fact that 94% of the wood acquired in the Iberian market carries the certification seal and given that all the wood acquired in the extra-Iberian market is certified, the overall percentage of certified wood that entered the Company’s mills reached 72%.

## EVOLUTION OF PERCENTAGE OF CERTIFIED WOOD RECEIVED IN NAVIGATOR’S INDUSTRIAL COMPLEXES



### ADVANTAGES OF FOREST CERTIFICATION

Forest certification, through the FSC® systems or PEFC™, recognises plantations by the commitment of the owner or forestry producer to the application of good forestry practices. It has advantages for producers, with productivity gains and better prices in a market that prefers certified wood; and advantages for the environment, because the adoption of an active and responsible management

in the forest enhances conservation and reduces risks such as pests, diseases and fires. A certified forest plantation guarantees compliance with the law and enjoys priority status when applying for forest investment support funds. The owner or producer benefits from easy access to qualified technical support, better information and forestry training.



## INNOVATION FROM EUCALYPTUS

The Inpactus project, developed by RAIZ in collaboration with leading national universities, aiming to research innovative products and technologies based on the eucalyptus, reached its cruising speed in 2019. With a total investment of around €15 million in 48 months, this year the activity focused on the Company's core business (pulp, UWF, tissue),

as well as on the new bioproducts in the context of the forest-based bioeconomy. These were the main goals achieved in 2019:

- > Completion of the acquisition and installation of infrastructure supporting R&D activity, in the amount of €2.2 million.
- > Completion of the Thesis Project (1<sup>st</sup> year of PhD) of 20 PhD students involved in the project.

- > 38 publications in scientific journals and presentations in congresses.
- > Submission of six patents.
- > Implementation of Navigator Guest Chairs at the University of Coimbra (Professor Thadeus Maloney, Aalto University, Finland) and at the University of Aveiro (Professor Falk Liebner, Boku University, Austria).

## Wood supply

Navigator's business strategy has strong roots in Portugal, but due to the need for raw material, it is also produced in other places around the globe. Right next door in Spain, we find two strategic regions for the acquisition of wood: Galicia and Andalusia.

Due to the proximity and the fact that the forest land has very similar characteristics to northern Portugal, Galicia was the target in 2018 and 2019 of a specific project that, once completed, will greatly impact that region's rural economy. As such, Navigator will now have its own forests in Galicia, where direct forest management contracts have been signed, as is already the case in Portugal through leasing. In 2019, approximately 1,000 hectares that the Company managed in Galicia was based on leasing to 27 owners. In this way, the Company exports its knowledge to Galicia, professionalising the management of the forest and further enhancing its

productivity. In 2019, the investment in this project was strengthened by the teams, the commercial dynamics and the consequent capacity to obtain new areas, demonstrating in the market an increasing openness and recognition in Navigator's capacity to create value in the region.

## Optimise the logistics chain

Logistics continues to play a major role in the total cost of supplying wood to the mills, so managing and optimising the supply chain remains one of Navigator's main concerns. In a process of continuous improvement, the Company is permanently seeking to reduce its impact, either by changing flows to reduce kilometres covered by the raw material from the various places of origin to the mills and/or power stations, or the opportunity to move more volume by mean of transport.

In this regard, Navigator developed several initiatives in 2019, including a logistics flow

optimisation system, whose application will begin in 2020; improvements and adaptations of the physical spaces for the disposal of wood, with the opportunity to optimise flows and, consequently, reduce costs; greater use of rail transport in the connection with mills, with Aveiro standing out for having consolidated an investment to improve the rail branch of this facility, for the reception

of raw materials essentially from Galicia, with a reduction in CO<sub>2</sub> emissions relative to road transport; increase of load-tracking systems that allowed shortening distances and optimising costs; and initiatives with seaports, especially Aveiro, which will make it possible, when importing raw materials, to reduce distances to manufacturing centres by using ports closer to the mills.

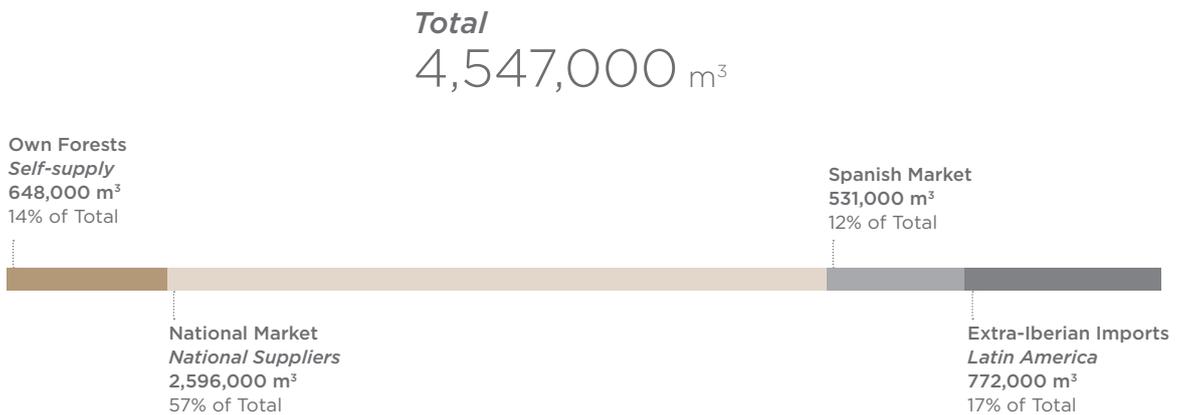
## CHANGES PLANNED IN WOOD DELIVERIES

The Insights Platform for Wood Procurement project, integrated in the Navigator 4.0 programme, allowed the development of a model to estimate wood deliveries for the domestic market, based on historical data and other relevant

factors that influence the volume of wood supplied to the mills (such as planted area, precipitation, among others). This system, which is expected to be applied until April, will also allow a better view of the variability inherent in wood

deliveries in the domestic market (which constitute about 60% of total volume), optimising the management, over time, of monthly purchases/stocks/forecasts, also important for the construction of annual budgets.

## ORIGIN OF WOOD IN 2019





## Defence and prevention

Forest management is the main factor in defending the forest against fires as it minimises the fuel load and constitutes a natural barrier to the advancement of flames; it also reduces the consequences of the fires and improves the possibilities to fight, control and extinguish fires. The numbers speak for themselves: between 2008 and 2017, of the total managed area by Companies from the forest industry only 1.4% was burnt.

In view of the importance of continuous prevention and defence of the territory and communities, in 2019 Navigator's total investment in fire-fighting activities increased by 25% compared to 2018, reaching €4.1 million, distributed between fire prevention and firefighting.

Permanent action of vegetation control, maintenance of water supplies, paths and fire breaks, and suspension of harvesting activities on days of high meteorological risk are carried out by production and forest management teams and by external resources whenever necessary. In addition, during the high-risk phase of the year, the Company has more than 350 people working at the heart of the operations, under the management of AFOCELA, a joint venture between The Navigator Company and the ALTRI Group, whose mission is to support the fight

against forest fires on company properties, integrating the forest fire defence system coordinated by the National Emergency and Civil Protection Authority. This process also has 60 light - and heavy - duty items of fire-fighting equipment, a corps of Liaison Officers in the different District Rescue Commands, a Supervision and Training Centre, an Operations Center and three helicopter airborne teams. AFOCELA's mission is the defence of forest areas managed by member companies. However, historically, more than 90% of its interventions take place outside these areas, in defence of third-party holdings.

At the same time, the Company maintains ongoing participation in projects with different partners (from stakeholders in the forestry sector to universities), with a view to finding and testing new solutions for the prevention, detection and fighting of fires in rural areas.

# INVESTMENT IN PREVENTION



€ 4.1 million  
*in total forest fire  
protection actions*

€ 1.5 million  
*employed in  
vegetation cleaning  
and control activities*

€ 400,000  
*dedicated to the maintenance  
of paths and firebreaks*

€ 2.2 million  
*directed  
to AFOCELCA*

## CEASEFIRE: USING METEOROLOGY IN RISK PREVENTION

Navigator started out as a partner in the development of the platform and today uses this tool created by the Faculty of Sciences of the University of Lisbon to support fire prevention, planning and fighting through real-time knowledge of weather conditions in different parts of the country. At <http://idlcc.fc.ul.pt/CeaseFire/> interactive maps and weather and forecast data are available, such as fire hazard indices

and forecasts for up to 72 hours. The results of this tool are quite interesting. For example, in 2017 there were signs that Monchique would have extreme fire risk conditions in a few weeks of the summer. At that time, Navigator stepped up surveillance and made sure that no uncontrolled ignition occurred. In 2018, the platform issued the same warning, and the Company maintained a reinforced

technical team in Monchique. In this case, one of the events assumed a scale that resources on the ground and the National System staff were unable to control, causing a major fire. Even so, Navigator's ability to evaluate risk prospectively enabled it to anticipate and position resources to avoid further damage to the company's holdings, other owners and residents.

## REDUCING FUEL LOAD WITH ECONOMIC RETURN

The challenge was to reconcile the reduction of expenditure on the clearing of bushes and weeds with an activity that would provide an economic return. The solution found was silvopastoral in nature. In 2019, in Chamusca, on 7.6 hectares of the protection corridor, it was possible to demonstrate that with the reconditioning of the soil, natural pasture can be generated with little

intervention required. On the other hand, and with careful management of the entry and exit times of a herd of crossbred Alentejan Limousine cattle, managed by local inhabitants, it is possible to keep the bush tended. The project is part of a partnership with ICAAM (Institute of Mediterranean Agricultural and Environmental Sciences) of the University of Évora for the recovery of soil fertility. In Arouca, the

Associação Florestal Entre Douro e Vouga (AFEDV) opted for this model in its members' plantations, and some 20 goats were selected to remain permanently in an area of eucalyptus and maritime pine spanning 50 hectares. Goats manure the land, clean it and avoid the use of herbicides or other chemicals, as well as making it profitable through cheese production and the sale of animals.

### Biodiversity in the forest

Bonelli's eagles, bald eagles, otters, wolves and bustards, eucalyptus, cork oaks, alder and strawberry trees, dragonflies, damselflies and bees. The forest areas managed by The Navigator Company are an example of biodiversity, which the Company has been conserving and enhancing over the years.

Biodiversity conservation is fully integrated into Navigator's forest management model. The coexistence of eucalyptus production forest with 3,463 hectares of pine and other coniferous trees and 3,890 hectares of cork oak, together with areas of strawberry trees, oak, alder, willow and agricultural areas, creates

a set of different habitats where around 740 species of flora and approximately 235 different species of fauna currently live, of which the group of birds stands out and includes species with different threat statuses, endemism, rare species, and those of special interest from a conservation point of view.

### Around 740 species of flora and 235 species of fauna live in forests managed by Navigator.

Currently, the Company has a forest area that totals 4,100 hectares of habitats classified by the Natura 2000 Network, while around 11%



of its holdings are made up of areas of interest for conservation (ZiC), which are classified according to three categories: conservation areas, protection areas and areas of high conservation value.

Regardless of type, the ZiCs are managed for conservation purposes and include a wide diversity of habitats and ecosystems. It is this variety that makes it possible to find species as different as the great bustard (*Otis tarda*), the heaviest bird in Europe, threatened worldwide and with the status of “endangered species” in Portugal, the Bonelli’s eagle (*Aquila fasciata*), also classified as an “endangered species” by the Red Book of Vertebrates of Portugal and as a priority for conservation at European level, or the otter (*Lutra lutra*), with a non-endangered status.

The management approach is made considering the habitat as a whole, which allows the simultaneous conservation of a series of species. Thus, each time a new piece of land is included in Navigator’s forest – either owned by the Company or land leased under its management – a forestry project is carried out that assesses the biodiversity there and the areas to be protected, with special focus on water lines, rupicolous areas and protected or endemic species. The objective is that the planning and execution of forestry activities results, at a minimum, in maintaining the existing biodiversity values (“no net loss”) and, whenever possible, in improving existing conditions (“net positive gain”).

## The forest project that accompanies each new plot of Navigator’s land includes a biodiversity assessment.

The otter and the Bonelli’s eagle are two species that have benefitted from the Company’s biodiversity conservation effort. Although not threatened in Portugal, the otter benefits from actions in which the compatibility of forest management with the conservation of species is assured, through protective zones of pools and water courses where activities with a relevant impact, e.g. soil mobilisation, are restricted or prohibited. For its part, the Bonelli’s eagle – which currently has 16 territories in properties managed by Navigator – has been monitored over the past 12 years with specific conservation measures. In the framework of the LIFE project entitled “Conservation of Bonelli’s Eagle Tree Populations in Portugal”, Navigator, together with CEAI (Centre for Study of Iberian Avifauna), defined a conservation plan that defines buffer zones around nests, adapted to the terrain’s orography, and identified the critical period during which activities such as tree felling and planting, which corresponds to the species’ reproductive season, are restricted. An effort that has borne fruit, with the appearance of new pairs for breeding and the stabilisation of the population as a whole.

## PRESERVING THE MONCHIQUE OAK

A very rare and threatened species, the Monchique Oak (*Quercus canariensis*) only exists in the form of about 300 trees throughout the national territory. Present at the Águas Alves property of The Navigator Company, in Monchique, it was the target of an action to recover the native vegetation carried out by the Company

in December 2019. In this action, as part of a larger project to recover oak trees on that property, 50 new trees of this very rare species were planted. To ensure the success of the planting, acorns from the Monchique area were used, provided by the Botanical Garden of Porto – Museum of Natural History and Science of the

University of Porto, better adapted to that territory. In the future, the Company will continue to collect acorns from these oak trees, allowing the creation of a seed bank which, after germinating in the Company’s nurseries, will be used in reforestation plans, contributing to the preservation of the genetic heritage of this rare oak species.



11%  
of holdings are Areas of  
Conservation  
Interest



4,100 hectares  
of habitats protected  
within the scope of the  
Natura 2000 Network

About 740 plant species and  
235 animal species registered

## 5.2. Mozambique

Portucel Moçambique's 2019 financial year focused on the consolidation of conditions and structures, at various levels, to achieve the first phase of investment, amounting to \$260 million; this includes the planting of up to 40,000 hectares and the construction of a wood chip production plant for the export of one million tonnes and an annual turnover of around \$100 million.

The joint interministerial team, which is working on the resolution of the previous conditions for the project's viability in two phases, has made several advances, namely in the methodology for the management of land use rights and in the recognition of the land access procedure. The extension of Zambézia's environmental licence was also requested and already granted, in accordance with a methodology previously approved by the Ministry of the Environment, as well

as the launching of a forestry development programme. With the new Government taking office in January 2020, the continuity of this work will be ensured as soon as the new organisational structure of both the Ministry of Land and Environment and the Ministry of Agriculture and Rural Development is known.

The partnership with the National Sustainable Development Fund (FNDS) bears mention in the development of MozFip, namely in its component related to plantations. MozFip is a World Bank fund that has allocated, among others, around \$15 million for the promotion of agroforestry systems, an initiative of great potential for the optimisation of forestry producers, and which has been followed from the outset by Portucel Moçambique with respect to issues such as the sharing of know-how, forestry model, certification,





## Mozambique

availability of clonal plants, inputs and technical training. Forest development is an important part of Portucel Moçambique's project, as it involves and shares value with the communities, and can extend to up to 40,000 hectares, for a total of 160,000 hectares of plantation planned for the two phases.

The management and maintenance of the planted areas during 2019 demonstrated significant progress in fire prevention mechanisms, a phenomenon that is part of daily life in the communities yet poses a risk to the plantations. The measures adopted by Portucel Moçambique, including specialised consultancy, educational actions with families and the creation of rapid intervention teams, have begun to have an impact.

During the year, the physical demarcation of the company's state-granted land rights (DUAT) located in the Zambézia province was also completed. At the same time, preparatory work for the demarcation of DUATs located in the province of Manica began, and such efforts will extend into 2020.

In 2019, Portucel Moçambique developed a closer relationship with its stakeholders, especially the communities in which the project areas are located, which are strategic for the success of the investment. Along with the extensive and regular work with the communities – not only at the social level, but also in terms of communication – the Company participated in various events,

such as the biodiversity exhibition organised by Biofund in Manica, which was attended by the President of the Republic, Filipe Nyusi. It also held follow-up meetings with its Advisory Board, and sought to approach several stakeholders who positions that diverged from its project.

At the end of the year, the first meeting in Africa of the New Generation Plantations platform, managed by WWF International, co-organised by Portucel Moçambique and WWF Mozambique, was held in Maputo. The most relevant actors in the African forestry sector gathered to discuss how the progress of communities and plantations can evolve together in a sustainable and inclusive way. It was an opportunity to affirm Portucel Moçambique's project to its most important stakeholders (namely the central and provincial public administration) and the business community in Mozambique.

Portucel Moçambique's project, having met the previous conditions precedent of the first phase and after assessing the market conditions, foresees an additional investment of \$2.3 billion in the planting of an additional 120,000 hectares of forest and the construction of a pulp mill for paper, while forecasting annual exports of more than \$1 billion.

### Social sustainability

There are various factors that differentiate Mozambique from Navigator's other forestry projects, the most significant being

the size and social impact. Support for initiatives and organisations aimed at the inclusion of communities is part of Portucel Moçambique's mission.

It is a forest-based project that assumes a commitment to sustainability along the entire value chain, combining actions in the social, environmental and economic development dimensions in various ways, namely through job creation, investment in access roads, a comprehensive social development programme, a participatory land access mechanism and continuous and transversal communication with all stakeholders.

Portucel Moçambique has not only adopted a model of land access that promotes the inclusive cohabitation of plantations with traditional uses and keeps families in the spaces that they historically occupy, but also encourages the sharing of value with the communities in the project areas, through the three priorities defined in its Social Development Programme (PSDP): food security and diversity, opportunities for economic growth, and income generation and improvement of the quality of life of families. The investment accumulated in the Social Development Plan increased in 2019 to about \$6 million, reaching more than 7,000 families (about 40,000 people) in 120 communities.

With a view to permanent dialogue with the communities, Portucel set up 25 advisory committees and hired 40 liaison officers (people designated by the community to liaise with the Company), holding regular meeting at community level.

A significant part of the implemented measures, and with a view to continuous improvement, stem from the project's environmental and social impact assessment, which includes systematic consultations with more than 7,000 citizens in 71 meetings in more than 130 communities in Manica, Zambézia and Maputo provinces.

**The land access model adopted by Portucel Moçambique enables families to remain in the locations to which they are accustomed.**

### **Social project priorities**

The intervention in the food area, associated with an income generation component for the communities, has involved training in conservation agriculture techniques, associating the balance between food security and climate change; distribution of improved seeds and technical collaboration with the Mozambique Agrarian Research Institute for the introduction of varieties adapted to each region to increase productivity, and the promotion of vegetables and construction of granaries to improve food security and diversity.

The household economy is also promoted by the stimulation and optimisation of its activities, while the Company gives preference to the service providers that hire workers in the communities that have ceded land. One of the projects is the introduction of 500 hives next to the plantation areas - since the honey from the eucalyptus flower is a highly valued



### **SUSTAINABLE MANAGEMENT HAND IN HAND WITH WEALTH PRODUCTION**

In November 2019, Portucel Moçambique and The Navigator Company, in partnership with WWF Mozambique, held, for the first time in Africa, the Annual Meeting of New Generation Plantations, a platform to promote sustainable forest plantations managed by WWF (World Wide Fund for Nature), with the participation of companies and governments around the world. Under the theme "Social Prosperity and Sustainable Rural Landscape Management

in Africa", the meeting deepened the debate on how social prosperity and sustainable management can evolve hand in hand, using innovative approaches, participatory and inclusive processes and social engagement tools that make business more sustainable and bring more shared value to all stakeholders. In essence, The Navigator Company's DNA.

variety -, to which families tend, receiving a payment for each kilo of honey produced. Another is the distribution of goats for breeding and sharing of the first two offspring, with the number of families included in this programme increasing from 180 to 311 in 2019, while the current number of animals has already exceeded 2,000.

A new fish farming pilot project was also introduced in Manica in 2019, which includes training for the beneficiaries to build tanks for fish farming, using tools provided by Portucel Moçambique, with the fry (new-born fish) supplied by the Company. In Zambézia, a project was started in 2019 to build two dams and their irrigation perimeters, and the formation of irrigation associations for infrastructure management. Each beneficiary will receive one of about 200 plots of 0.25 hectares of irrigable land for horticultural production, and it is also planned to train farmers in this activity and in the access and development of markets for the distribution of products.

In order to improve the quality of life of communities, Portucel Moçambique's Social Development Plan has invested in areas such as health, access to drinking water, access roads and energy. For example, solar lamps were distributed, which make it possible to extend the children's study period beyond dusk, and also charge small electrical appliances. In 2019 maintenance was carried out on several hundred kilometres of roads and rural tracks, of the more than 5,000 kilometres built and/or improved by the Company since the beginning of the project. In addition to the 20 boreholes already built and another 20 repaired in Zambézia, which provide access to drinking water for some

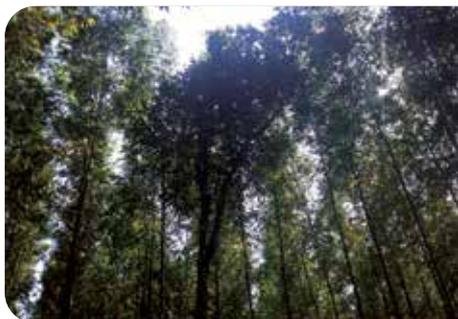
20,000 people, another seven will be built in the first half of 2020 in the province of Manica. At the end of 2019, the Company signed a memorandum with the Zambézia Provincial Health Directorate to support the construction of an operating theatre in the town of Ile Sede, in the district of Ile.

**In 2019, more than 130 families were included in the goat distribution programme.**

### Impact of the forestry project

Portucel Moçambique's figures show the contribution to economic development and value creation in the country, with more direct and indirect tax revenues delivered to the State, forestry and agricultural development, incentives for the sustainable independent planting of 40,000 hectares of eucalyptus, water quality monitoring protocols in the river basins of the project areas, communication and logistics infrastructure created, and a forecast of more than 10,000 new jobs generated throughout the project.

The nursery located in Luá, Zambézia (with a production capacity of 12 million plants per year) is a good example of the positive impact of Portucel Moçambique's business. On the one hand, it produces, in addition to eucalyptus, species for agriculture (for the community) and native species (to restore conservation areas). On the other hand, it employs specialised employees (50% are women) and is a milestone with respect to good working practices, since it offers a library, a plantation of vegetables and fruit trees for staff use, promotes literacy for adults with classes from the first to the fifth year, and includes a medical centre.



### RESPECT FOR LOCAL CULTURE

This is the tree that the community calls "Mussolo" and that Portucel Moçambique has kept within the plantation, following its policy of preservation of areas of ecological, socio-economic and cultural value. In this case, the

community of Jorge, in Curuane, Ile district, believes that this tree is sacred and that the spirits of their ancestors inhabit it. Therefore, it is under such tree's canopy that traditional ceremonies are held.

# FIGURES OF PORTUCEL MOÇAMBIQUE PROJECT

246,000 ha

**Maximum plantation area** authorised by DUAT  
– State-Granted Land Rights  
allocated by the Government of Mozambique

13,500 ha

*Area with  
eucalyptus stands*

\$120,000,000

**Investment made**  
*until 2019*

\$11,000,000

**Wages paid** to local  
*workers since 2013*

93%

**Mozambican**  
*employees*

More than 200

*Permanent direct  
and indirect  
jobs*

25%

**Female**  
*employees*

\$67,000,000

*Goods and services contracted to  
**Mozambican suppliers**  
since 2010*

\$4,600,000

**Taxes and fees** paid to the  
*Mozambican state*  
*(85% of which since 2015)*



# FIGURES OF SOCIAL DEVELOPMENT PROGRAMME

\$40,000,000

**Investment to be made**  
*throughout the life of the project*

\$6,000,000

**Investment in PDSP**  
*(Social Development Programme)*  
*since 2015*

7,000

**Families supported to date**  
*in 120 communities*

2,800

**Families that received**  
**training in horticulture**

311

**Families who**  
**received goats**  
*(3 per family)*



2,300

**Families who**  
**received a solar lamp**  
*since 2015*

587,000 kg

**Improved distributed seeds**  
*(corn, beans, soy and sesame)*

750,000

**Cassava cuttings distributed**  
*since 2015*

98,500 kg

**Sweet potato branches distributed**  
*since 2016*

40

**Opened and/or repaired**  
**boreholes**

5,300 km

**Roads and paths**  
*built and rehabilitated*





### 5.3. Corporate Social Responsibility

Being even closer to the community. It was with this objective in mind that Navigator reinforced, in 2019, the cooperation, dialogue and support programme that has become, over the last 13 years, an essential aspect of the Company's corporate culture. This policy of community engagement thus continues to be one of the strategic priorities, with a view to fulfilling the mission of strengthening a business project that creates value for society and contributes directly and actively to the sustainable development of the forest and the regions where Navigator operates.

By implementing initiatives that cover the educational community, including forestry producers and other entities working to defend sustainability, Navigator shares knowledge and resources that generate better forest and environmental practices, improve the lives of people and bring all stakeholders together.

This is the case of the Environmental Monitoring Committees (CAA), which, with climate change and decarbonisation at the

core of their concerns, have become a forum to analyse and discuss the environmental component of Navigator mills, in their multiple interactions with the environment. In 2019, two of these meetings were held at each of the industrial complexes: Aveiro, Figueira da Foz, Setúbal and Vila Velha de Ródão, involving an average of 25 stakeholders per meeting.

The doors of the industrial complexes are also open to society in general, with special emphasis on the local communities, as part of the Navigator Tour project, and in 2019 more than 5,400 people attended them (an increase of 86% compared to 2018). An opportunity to raise awareness of the Company's prominent role in society and the country's economy.

This commitment to transmitting the vision and values of the Company has also led to the creation and development of other information channels. Through, for example, the corporate magazine "The Newsletter", which reaches over 5,000 stakeholders, Navigator reflects on the importance of the Portuguese forest, responsible management,

the optimisation of industrial processes – which includes research focused on improving products and procedures and respect for nature – as well as the Company’s ambitious carbon neutrality roadmap.

**In 2019, doors were opened to the community and 5,400 people visited Navigator’s mills.**

### **Direct connection with “Mundo Rural” and “Produtores Florestais”**

As Navigator is an integrated paper production company, with intervention in the entire value chain, it also operates at the origin of forest production and has privileged knowledge in this area. The fundamental objectives of the “Mundo Rural/Produtores Florestais” project, which started in 2019 with actions of reforestation actions in small holdings, are to position the Company with reference communities, such as forestry producers, and to open communication channels between these same owners/forestry producers and other stakeholders in order to create value, namely through the existence of a platform that aggregates relevant content and information. Thus, in addition to the presence in social networks and events (with stands at fairs, demonstration

sessions of good forestry practices, among others), the “Produtores Florestais” microsite will be launched in 2020, in tandem with a bimonthly magazine under the same name.

### **Give the Forest a Hand: thinking about the balance of the planet**

The Give the Forest a Hand initiative, aimed at a target audience between the ages of four and ten, carried out 95 initiatives in 2019 (including workshops in schools, actions in shopping centres and outdoor events, namely at the zoo, Monsanto Park and the Bussaco Forest) with the objective of raising awareness among the youngest to the issues of biodiversity and the rational use of water as an important natural resource for the balance of the planet. This project essentially promotes the preservation of the environment and the protection and appreciation of the national forest, but it also deals, in a transversal manner, with themes such as healthy life, outdoor activities and the interaction of children with paper. In this context, in addition to workshops, actions in public spaces and activities in social networks, the project includes the monthly sending of a paper magazine to the youngest and a blog that, already in 2020, has evolved into a website.



# DMF FIGURES AS OF 31 DECEMBER 2019

More than **10,000** primary school students have  
**participated in actions at schools**

**9,124** subscribers to the *Give the Forest a Hand* magazine

**7,807** followers on **Facebook**

**6,884** followers on **Instagram**

## **#MYPLANET: in defence of a sustainable planet**

The magazine #MYPLANET, with its modern graphics and casual content, is part of Navigator's environmental responsibility programme, aimed at an urban audience that cares about the planet. And the various activities of the project aim to support and

increase the visibility of actions developed by partners with the same aspirations. In 2019, Navigator supported, through this initiative, actions developed within organisations that clean and defend oceans, such as Brigada do Mar, Ocean Alive and Ocean Hope, as well as planting and reforestation actions, namely in the area of Figueira da Foz and Serra do Açor.

## **#MYPLANET NUMBERS IN 2019**

Bimonthly magazine with **more than 1,000** subscribers

Partnership in more than **16** actions to build awareness and clean beaches and ocean

More than **3,500** followers on **Facebook** and **4,500** on **Instagram**



## 5.4. Decarbonisation Project

The year 2019 is identified in Navigator's strategy as the one in which the Company has assumed its important contribution to the world as a whole in the fight against climate change. After the European Union set the 2050 target for a carbon-neutral Europe, a deadline that the Portuguese state also adopted, Navigator imposed greater demands upon itself and made a commitment to achieve carbon neutrality at its industrial complexes as early as 2035, becoming the first Portuguese company - and one of the first in the world - to achieve the national and European objectives 15 years in advance.

The announcement was made in October 2019, but the Company's efforts towards a low carbon economy started much earlier, and were even recognised internationally: in early 2019, Navigator was the only Portuguese

company to receive the classification of global leader in the fight against climate change from the Carbon Disclosure Project (CDP), achieving a prominent place in the "A" list of this international organisation and thus being recognised for its performance in terms of the reduction of emissions as well as climate risks.

This commitment, which involves an investment of €158 million distributed among Navigator's industrial complexes (€63 million at the Setúbal unit, €59 million at the Figueira da Foz unit and €36 million at the Aveiro unit), is structured in The Navigator Company's "Carbon Neutrality Roadmap", which includes four main objectives in the Company's production processes.





*Achieve 100% electricity production from renewable sources.*



*Reduce CO<sub>2</sub> emissions by replacing technologies.*



*Reduce specific energy use by 15% until 2025, based on 2015 values.*



*Implement offset of emissions that cannot be eliminated.*

It is through these measures that Navigator will, over the next 15 years, reduce its CO<sub>2</sub> emissions by 90% at its industrial complexes, which represents less 694,000 tonnes (Kt) between 2018 – the year before the commitment – and 2035.

### Action plan for the next 15 years

The Navigator Company's four industrial complexes will become sequentially neutral over 15 years.

In 2019, the major project was the construction of the new biomass boiler at the Figueira da Foz unit (started in 2018), which will begin operating in the second half of 2020. This new boiler – with a production capacity of 150 tonnes per hour and an investment of €55 million – will allow for a reduction in emissions, when fully operational, of approximately 155,000 tonnes of CO<sub>2</sub>/year, making the Figueira da Foz mill 100% renewable in terms of electricity production.

This new biomass boiler takes into account the first objective of The Navigator Company's Roadmap for Carbon Neutrality, which also includes three other projects, all to be carried out at the Setúbal mill. They are the sizing and installation of a new recovery boiler, the gasification of biomass in order to replace the use of natural gas and the integration of the boiler of the Biomass Thermoelectric Plants into the pulp mill's cogeneration.

Three other actions that will have an impact on Navigator's decarbonisation strategy over the next few years are also worth mentioning: a new cogeneration plant at the Aveiro unit, which

will start construction in 2021 and is scheduled to be operational in 2023, the conversion of lime kilns for biomass use at the Aveiro and Setúbal complexes, which are scheduled to start operating in 2024 and 2026, respectively; and the replacement of the use of fuel oil with natural gas at the Setúbal complex, a project whose investment plan will be started in 2020. All of these projects seek to respond to the second main objective outlined in the Roadmap for Carbon Neutrality, which aims at progressive technological replacement with a view to reducing fossil CO<sub>2</sub> emissions.

**In 2019, the major carbon neutrality project was the continuation of construction of the new biomass boiler at the Figueira da Foz mill.**

### A matter of energy

Climate Change and the Protection of Natural Resources were two of the trends identified by Navigator, based on the latest World Economic Forum report (The Global Risks Report 2019), as having an impact on its sustainability strategy. Aware that its form its industrial complexes production and use of fossil energy that results the main part of CO<sub>2</sub> emissions, the Company centered its efforts in the decarbonisation based in these two pillars.

### Biomass and Cogeneration

In this context, the use of forest biomass for energy production is the main driver for the

reduction of fossil fuel consumption within the Company, thus contributing to the reduction of emissions.

With the exception of Vila Velha de Ródão, all the industrial complexes of The Navigator Company are equipped with biomass cogeneration units. In these units, electricity is produced from the burning of biofuels from the forest, taking advantage of the bark, stumps, branches, stems and sawdust resulting from forest operations, as well as biomass from forest clearing, which is essential for reducing fire risks in what constitutes a doubly advantageous solution, since it allows better forest management and less import of fossil fuels. Another source of great importance in the Company's cogeneration plants is so-called black liquor, a by-product resulting from wood cooking.

### Photovoltaic Plants

The investment in renewable energies is another aspect in the decarbonisation strategy of The Navigator Company, which has made a significant investment in photovoltaic plants in recent years.

The most recent one, installed at RAIZ – Forest and Paper Research Institute, in Eixo, Aveiro, was inaugurated in 2019 and has an installed capacity of 94 kW, which will make it possible to meet between 30% and 35% of the building's energy needs.

But it is in Setúbal that the largest photovoltaic plant in an industrial environment in the country is located. Inaugurated in 2016 at the then About the Future (ATF) mill – now renamed Navigator Paper Setúbal (NPS) –, it generates 3.1 GWh per year, which represented savings in 2019 of around €279,000, while also avoiding greenhouse gas emissions of around 1,140 tonnes of CO<sub>2</sub> per year.

This plant was followed by another, inaugurated in 2018 at Herdade da Espirra, in Pegões, which, with an installed power of 112.6 kW and operating on a self-consumption basis, allows for a 30% reduction in Herdade's energy costs, representing savings of around €18,000

(covers between 30% to 40% of needs), being a project that combines sustainability with renewable energy production.

A second photovoltaic plant is already under construction at the Setúbal industrial complex, which will have an installed capacity of 1.8 MW, along with a new plant in Figueira da Foz. The latter, once operational, will be Navigator's main project in this area, with an installed capacity of 2.7 MW. A third plant is planned to be built in Aveiro by 2020.

### The forest's role in retaining CO<sub>2</sub>

The three main carbon sinks on the planet are the oceans, the atmosphere and the forest, the latter being the only one we can manage. To date, the forests under the management of The Navigator Company in Portugal represents a stock of carbon equivalent to 5.3 million tonnes of CO<sub>2</sub>. This value remains stable thanks to the sustainable management model followed by the Company, in which each production forest cut corresponds to new plots that grow steadily, and there is also a commitment to ensuring that a new forest is born in the cleared plot.

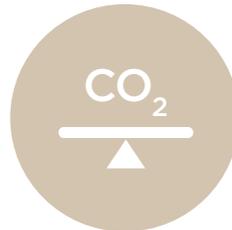
By acting as a carbon sink, the forest assumes an essential role in Navigator's decarbonisation strategy, fulfilling objective number four: it allows the capture of CO<sub>2</sub> equivalent to 10% of the emissions from its industrial complexes that the Company, taking into account the current state of technology, will not be able to avoid until 2035.

The action in this context foresees the annual planning of native forest capable of capturing an amount of CO<sub>2</sub> equivalent to that emitted by the production of tissue, paper and auxiliary consumption. Navigator commits to ensuring that planting takes place every year and that the planted forest has a minimum duration of 35 years.



## CARBON NEUTRALITY NUMBERS

€ 158 million  
**investment**  
*in carbon neutrality*



594 kt  
**Emissions avoided**  
*thanks to energy production  
from biomass*

5.3 million tonnes  
**CO<sub>2</sub> retained**  
*by forests managed  
by Navigator*



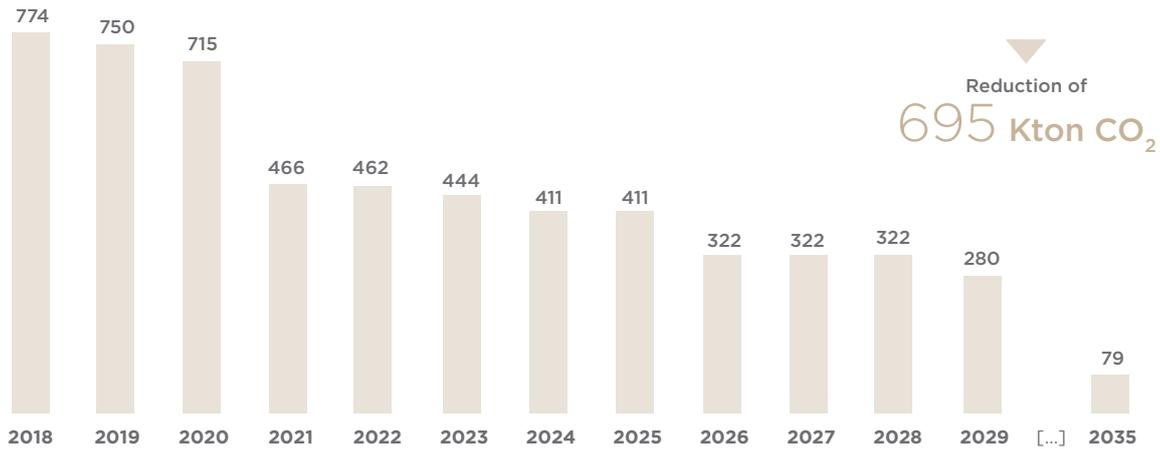
## THE FOREST'S ROLE IN CARBON NEUTRALITY

Decarbonisation, the role of industry and forestry in achieving a carbon neutral future, and the value creation and innovation opportunities associated with the process were the main topics of discussion in The Navigator Company's 2019 Sustainability Forum. Public entities, companies and non-governmental organisations have highlighted the need for the business community to see decarbonisation as a way of creating value and innovation. The role of the forests in this equation – namely the productive forest, which removes pressure from natural forests –,

the bioeconomy and sustainable management have also been the subject of debate. This 9<sup>th</sup> edition of Navigator's Sustainability Forum, under the theme "Towards a carbon neutral future", featured a message of encouragement from the Secretary General of the United Nations, António Guterres, who greeted the participants for their "dedication to the issue of the climate emergency" and reiterated the importance of "the active participation of the business sector".

## PREVISIONS OF CO<sub>2</sub> EMISSIONS

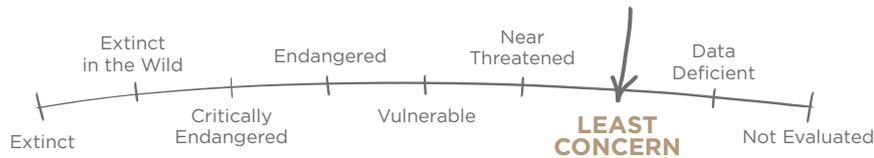
VALUES IN THOUSANDS OF TONS



**OUR  
PEOPLE**

06

## Sawfly orchid (*Ophrys tenthredinifera* Willd)



IUCN Red List

*Ophrys tenthredinifera* is one of the wild orchids found in Portugal. Preferring sandy or slightly acidic soils, this orchid grows in moderately humid meadows and pastures, and in clearings in scrubland and forests. With a blooming season extending from February to June.



It is known for its flowers resembling bees or wasps and for giving off an odour similar to these species' pheromones as part of its pollination strategy.

The sawfly orchid, *Ophrys tenthredinifera*, is typical in the Mediterranean region. In Portugal, it can be found just about anywhere, except for the country's central and northern mountain zones. At the Navigator

properties where it is located – primarily in the Alentejo – it is protected by special zones for the preservation of biodiversity with restrictions on the use of plant protection products.

# OUR PEOPLE

People occupy a prominent place in Navigator's strategy, with the sum of talents and individual will determining its success. People who want to be more and more involved and committed to the Company's mission, vision and values, and also more motivated and qualified.

In this sense, the benefits that Navigator guarantees to its employees are strategic differentials to retain and attract talent. In 2019, €25 million was earmarked for this purpose, including health insurance, life insurance, pension fund, childcare allowance, textbook allowance, scholarships, allowance for disabled children, canteens and training. It should also be noted that the employee share of profit in 2018 was €23 million, an amount paid in 2019.

There was an extensive redesign of the Learning Center in 2019 with the introduction

of a digital platform to facilitate employee training and learning. More than 500 online training courses were provided in a wide range of areas, involving almost all employees (95%).

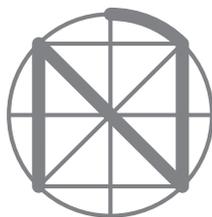
Safety has remained a strategic priority, having defined five clear general rules to reinforce safe behaviour in industrial complexes, with zero tolerance in the event of non-compliance.

The Plan for Gender Equality was launched in 2019, in which Navigator makes a commitment to enhance parity between men and women. And also summer camps for employees' children, bringing professional and family life closer together.

In a universe of 3,280 employees worldwide, 175 joined the Company in 2019, clearly demonstrating the renewal, growth and diversification that guides Navigator's activities.



# THE NAVIGATOR UNIVERSE IN NUMBERS 2019



**3,280** *Employees*

*175 new employees in 2019\**

## Gender Diversity in the Group\*

	2018		vs.	2019	
<b>Women</b>	474	15%		490	16%
<b>Men</b>	2,652	85%		2,633	84%
<b>Total</b>	3,126			3,123	

In the universe of 865 employees among middle and senior management:

### Between Middle and Senior Management\*

	2018	vs.	2019
<b>Women</b>	28%		30%
<b>Men</b>	72%		70%

### Employees by Age\*

	2018	vs.	2019
<b>&lt; 30 years</b>	12%		11%
<b>30-50 years</b>	56%		56%
<b>&gt; 50 years</b>	32%		33%

*Distributed between the following Industrial/Operational Complexes*

Figueira da Foz  
Industrial Complex:  
1,008 vs. 1,011 in 2018

Setúbal Industrial  
Complex:  
1,157 vs. 1,147 in 2018

Aveiro Industrial  
Complex:  
503 vs. 460 in 2018

Vila Velha de Ródão  
Industrial Complex:  
226 vs. 204 in 2018

Other locations  
in Portugal:  
146 vs. 216 in 2018

International sales  
offices:  
83 vs. 88 in 2018

Portucel  
Moçambique:  
157 vs. 156 in 2018

## Gender Diversity in Mozambique

	2018	vs.	2019
<b>Women</b>	25%		27%
<b>Men</b>	75%		73%

\* figures related to the universe of 3,123 employees, excluding Mozambique

## 6.1. Proactivity of Learning Center

Learn more and make it easier. Fulfilling qualification needs of the various business areas, but also offering the chance for employees to proactively learn about different topics or areas, reinforcing their skills and professional growth. These are the objectives of the redesigned Learning Center, which in the new configuration includes a portal containing all the data on Navigator training and also e-learning, b-learning and through videos, freely accessible and immediately available at the click of a mouse.

The project started in December 2018 and was consolidated in 2019, with the availability of over 500 courses in online format and others in face-to-face format, in 17 different areas – including management, leadership, behaviour, industrial (pulp, paper, tissue, energy and maintenance), commercial (sales, marketing, logistics and supply chain), forestry and security. The platform and most of the online courses are available in Portuguese and English, so that the information is accessible to all the Company's employees in Portugal and beyond, creating a spirit of integration and proximity.

Access to the platform and all its online content is very simple, with just the corporate email credentials of each employee, which can be accessed by computer or through their mobile devices. Therefore, the Company distributed headphones to encourage the use of the platform. On the platform, each employee can access his or her entire training history in the staff area and his or her individual training plan, as appropriate to his or her individual preferences, availability and ambition. In turn, managers have access to the training information of all members of their team and can register then directly in training they deem relevant. This in addition to continuing to offer training both in the classroom and on the job, which continues to be an important part of the Company's life, both at the level of the initial qualifications to occupy a new position, and for obtaining or renewing the continuity of knowledge.

**The employee has access to various courses, which are freely accessible and immediately available.**



### Initial qualification courses

With the Company's current process of attracting young employees, which involves a considerable number of employees reaching pre-retirement age in the coming years, it becomes urgent to ensure the latter's replacement by technicians with a minimum initial qualification and, at the same time, maintain the retention of knowledge critical to the business.

The solution found was the internal development of Technical Training Courses, in partnership with a technical school (ATEC), which enable the preparation of future employees as needed to replace current ones. These are six-months courses for Industrial Production Technicians (Pulp and Paper) and nine months for Industrial Maintenance (Mechanical and Control and Power), which already have two editions, resulting in the qualification of a total of 102 technicians, who had an integration rate of 87%. In 2019 alone, 50 new industrial technicians were qualified in three classes.

### Training programmes

Outside the industrial area, the Learning Center continues to promote leadership training for new managers and supervisors (51 people in 2019), and maintains the development of management skills, with several actions in partnership with universities, in areas such as Management, Advanced Negotiation, Finance and Project Management (with 117 participations in 2019 and a total of around 3,000 hours of training).

But because the work in the pulp and paper industry requires very specific qualifications, the Learning Center cannot overlook the importance of the internal training offerings, which includes 204 courses developed within the Company, essential for understanding the various aspects of Navigator's business. The courses are developed with the support of the Company's specialists and using internal trainers, and in 2019 alone resulted in around 165,000 hours of training.



### AN EXPERIENCE CALLED INDUSTRIAL CHALLENGE

In 2016, Navigator reformulated an essentially theoretical technical training programme, called Operator's Week, which had been held in Setúbal for some years, and created the Industrial Challenge, a new, more experiential and practical programme. In this programme, themes such as forest and safety were addressed, and team-building activities were carried out, with the aim of promoting cooperation, trust and teamwork. Employee visits to other units of the Company were also

included in order to learn about different realities. Since 2018, this programme has extended to all the Company's industrial complexes and now involves all the operational employees in the industrial area. For 2019 overall, 29 sessions were held and over 2,000 employees were involved.

### PREPARING THE SUCCESSION FOR LEADERS IN THE INDUSTRIAL AREA

In parallel with the Learning Center's training projects, the succession plan for senior management in Navigator's industrial areas are underway. These aim to ensure the transmission of knowledge to a new generation

of employees who will have managerial and leadership duties at the Company in the short, medium and long term. In 2019, 52 critical functions were identified for senior management, and succession plans were devised for

those performing such duties in the Setúbal, Figueira da Foz and Aveiro Industrial Division, Environment and Energy Division, Materials Management Divisions and at RAIZ.

## 6.2. Safety in focus

Safety and health are a priority in The Navigator Company's management strategy. In this context, the Company continued to develop measures aimed at changing culture and behaviour throughout 2019.

Within the context of the 2020 Safe Horizon Programme, a set of rules applicable to all employees (internal and external) went into

force on 1 January 2019, whose mission is to guide the behaviour within the Company during day-to-day activities, with the ultimate goal of preventing accidents.

The five cardinal rules to which, for the sake of the common good, the Company applies the zero-tolerance rule in case of non-compliance are as follows:



### **1. Use of personal protection equipment essential to the performance of each employee's tasks**

*(helmet, protection for ears and eyes, adequate footwear and other devices required for specific functions).*



### **2. Express prohibition of smoking** outside designated locations.



### **3. Mandatory use of safety belt** when using machinery and driving motorised vehicles.



### **4. Prohibition of circulation** in places where suspended loads are moved.



### **5. Prohibition of work performed at height** without proper equipment.

## Improved safety through geolocation

In August 2019, an intelligent sensing and advanced data analysis device, designed with a view to working in isolated environments and which improved the response capacity of rescue teams, began to be implemented at Navigator's industrial complexes.

With a total of 120 devices distributed among the employees of the Company's four production units, the system reached the end of the year already in full operation.

Developed by Navigator's Health and Safety team in collaboration with Blackline (manufacturer of the devices and manager of the online platform), the implementation of this system involved an investment of €400,000. It consists of a device for individual use which performs several functions: it detects the absence of movement of the employee (immobilisation), a situation in which the employee falls and exposure to gases that significantly alter the breathable atmosphere.

In any of these situations, an immediate alert is issued – which can also be triggered by the worker – to a platform monitored by the rescue services. The response process can begin in less than a minute. The devices also allow two-way communication and are used by employees performing work duties in isolation (places and tasks that tend to be performed by one person only), which involves specific risks, such as climbing a tank or performing work in a confined space, particularly during night shifts.

When triggered by the need for help within a certain area, without being associated with a specific individual, the system safeguards all data protection issues.

Meanwhile, tests with intelligent sensing devices have already started in the Company's forest areas, in order to gauge the effectiveness of geolocation, either by satellite or by mobile network, in areas where work is also carried out individually and with a greater area of dispersion.



### A MATTER OF POSTURE

April, the month during which National Day for Prevention and Safety at Work is celebrated, is "safety month" at The Navigator Company. Ergonomics was the main theme in 2019. Over the course of four weeks, initiatives were carried out that sought to raise awareness of the relationship between working conditions

and the employee's physical or psychological abilities. The manual handling of loads was discussed in order to prevent musculoskeletal injuries. And standing posture, in reference to its consequences, the care to be taken in that respect and muscle relaxation exercises that should be done during breaks, in order

to reactivate circulation. Sitting posture was also addressed, with warnings imparted on the risk of an inadequate position accompanied by information on the best ways to prevent musculoskeletal injuries and tips for improving comfort, as well as suggested exercises to be performed during breaks.



## 6.3. Other Initiatives

### Commitment to gender equality

Though not always easy to achieve, parity between men and women in different roles is an objective of Navigator. Even so, the Company is strongly committed to building mixed gender teams, despite faced with predominantly male candidates at the recruiting stage.

In 2019, after carrying out a self-diagnosis where the Company identified its strengths and the areas for improvement, a Plan for Gender Equality was created. Representing Navigator's commitment in this area and with which it intends to implement measures that contribute to enhancing equal opportunities in terms of professional development and growth, this plan has targets set for 2020.

Navigator has a strategic objective to have more women on its staff and thus has created internal conditions for them to grow into management positions; it supports the objectives, measures and actions of this plan in transparent policies, based on meritocracy,

while fostering the reconciliation of personal, family and professional life.

The Plan for Gender Equality aims to respond to Article 7 of Law 62/2017 but is also perfectly framed within Navigator's policies and practices, which promote the elimination of any form of discrimination and encourage a culture anchored to merit and diversity of talent. Moreover, non-discrimination on the basis of gender is expressly ensured in the Code of Ethics and Conduct in force.

### The workplace can also have a playful side

In 2019, Navigator inaugurated summer camps for the children of its employees. While their parents worked, the children had fun and expanded their knowledge of areas related to the environment, the forest and the sustainability of paper, among others.

Under the slogan "Children have fun where their parents work", these summer camps welcome

children between the ages of 6 and 12 for a week of playful and educational activities at the mills in Figueira da Foz, Aveiro, Setúbal and Vila Velha de Ródão. As it is well known that the parents' place of employment is really fascinating to their children, the Company's facilities were selected as the site for the camps: the mills, as well as RAIZ and nurseries. An option that has responded to the curiosity of children, for whom paper is a product used on a daily basis but whose origin and mode of production is not always easy to imagine.

During the four weeks of vacation, the 221 children visited the paper mills (UWF and tissue), RAIZ, nurseries and some of the Company's rural landholdings and farms, which are an example of responsible management. During these visits, and among the various recreational and educational activities, the children took a trip into Navigator world, becoming aware of its responsible and sustainable approach. The various activities in which children were involved also underscored the importance of safety standards at work and teamwork. They also learned to administer first aid in an emergency.

The highlight of the experience was undoubtedly the visits to the UWF and tissue paper mills, where the children had the opportunity to get to know their parents' workplace and to understand the process and

technology used in the production of both types of paper.

### 221 children participated in Navigator's 2019 Summer Camps.

#### United by nature

After the pilot editions in 2018, 2019 was the year for consolidation of Love the Forest, The Navigator Company's corporate volunteering programme, created to reinforce the Company's responsible attitude towards local communities, while promoting environmental responsibility and teamwork among employees.

The first action of the year took place in the North, in the Serra de Santa Justa. Coordinated by technicians from Navigator's forest area, 70 volunteers covered 67,500 m<sup>2</sup> of land, with the aim of protecting native plants from natural plants.

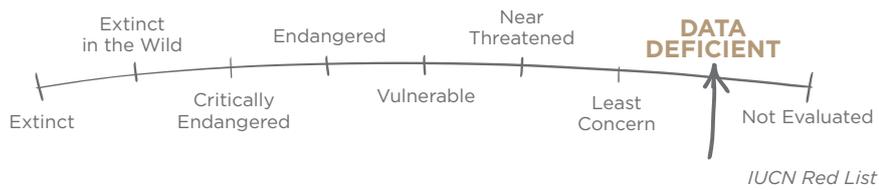
With the intervention, also, of 70 volunteers, the second action was in Serra da Arrábida, with the aim of protecting the biodiversity of one of the most beautiful natural parks in the country. The volunteers collected about two tonnes of groundsel, an invasive species that inhibits seed germination and the growth of native shrubs and trees, and also collected abandoned waste.



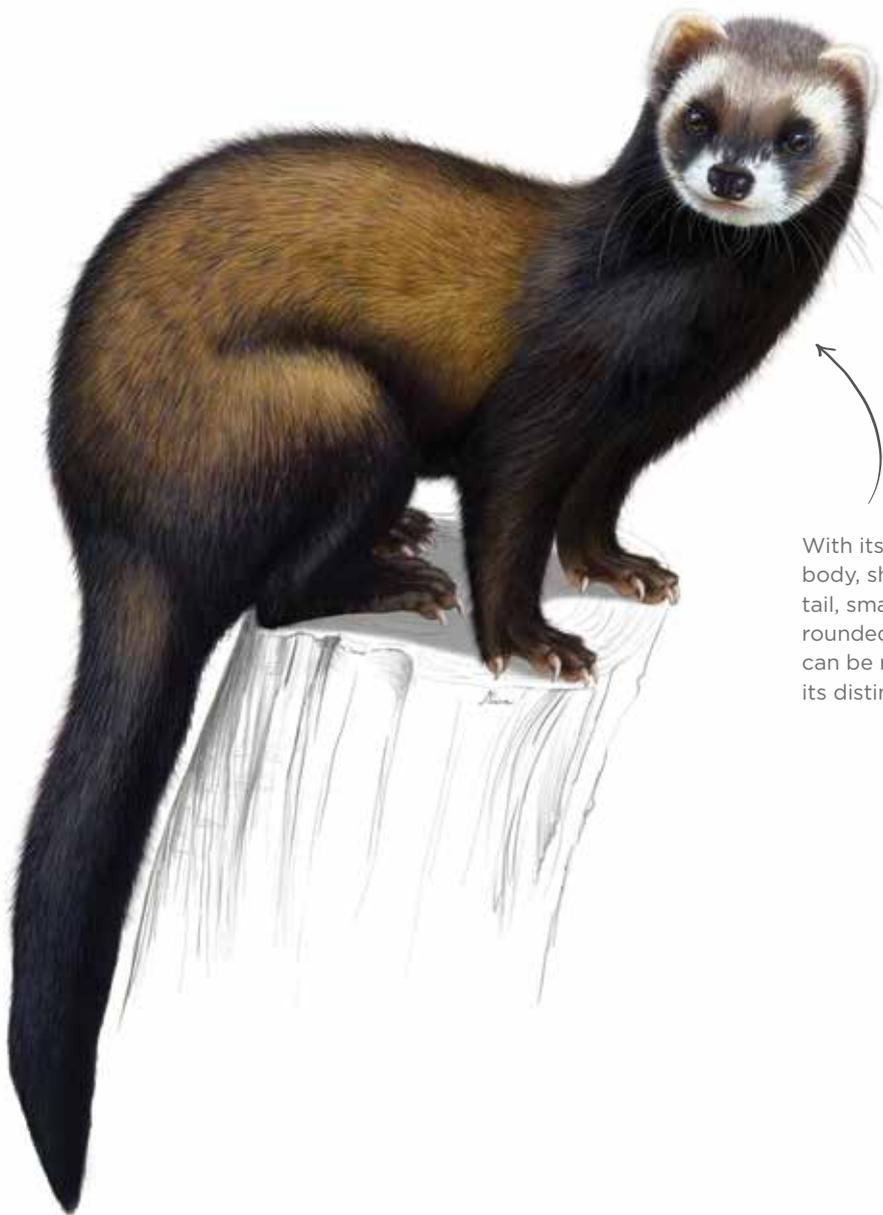
# OUR PERFORMANCE

07

## European polecat (*Mustela putorius*)



It is the form of the white patches around the mouth and chin, as well as between the eyes and ears (also trimmed with white), that marks out this small carnivore, whose prey consists of rodents, hares and rabbits. During the winter its builds up reserves of food - frogs that it paralyses by biting them at the base of the skull, keeping them fresh for long periods. Although it sometimes takes up residence in old rabbit burrows or badger setts, it also burrows its own shelters, which include a chamber for sleeping and another for storing food.



With its long, cylindrical body, short legs, bushy tail, small head and rounded ears, the polecat can be recognised from its distinctive colouring.

Polecats are found throughout Europe, except in the Balkans, the Mediterranean islands, Iceland and Ireland. They are present throughout mainland Portugal. Polecats prefer wetlands, but their preferred habitats are determined by the presence of prey.

On Navigator's estates, they are most frequent south of the Tagus and around Malcata, where they benefit from measures to conserve and improve their habitat and designated conservation areas.

# OUR PERFORMANCE

## 7.1 Risk Management

The Company regards Risk Management as a core process in its business activities. A permanent risk management monitoring system is therefore in place at Navigator, involving all organisational units, the Risk Management Division and the Supervisory Board.

This system is based on a systematic and explicit assessment of business risks by all organisational divisions in the Group and

identification of the main controls in place in all business processes. A foundation that will allow the Company to assess on an ongoing basis the extent to which its internal control system is appropriate to the risks regarded as most critical.

In the course of its business, the Group is exposed to a variety of economic, financial and legal risks, with a selection of the main risks identified below:



RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
Industrial accidents at work	Risk of the occurrence of accidents at work potentially resulting in injuries, disability or fatalities.
Increase in transport costs	Risk of increase in pulp, paper or tissue transport costs, which may result in a reduction in sales margins or the need to increase prices charged to customers.
Higher demand for raw materials (wood)	Risk associated with an increase in demand for raw material (wood) due to competitors expanding their capacity, triggering an increase in wood prices and a consequent increase in production costs.
Foreign exchange	Risk of variation in the exchange rate between the Euro and other currencies, which may significantly affect the Group's results, either through revenues (sales) or costs (purchases).
Environmental consequences of operations	Risk of occurrences with adverse environmental consequences, directly or indirectly attributed to industrial activities, potentially resulting in a breach of environmental legislation or customer and stakeholder dissatisfaction, namely as regards the local community.
Forest damage	Risk of forest damage resulting from natural or man-made causes, which may jeopardise the quantity of raw material needed for the Group's activities and consequently lead to increased costs or loss of revenues.
Energy business less competitive due to regulatory issues	Risk of deterioration in the conditions of sale of the energy produced, determined to a certain extent by the regulatory environment; volatility in the regulation of the sector may lead to a sudden loss (total or partial) of the contribution of this business to the Group's profitability.
Reduction in paper demand due to technological substitution	Risk associated with a reduction in demand for the products sold by the Group, which may result in a significant reduction in sales.
Failure in wood supplies	Risk of failure in wood supplies, which may result in production stoppages and consequent increase in costs or lost revenues.
Equipment failures	Risk of failure in production equipment, which may result in production stoppages and consequent increase in costs or lost revenues.
Data security failures	Risk of failures in data security relating to the confidentiality, availability and integrity of data over the process of acquisition, processing, communication, storage and destruction, potentially leading to information losses/leaks, fraud, discontinuity of operations.
Shortage of certified raw material	Risk associated with the inability to obtain certified raw material, which may result in a loss of value of the final product and, consequently, of sales.
Fraud	Risk of fraud in processes involving movements in funds/valuables, causing losses to the Group.
Supplier management	Risk of inefficiency in management of relationship with critical suppliers for the business, or over-dependence on these supplies, compromising the quality of services provided, limiting Group operations or potentially leading to operational inefficiencies.
Non-compliance with legislation and regulations	Risk of non-compliance with legislation on tax, employment, environmental, accounting and/or other matters or with industry regulations. Non-compliance with accounting standards.
Irregularities in purchases and payments	Risk of inefficient or inappropriate processes in purchases of materials and services critical for the business, resulting in items being out of stock, financial losses, non-performance by and in relation to suppliers or occurrence of situations of fraud.
Occurrence of fires or natural disasters	Risk of loss of assets or even personal injury due to fires or other natural phenomena.
Loss of new business/product/process opportunities	Risk of failing to capture opportunities to develop new business, products or processes due to ineffective R&D or technology scouting.
Loss of forest productivity	Risk of not being able to achieve full production potential of the plantation due to failure to apply best available forestry practices.
Losses on loans to customers	Risk of credit granted to customers, which may result in uncollectable debts and a consequent increase in costs.
Pulp price	Risk associated with pulp price fluctuations, which may result in losses for the Group.
Product quality	Risk associated with product quality, potentially resulting in consumer dissatisfaction and a consequent drop in sales and lost revenues.
Reduction in paper price	Risk of pressure of competition, which may result in a drop in sales or reduction of market share.
Environmental restrictions on industrial production	Risk of environmental restrictions on industrial production, which may result in changes being required in the production process, thereby increasing costs.
Legal restrictions on forestry production	Risk of legal restrictions being imposed on forestry production, which may result in a reduction in raw material output and a consequent increase in acquisition costs.
Legal restrictions on paper imports	Risk of restriction on paper imports in producer countries through the erection of customs barriers, potentially resulting in a reduction in sales.
Sustainability of forestry operations	Risk of compromising the future operations of the organisation or of local society and the business community, in general, due to overuse or irrational use of the natural resources involved in forestry operations.
Sustainability of industrial operations	Risk of soil contamination or excess atmospheric emissions of noxious gases, resulting directly or indirectly from the process of supply, sanitation or processing of solid urban waste (e.g. accidents, breakdowns, techniques used) or from natural causes such as floods or droughts at intake points or serious pollution accidents.
Variation in energy prices	Risks associated with changes in the purchase and sale price of energy, resulting in additional costs and lost revenues.
Cybersecurity	Risk associated with security flaws in the Company's IT systems that allow undue or illicit activities by third parties resulting in losses for the Company.

Many of the risk factors identified are beyond The Navigator Group's control, including, for example, in the case of market factors which can have a fundamental and negative effect on the market price of Navigator's shares, irrespective of the Group's operational and financial performance.

The Group regards risk management as an essential decision-making tool, involving permanent monitoring of the risks to which it is exposed. In this sense, the Group operates based on a risk culture that includes both a perspective of avoiding and assuming the risks inherent to the operation in a positive way.

At the same time, the different areas/divisions benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides the Group with greater and more sustained decision-making capability with regard to risk events, allowing it to respond in a coordinated and integrated manner to risks with causes, impacts or vulnerabilities which extend across more than one area.

## 7.2 Debt restructuring

In view of the approaching maturity of a substantial part of its debt – including backup lines – which would occur in 2020, Navigator decided to undertake a restructuring process, which took place during the 1<sup>st</sup> quarter of 2019. This process involved contracting four loans and two backup lines (commercial paper programmes) for a total amount of €455 million, with the corresponding cancellation of the lines that were due in 2020.

The main repercussions of this process were the following:

- Extension of maturities: the new loans were issued with an average life between 5 and 7 years (vs. an average debt maturity of 2.6 years at the end of 2018);
- Increase of the fixed rate component: all new loans were contracted at a fixed rate;

- Reduction of costs compared to the operations cancelled in advance;
- Diversification of funding sources, with the inclusion of a new international bank in the range of funding sources;
- Conversion of a backup line into a “green” commercial paper programme, the first operation of its kind in Portugal.

This last operation – where pricing conditions are associated with the evolution of a specific score attributed by a specialised entity – has, at the same time, reinforced Navigator Group's commitment to sustainability.

## 7.3 Optimisation and cost reduction programme

The Group's performance in 2019 was impacted by the market environment and several exogenous factors, which affected global economic growth and impacted some production costs.

Navigator tried to mitigate the increase in expenses recorded throughout the year, continuing the work developed with its M2 programme, geared towards the control of variable cost optimisation in the Company, which continues to be implemented systematically and with the transversal involvement of all Group units.

During 2019, several projects stood out involving the optimisation of products, optimisation of maritime and road logistics, as well as internal management of containers, integrated negotiation of the acquisition of chemical products and, on the industrial side, the increase in energy efficiency in Setúbal paper machines and the optimisation of the pulp bleaching process.

In April 2019, Navigator started the Zero Based Budget project, with the objective of defining and implementing a set of initiatives to reduce corporate

fixed costs (operating cost, general and administrative expenses and personnel costs in non-industrial areas), which are expected to materialise in 2020 and achieve €10 million in savings.

In early 2020, Navigator decided to implement a new cost optimisation and operational efficiency plan, involving the entire organisation and its activities, integrating the previous M<sup>2</sup> and ZBB Corporate programmes, and also including a new Digital Transformation project in the Corporate Area. This new plan aims at a deeper review of the organisational structure and its fixed and variable costs and should translate into an additional and significant reduction in the Group's costs, with implementation during the second half of 2020 and throughout 2021.

### **Subsequent event - Note on Covid-19**

This Report, finalised on 12 March and approved on 17 March 2020, cannot fail to mention the current impact of the Covid-19 virus on our operations.

Internally, The Navigator Company is constantly monitoring the evolution of this public health emergency, having implemented a contingency plan at the end of February based on the indications of the Portuguese Directorate General for Health. Within this scope, the Company has also created an Office responsible for managing and monitoring the evolution of the spread of Covid-19, consisting of a transversal set of directions and supervised by the Executive Committee, which is in contact and available on a daily and permanent basis.

The contingency plan outlined by Navigator is essentially aimed at protecting the health of all employees and the community in general, as well as ensuring the continuity

of operations. Thus, the Group has been communicating and implementing with its employees and entities to which it relates a set of measures, instructions and recommendations for prevention and strong containment, widely disseminated through the hierarchical structure and via the intranet, as well as through the publication of pamphlets and notices distributed globally.

To date, operations have been running normally and without any disruption in service to customers. We can also mention that, to date, the Group has not detected any impact on the sales volume of its paper, pulp and tissue that could result from Covid-19.

The Group is continuously monitoring and tracking the situation throughout the entire supply chain – from the supply of wood, raw materials and subsidiaries (including logistics issues) to technical and support services provided by foreign companies and outsourcing service providers, among others.

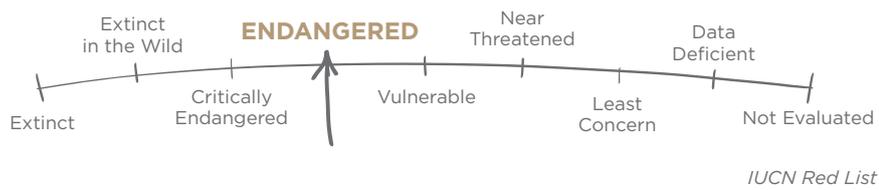
At the moment Navigator has no visible impacts resulting from Covid-19 in its Financial Statements and is developing a risk assessment to try to gauge these possible impacts, an assessment that is still ongoing.

While we are currently experiencing a unique period of high uncertainty, we are working hard to minimise the potential impacts of this pandemic on our business. Above all, the safety of our employees and other partners is our priority. We are convinced that with prevention, equanimity and together with all our stakeholders, we will be prepared to meet this challenge.

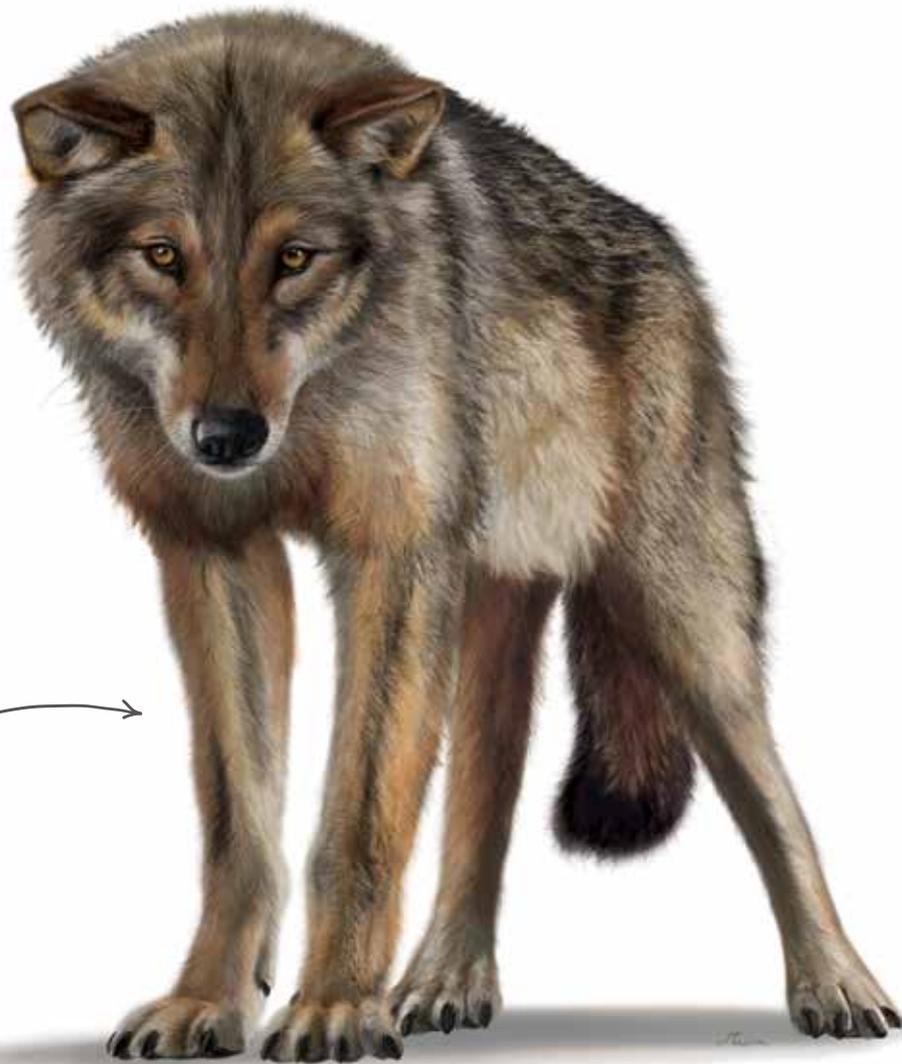
**DECLARATION  
REFERRED  
TO UNDER  
ARTICLE 245(1)(C)  
OF THE SECURITIES  
CODE**

08

## ***Iberian wolf*** *(Canis lupus signatus)*



Iberian wolves are elusive and nocturnal by nature and spotting one depends largely on a stroke of luck. It is an apex predator and primarily feeds on ungulates (wild boar, deer, roe deer, sheep and goats). Its organization into packs with a well-defined hierarchy is essential for hunting animals bigger than itself.



Smaller than a Eurasian wolf, it is characterized by the yellow and red shades of its fur and lengthwise black stripe on its front paws.

Once found throughout Portugal, it now occupies only 20% of its native range. The latest census from 2003 gives an estimated population of 350 animals organized into 60 packs, located north and south of the Douro River. On properties managed by Navigator, the species

has been spotted in the districts of Porto and Aveiro. Special zones for the preservation of biodiversity have been created to reconcile forest management with the species' conservation.

# DECLARATION REFERRED TO UNDER ARTICLE 245(1)(C) OF THE SECURITIES CODE

Article 245(1)(c) of the Securities Code provides that each of the persons responsible of issuers must make a set of declarations as set forth therein. A uniform declaration was adopted in the case of Navigator, which reads as follows:

I hereby declare under the terms and for the purposes of Article 245(1)(c) of the Securities Code, that to the best of my knowledge, the annual report, annual accounts, statutory audit and other reporting documents of The Navigator Company, S.A., all related to the 2019 financial year, were prepared according to applicable accounting standards, providing a true and fair view of assets and liabilities, the financial situation and results of such company and the companies included in the scope of consolidation, and that the annual report

faithfully reflects the evolution of the business, performance and position of such company and the companies included in the scope of consolidation, containing a description of the main risks and uncertainties faced.

Considering that members of the Supervisory Board and the Statutory Auditor sign an equivalent declaration within the scope of the documents under their responsibility, the independent declaration with such text was signed only by members of the Board of Directors, because it was only considered that members of statutory bodies are included under the concept of “responsible parties of the issuer”. Under the terms of the cited legal provision, the following is a list of the names of the undersigned persons and their duties:

**João Nuno Pinto de Castello Branco**  
*Chairman of the Board of Directors*

**António José Pereira Redondo**  
*Chief Executive Officer*

**Adriano Augusto da Silva Silveira**  
*Executive Director*

**João Paulo Araújo Oliveira**  
*Executive Director*

**João Paulo Cabete Gonçalves Lé**  
*Executive Director*

**José Fernando Morais Carreira Araújo**  
*Executive Director*

**Nuno Miguel Moreira de Araújo Santos**  
*Executive Director*

**Manuel Soares Ferreira Regalado**  
*Non-Executive Director*

**Maria Teresa Aliu Presas**  
*Non-Executive Director*

**Mariana Rita Antunes Marques dos Santos Belmar da Costa**  
*Non-Executive Director*

**Ricardo Miguel dos Santos Pacheco Pires**  
*Non-Executive Director*

**Sandra Maria Soares Santos**  
*Non-Executive Director*

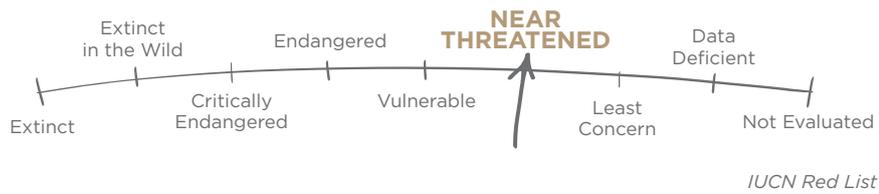
**Vitor Manuel Galvão Rocha Novais Gonçalves**  
*Non-Executive Director*

**Vitor Paulo Paranhos Pereira**  
*Non-Executive Director*

# CORPORATE GOVERNANCE REPORT 2019

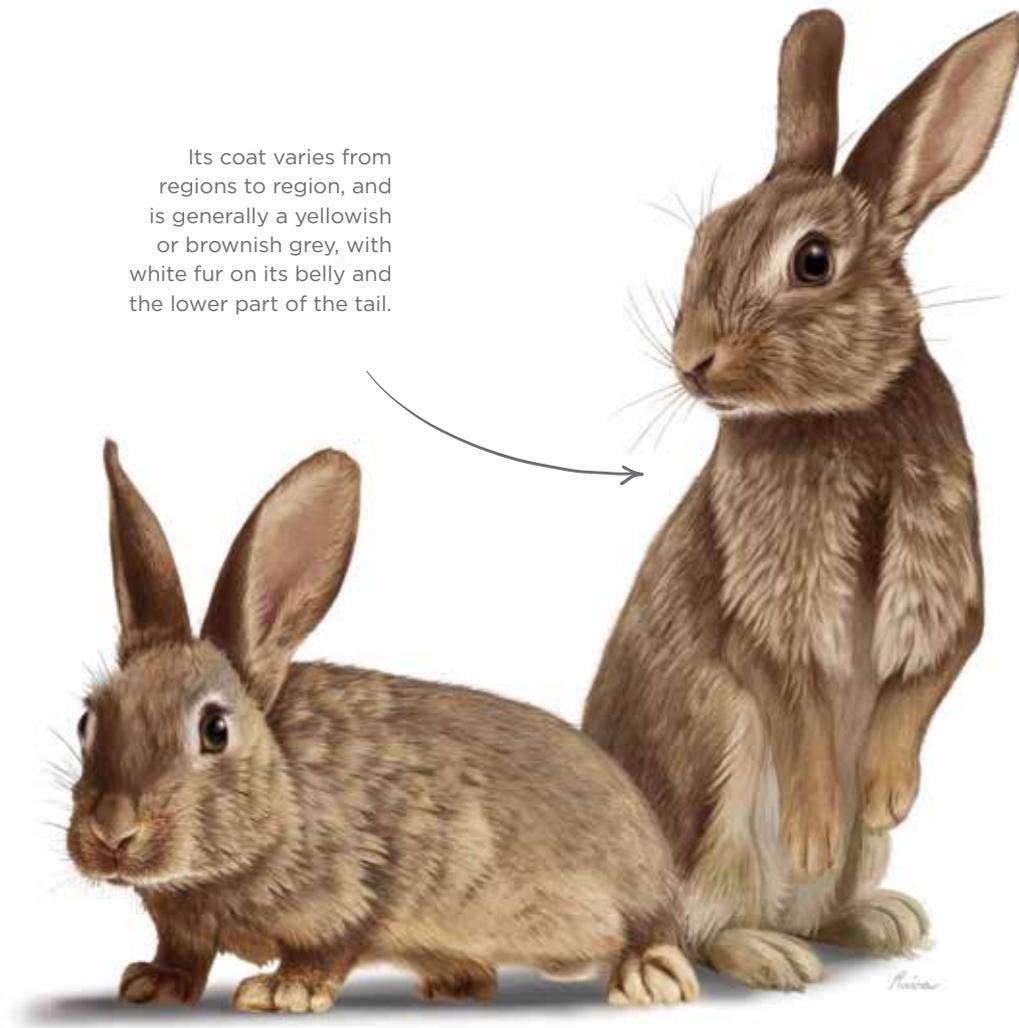
09

## European rabbit (*Oryctolagus cuniculus*)



The European rabbit is distinguished by its well-developed hindquarters, which enable it to leap. It lives in colonies that inhabit warrens consisting of networks of tunnels dug in borderlands between crops, meadows and woodlands. The species is an important for predators such as the Iberian lynx and the imperial eagle, and has been affected by two diseases: myxomatosis and viral haemorrhagic fever.

Its coat varies from regions to region, and is generally a yellowish or brownish grey, with white fur on its belly and the lower part of the tail.



The European rabbit present in Portugal belongs to the subspecies *Oryctolagus cuniculus algirus*, which can also be found in Spain, in northern Africa and Mediterranean islands. It is less common in Portugal

today, but still found in most of the country's mainland territory. Although sightings have diminished, it is still widely found on Navigator's properties.

# CORPORATE GOVERNANCE REPORT 2019

## PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

### A. SHAREHOLDER STRUCTURE

#### I. Capital Structure

1. Capital structure (share capital, number of shares, capital distribution among shareholders, etc.), including indication of shares not admitted to trading, different categories of shares, rights and duties attached to the same, and the percentage of the capital represented by any such category (article 245-A (1) (a)).

The Navigator Company, S.A. has a share capital of 500,000,000 euros, fully paid up, represented solely by 715,500,000 ordinary shares, without nominal value, the same rights and duties being attached to all shares.

All shares representing the Company's share capital are listed on the regulated Euronext Lisbon market, managed by Euronext

Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.

At the end of 2019, the Company carried out a new analysis of its shareholder base, identifying and characterising its main institutional shareholders.

In addition to the Semapa Group, the majority shareholder with 69.4% of Navigator's share capital, approximately 270 institutional shareholders were identified and classified, accounting for approximately 20% of the capital.

The following shareholder composition was identified:

#### SHAREHOLDER COMPOSITION



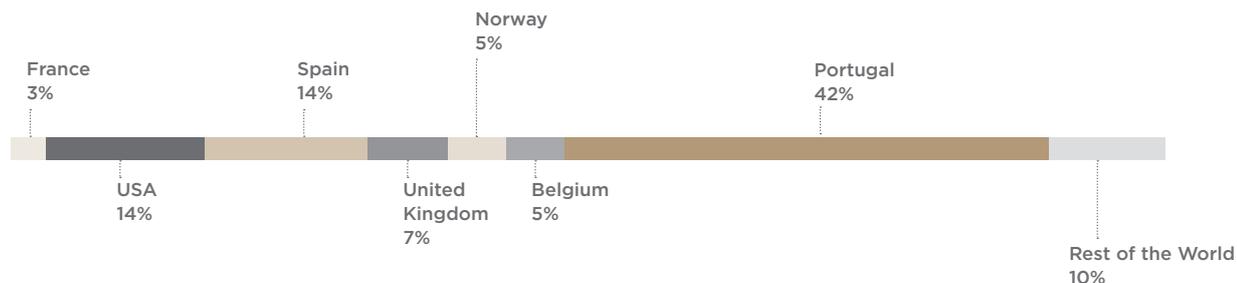
According to this new description, and excluding the majority holding and own shares, Navigator's institutional shareholders

are mostly European. Portuguese investors are the largest group, holding around 42% of shares, with 14% of shareholders based

in Spain, approximately 7% in the United Kingdom, 2% in Germany, around 3% in France and 5% in Norway. Shareholders based in the

United States accounted for 14% of the identified institutional investors.

## GEOGRAPHY



In addition, a breakdown by investment style shows that around 60% of the shares are held by institutional investors with a growth-oriented strategy, whilst approximately 15% of investors pursue an Index Funds style strategy and 6% a Value-focused strategy.

Investors with types of strategies such as Yield, Aggressive Growth and GARP (Growth at a Reasonable Price) accounted for around 19% of investors.

## TYPE OF INVESTOR



### 2. Restrictions on the transferability of shares, such as consent clauses for disposal, or limitations on ownership of shares (article 245-A (1) (b)).

All Navigator shares are freely transferable.

### 3. Number of own shares, corresponding percentage of share capital and percentage of voting rights which would correspond to own shares (article 245-A (1) (a)).

On 31 December 2018, Navigator held 6,316,931 of its own shares, corresponding to 0.88% of its share capital and 6,316,931 votes at the General Meeting (the exercise of which is suspended, in accordance with Article 324 (1) (a) of the Portuguese Companies Code).

### 4. Significant agreements to which the Company is a party and which take effect,

are amended or terminate in the event of a change in the control of the Company as a result of a takeover bid, together with the respective effects, unless, due to its nature, disclosure of such agreements would be seriously detrimental to the Company, except if the Company is specifically required to disclose such information by other mandatory provisions of law (article 245-A (1) (j)).

The Company is not a party to significant agreements entering into effect, being amended or terminating in the event of a change to the Company's control following a takeover bid.

The Company and certain subsidiaries are party to a number of financing agreements and debt issue transaction which contain clauses for ongoing control by the shareholder SEMAPA – Sociedade de Investimento

e Gestão, SGPS, S.A., and allow for the option of requesting early repayment of the loan in the event of change of shareholder control, in line with standard market practice. Due to the conditions of these contracts and the values in question, they are not likely to harm the economic interest in the transfer of shares and the free appreciation of the performance of directors by shareholders.

**5. Rules applicable to the renewal or revocation of defensive measures, in particular those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.**

No defensive measures exist in the Company, particularly those providing for limits on the number of votes which can be held or cast by a single shareholder individually or in a concerted manner with other shareholders.

**6. Shareholders' agreements known to the Company or which might lead to restrictions on the transfer of securities or voting rights (article 245-A (1) (g)).**

The Company is not aware of the existence of any shareholder agreement which might lead to restrictions on the transfer of securities or voting rights.

## II. Holdings of Shares and Bonds

**7. Identification of persons and organisations who, directly or indirectly, own qualifying holdings (articles 245-A (1) (c), 245-A**

**(1) (d) and 16), detailing the attributable percentage of the share capital and votes and the respective grounds.**

ENTITY	ATTRIBUTION	NO. OF SHARES	% CAPITAL	% VOTING RIGHTS NOT SUSPENDED
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	Direct	256,034,284	35.6842%	36.0012%
Seinpar Investments B.V.	Indirect, through Controlled Company	241,583,015	33.6701%	33.9692%
<b>Total attributable to SEMAPA</b>		<b>497,617,299</b>	<b>69.3543%</b>	<b>69.4017%</b>

**8. Indication of the number of shares and bonds held by members of the management and supervisory bodies.**

*[NOTE: information should be provided in accordance with article 447 (5) of the Companies Code]*

**António José Pereira Redondo:**

6,000 shares

**Adriano Augusto da Silva Silveira:**

2,000 shares

**9. Special powers of the management board, in particular concerning resolutions to increase capital (article 245-A (1) (i)) indicating, with regard to these, the date on which they were granted, the period during which such powers may be exercised, the upper limit for the increase in share capital, shares already issued under the powers granted and the manner in which the powers granted are implemented.**

The Company's Articles of Association do not authorise the Board of Directors to adopt resolutions approving increases in share capital.

**10. Information on the existence of significant dealings of a commercial nature between holders of qualifying holdings and the Company.**

On 1 February 2013, a service agreement was concluded between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. and Navigator in accordance with article 4 of Decree-Law 495/88 of 30 December, which was subject to the favourable opinion of the Audit Board, after prior assessment of possible contingencies.

This contract establishes a remuneration system based on equitable criteria which do not create a bureaucratic burden for the parties in their ongoing relationship of collaboration and assistance, assuring maximum objectivity in the setting of remuneration and abiding by the rules



applicable to commercial dealings between companies in the same group. In 2019, the

value of services provided under this contract was 12,811,123.00 Euros.

## B. STATUTORY BODIES AND COMMITTEES

### I. General Meeting

#### A) COMPOSITION OF THE GENERAL MEETING\*

##### 11. Officers of the General Meeting and their term of office (starting and ending dates).

The Board of the General Meeting is composed of the following persons:

###### Chairman:

Francisco Xavier Zea Mantero (mandate from 09/04/2019 to 31/12/2022)

###### Secretary:

Luís Nuno Pessoa Ferreira Gaspar (mandate from 09/04/2019 to 31/12/2022)

Until the Annual General Meeting held on 9 April 2019, the position of secretary of the board was held by Ms. Rita Maria Pinheiro Ferreira Soares de Oliveira.

#### B) EXERCISE OF VOTING RIGHTS

##### 12. Any restrictions on voting rights, such as limitations on the exercise of voting rights based on the ownership of a given number or percentage of shares, time limits for exercising voting rights, or systems for detaching voting rights from ownership rights (article 245-A (1) (f));

###### 12.1. Exercise of voting rights.

There are no limits, in the Company, to the exercise of voting rights by the respective shareholders.

In effect, the Articles of Association enshrine the one-share-one-vote rule and a General Meeting may only be held and pass resolutions on the first call when shareholders holding no less than half the share capital plus one share are present or represented.

In addition, the Articles of Association make no provision for votes not to be counted above a given limit, and there are no categories of non-voting shares.

The Company has no procedures in place which result in mismatching between the right to receive dividends or to subscribe new securities and the right attached to each ordinary share.

###### 12.2. Postal and online voting.

The Company's Articles of Association also permit postal and online voting, and all the necessary procedures for this are explained in the notice of General Meetings.

Postal or online votes are only considered if the shareholders casting them provide evidence of the ownership of their shares, in accordance with the general rules.

Votes are only considered when received by the day prior to the General Meeting, inclusive.

Forms for postal or online voting are available for shareholders on the website (<http://www.thenavigatorcompany.com/>).

###### 12.3. Attendance and representation at General Meetings.

In order to attend General Meetings, shareholders are required to provide proof of their status and voting rights by the registration date, corresponding to 0 hours (GMT) on the 5<sup>th</sup> (fifth) trading day prior to the date of the General Meeting ("Registration Date").

Shareholders wishing to attend the Company's General Meeting are required to convey this intention, by notice addressed, respectively, to the Chairman of the General Meeting and to the Financial Intermediary where they have their individual registration account, no later than the day prior to the registration date, in other words by the day prior to the 5<sup>th</sup> (fifth) trading day prior to the General Meeting.

\* over the reporting period

By the end of the 5<sup>th</sup> (fifth) trading day prior to the General Meeting, the Financial Intermediary is required to send to the Chairman of the General Meeting information on the number of shares registered in the name of the shareholder of whose intention to attend the General Meeting it has been informed, indicating also the registration date of these shares; this notice may also be provided by email to the address indicated on the notice of meeting.

In addition, shareholders who, on a professional basis, hold shares in their own name but intend, on behalf of clients to cast conflicting votes, are required to submit to the Chairman of the General Meeting within the time limit indicated in the preceding paragraph, and with sufficient and proportionate evidence, in addition to the declaration of their intention to attend the General Meeting, send through the respective Financial Intermediary the information on the number of shares registered in their client's name, (i) identification of each client and the number of shares with voting rights to be exercised on their behalf, and also (ii) the specific voting instructions issued by each client for each item on the agenda. Shareholders may also appoint a proxy to represent them at the General Meeting, and may download a proxy form from the Company's website (<http://www.thenavigatorcompany.com/>) or obtain a form on request from the head office.

Without prejudice to the rule on the unity of votes established in article 385 of the Companies Code, any shareholder may appoint different proxies for shares it holds in different securities accounts.

Proxy forms for both individual and corporate shareholders must be delivered to the Chairman of the General Meeting, so as to be received five days prior to the date of the General Meeting and may also be sent by email.

There are no further restrictions on the exercise of voting rights, insofar as attendance of General Meetings and exercise of voting rights are not prejudiced by the transfer of shares subsequent to the Registration Date, and do not require the shares to be blocked from the Registration Date to the date of the General Meeting.

Considering the arrangements described above for attendance and voting at General Meetings, the Company complies in full with Recommendation I.1 of the CMVM (Portuguese Securities Market Commission) Corporate Governance Code, by providing for shareholder participation through online, postal and proxy voting, in accordance with the law and Articles of Association, and in view of the one-share-one-vote rule established in the Articles of Association.

**13. Indication of the maximum percentage of the voting rights which can be exercised by a single shareholder or by shareholders connected in any of the forms envisaged in article 20 (1).**

There are no provisions to this effect in the Articles of Association.

**14. Identification of shareholder resolutions which, under the Articles of Association, can only be adopted with a qualified majority, in addition to those provided for in law, and details of the majorities required.**

The Company's Articles of Association contain no specific rules on a quorum for adoption of resolutions by the General Meeting, meaning that the legal rules established in the Companies Code apply.

## II. Management and Supervision

*(Board of Directors, Executive Committee and General and Supervisory Board)*

### A) COMPOSITION\*

**15. Identification of the governance model adopted.**

The Company's Articles of Association provide for a unitary management model, with a Board of Directors comprising executive and non-executive members and a Supervisory Board, in accordance with article 278 (1) (a) of the Companies Code.

\* over the reporting period

**16. Rules in the Articles of Association on procedural and material requirements applicable to the appointment and replacement of members, as the case may be, of the Board of Directors, the Executive Committee and the General and Supervisory Board (article 245-A (1) (h)).**

In accordance with the Articles of Association, the Company's statutory bodies comprise of the General Meeting, the Board of Directors, the Supervisory Board and a statutory auditor or audit firm. The General Meeting has powers to elect the members of the Board of Directors, the members of the Supervisory Board and the statutory auditor or audit firm.

The Board of Directors comprises of three to seventeen members, elected by the General Meeting of Shareholders. Under the law and the Articles of Association, members are elected to the Board of Directors on the terms set out in the motion approved by the General Meeting. In other words, the shareholders have the authority to appoint the directors (as well as the supervisory body).

The General Meeting which elects the Board of Directors also designates its chairman and may elect alternate Board members up to the limit established by law. If the number of directors is not expressly established by the General Meeting, such a number is deemed to correspond to the number of directors effectively elected.

However, the Articles of Association establish that a Director may be elected individually if there are proposals subscribed and tabled by groups of shareholders, provided none of these groups holds shares representing more than twenty per cent and less than ten per cent of the share capital. No shareholder shall sign the proposal form for more than one list. Each proposal shall identify no less than two electable persons. If there are various proposals signed by different shareholders or shareholder groups, the voting shall apply to the collection of these lists.

The Articles of Association further state that the Board of Directors may delegate the day-to-day management of the Company to a Director, or even to an Executive Committee comprised of three to nine members.

In the event of the temporary or definitive absence or impediment of the Chairman of the Board of Directors, he shall appoint another of its members to take his place.

However, in the event of the definitive absence, for any reason whatsoever, of a board member elected as Chairman with a profile appropriate to perform such duties, in accordance with the rule described above, the General Meeting is required to hold a new election to appoint the Chairman of the Board of Directors.

In addition, in 2019 the Board of Directors changed the Regulations of the Nominations and Assessments Committee, including in its powers, in terms of appointment: "to assist the Board of Directors in the identification and assessment of the adequacy of profile, knowledge, and curriculum of members of the governing bodies to be appointed." Subsequently, the Company will establish criteria and requirements related to the profile of new members of the corporate bodies appropriate to the function to be performed, under the terms provided for in Recommendation I.2.1 of the IPCG Code, which will be taken into consideration in the next election of members of the corporate bodies.

These criteria and requirements will be defined, without prejudice to the fact that the Board understands that the judgment on the composition options of the governing bodies must be forwarded to the shareholders, under the Portuguese legislative system, which refers to the shareholders the composition of the corporate bodies and the nature of the group to which Navigator belongs, with concentration of the capital structure in a family group and members of boards of directors common to several related companies.

The Company also approved a Gender Equality Plan in 2019, which reflects the Group's strong commitment to the creation of mixed teams, and have shown to be more balanced and Navigator's strategy is to continue to count on more women in its staff and to create internal conditions so that they can grow into management functions.

**17. Composition, as the case may be, of the Board of Directors, the Executive Committee and the General and Supervisory Board, detailing the provisions of the Articles of Association concerning the minimum and maximum number of directors, duration of term of office, number of full members, and the date when first appointed and the end of their terms of office for each member.**

As stated above, the Articles of Association establish that the Board of Directors comprises of three to seventeen members

appointed for a renewable four-year term. On 9 April 2019, the Company's General Meeting approved a resolution electing the members of the Board of Directors for a four-

year term from 2019 to 2022. Therefore, on 31 December 2019, the Board of Directors included thirteen members: one Chairman and twelve Members.

NAME	DATE OF FIRST APPOINTMENT AND END DATE OF TERM OF OFFICE
João Nuno de Sottomayor Pinto de Castello Branco	2015 - 2022
Diogo António Rodrigues da Silveira	2014 - 2019
Luís Alberto Caldeira Deslandes	2001 - 2019
António José Pereira Redondo	2007 - 2022
José Fernando Moraes Carreira de Araújo	2007 - 2022
Nuno Miguel Moreira de Araújo Santos	2015 - 2022
João Paulo Araújo Oliveira	2015 - 2022
Adriano Augusto da Silva Silveira	2007 - 2022
José Miguel Pereira Gens Paredes <sup>5</sup>	2011 - 2020
Manuel Soares Ferreira Regalado	2004 - 2022
Mariana Rita Antunes Marques dos Santos Belmar da Costa	2019 - 2022
Maria Teresa Aliu Presas	2019 - 2022
Paulo Miguel Garcês Ventura <sup>6</sup>	2011 - 2019
Ricardo Miguel dos Santos Pacheco Pires	2015 - 2022
Sandra Maria Soares Santos	2019 - 2022
Vítor Manuel Galvão Rocha Novais Gonçalves	2015 - 2022

The composition of the Board of Directors is freely available on the Company's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade#modulo878>.

**18. Distinction between executive and non-executive members of the Board of Directors and, in relation to non-executive directors, identification of those who can be regarded as independent or, if applicable, identification of the independent members of the General and Supervisory Board.**

**18.1.** The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed in accordance with the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the Company nor is under any circumstance likely to affect their impartiality of analysis or decision, particularly due to:

- a. Having been an Employee at the Company or at a related or group company in the past three years;
- b. Having, in the past three years, provided services or established a significant commercial relationship with the Company or a related or group company, either directly or as a partner, board member, manager or director of a legal person;

- c. Being the beneficiary of remuneration paid by the Company or by a related or group company, other than the remuneration deriving from a directorship;
- d. Living with a life partner or a spouse, relative or any first degree next of kin and up to and including the 3<sup>rd</sup> degree of collateral affinity of directors or natural persons that are direct and indirectly holders of qualifying holdings;
- e. Being a qualifying shareholder or representative of a qualifying holding.

During 2019, five members of the Board of Directors exercised executive functions and formed an Executive Committee, which was elected and whose powers were delegated by the Board of Directors, and eight of the Directors exercised non-executive functions.

To date, the Executive Committee includes six members of the Board of Directors.

The executive members of the Board of Directors belong to the Executive Committee and are identified below in point 28, the remaining being non-executive members.

<sup>5</sup> Served as a member of the Board of Directors until 29 February 2019.

<sup>6</sup> Served as a member of the Board of Directors until 31 May 2019.

Bearing in mind the profile, age, career and professional experience and the integrity of the members of this body, we believe that the Company has a number of non-executive directors appropriate to the nature and size of the Company, particularly in view of its family nature, the stability of the respective capital structure, and the complexity of the risks inherent in its activity and sufficient to efficiently ensure the functions entrusted to them, guaranteeing the effective capacity to monitor, supervise, inspect and evaluate the activity of the executive members.

At the annual general meeting held on 9 April 2019, which elected the members of the governing bodies, three new non-executive members of the Board of Directors were elected - Maria Teresa Aliu Presas, Mariana Rita Antunes Marques dos Santos Belmar da Costa and Sandra Maria Soares Santos - which can be considered independent, according to the criteria for measuring independence defined in point 18.1 above and in Recommendation III.4 of the IPCG Corporate Governance Code. The company therefore includes a number of independent non-executive directors of 37.5%, over one third, in accordance with the Recommendations of the IPCG Corporate Governance Code.

The remaining Non-Executive Directors, although not independent according to the above criteria, gather the necessary suitability, experience and proved professional competence, which allows to enrich and optimise the management of the Company from the perspective of creating value, as well as ensuring an effective defence of the interests of all shareholders and to ensure that Executive Directors are supervised and evaluated in an impartial, independent and objective manner and, at the same time, that there are no conflicts of interest between the interest and position of the shareholder and the Company.

#### **19. Professional qualifications and other relevant biographical details of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Committee.**

##### **João Nuno de Sottomayor Pinto de Castello Branco**

João Castello Branco holds a degree in mechanical engineering from Instituto Superior Técnico and an MBA from INSEAD. Since July 2015, he has served as Chief

Executive Officer of Semapa, having been a Managing Partner of McKinsey & Company – Iberian Office until this date. He joined McKinsey in 1991 and worked there in a wide range of industries, serving several leading institutions in Portugal as well as Spain. He also worked in these sectors in Europe, Latin America and the United States. He also led several works at McKinsey on competitiveness, productivity and innovation in Portugal as well as Spain. Prior to joining McKinsey, he worked at the Renault engine development centre in France. In 2017, he was appointed as a member of the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado. Since 2015, he has also served as director of the Navigator Company and Secil, having been appointed as Chairman of the Board of Directors at the end of 2018. From April to December 2019 he was Chairman of the Executive Committee of Navigator.

##### **António José Pereira Redondo**

António Redondo holds a degree in chemical engineering from the Science and Technology Faculty of the University of Coimbra (1987); he attended 4<sup>th</sup> year in Business Management at Universidade Internacional and has an MBA specialising in marketing, from the Portuguese Catholic University (1998). He joined Soporcel in 1987 and until December 1998 held a series of posts in technical, production, marketing and sales management areas of the company. He was marketing manager of Soporcel from January 1998 to December 2002 and was then appointed sales manager for the Navigator Group (then called the Portucel Soporcel Group) from January 2003 to March 2007. He has been an executive director of the Company since April 2007 as Chief Commercial Officer, and Chairman of the Executive Committee since 1 January 2020.

##### **Luís Alberto Caldeira Deslandes<sup>7</sup>**

Luís Deslandes graduated in chemical engineering from Instituto Superior Técnico de Lisboa and brewery engineering from Institut Supérieur D'Agronomie de Louvain. He began his career in 1966 at the company Central de Cervejas, where he worked as Industrial Manager until 1975. He was Deputy Chairman of Central de Cervejas from 1975 to 1978, Managing Director of CICER from 1976 to 1980, and Executive Chairman of Central de Cervejas from 1979 to 1980. He held the position of Executive Chairman of Portucel from 1980 to 1983 and chairman of the Executive Committee of Soporcel

<sup>7</sup> Until the General Meeting held on 9 April 2019.

from 1984 to 1990. He was Chairman of the Executive Committee of SAL – Sociedade da Água do Luso from 1984 to 1989. He was Managing Director of Soporcel from 1990 to 2001. He is an honorary member of ACFPI (FAO) – Advisory Committee on Sustainable Forest-based Industries. He was chairman of ACEL, CELPA, the Portuguese-Chinese Chamber of Commerce, CEPAC – Groupement des Celluloses and CEPI from 1998 to 2000. He was also a member of the Board of Directors of CIP – Confederação da Indústria Portuguesa and the Board of Directors of the Lisbon Stock Exchange. He has been Deputy Chairman of the Board of Directors of The Navigator Company, S.A. since 2001 to April 2019, having held various administrative positions at Navigator Group companies also during this year.

#### **Diogo António Rodrigues da Silveira<sup>8</sup>**

Diogo da Silveira has a Diplôme d'Ingénieur from École Centrale de Lille, in France (1984), was a Research Scholar at UC Berkeley University in the United States (1984), and has an MBA from INSEAD, in France (1989). He started his professional career in the Technicatome/AREVA Group, in France in 1984, and then joined the Japanese industrial group Shin Etsu Handtotal, in 1985. He joined McKinsey & Company in 1989, where he worked in the financial institutions sectors, as consultant in the Iberian office (4 years) and in France (5 years) and was a partner, from 1996 to March 1998. In 1998, he became Executive Director and Group CFO of Sonae Investimentos, having held the position of Chief Operating Officer of Sonae Distribuição between 1998 and 1999. He became CEO of Novis Telecom and a management member of Sonaecom from 1999 to 2001, as well as CEO of Isoroy, from the Sonae Indústria Group, between June 2001 and March 2005. He was then CEO of ONI from March 2005 to February 2007. He held the post of Chief Operating Officer at Banif, from April 2007 to January 2008, and from February 2008 to March 2014 he was Chief Executive Officer of Açoreana Seguros. He has been Deputy Chairman of Navigator's Board of Directors and Chief Executive Officer from April 2014 until April 2019.

#### **Adriano Augusto da Silva Silveira**

Adriano Silveira has a degree in chemical engineering from the University of Porto. He began his career at the Environmental Studies Service, having been part of Empresa Nacional de Urânio (1979) and Empresa

Minas de Jales (1983). He joined Soporcel in 1983, where he held several positions of responsibility in the areas of energy recovery, pulp and paper production, project management, maintenance and engineering. He has been a member of the Company's Board of Directors since 2007, serving as an Executive Director from April 2007 to July 2015, having reinstated the Executive Committee on 1 January 2020.

#### **João Paulo Araújo Oliveira**

João Paulo Oliveira has a degree in industrial engineering from the Faculty of Science and Technology, Universidade Nova de Lisboa (1988) and an MBA in Commercial Engineering and Management from AEP – ESADE, Spain (1994). He began his career at the Bosch Group in 1989. He was industrial manager for Bosch in China from 1994 to 1996. Subsequently, he was involved in an acquisition project for a company in Chile, and also held positions in the Bosch Group's operations in France and Germany. From 2002 to 2015, he was Managing Director of Bosch Termotecnologia S.A. In his last 8 years at the Bosch Group, he was Chairman of the Group's Hot Water Business Unit, whose global competence centre is located in Aveiro. He was chairman of the Portuguese-German Chamber of Commerce and Industry from 2009 to 2012. He also sits on the General Council of the University of Aveiro, the AICEP Advisory Board and the Supervisory Board of the Fraunhofer Institute in Portugal. He has been an executive director of the Company since July 2015.

#### **José Fernando Morais Carreira de Araújo**

Fernando Araújo has a degree in accountancy and management from Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1986) and a specialist diploma in financial control from Instituto Superior de Contabilidade e Administração do Porto (ISCAP-1992). He has been a statutory auditor (chartered accountant) since 1995. He has a degree in law from Universidade Lusíada do Porto (2000). He has post-graduate qualifications in advanced financial accounting (ISCTE – 2002/2003), in tax law (Lisbon Faculty of Law – 2002/2003) and in corporate governance (Instituto Superior de Economia e Gestão de Lisboa – 2006/2007). He concluded an MBA in Corporate Reporting at INDEG – IUL in 2016. He started his professional career in 1987, with Sportrade, and was subsequently head of accounts at Eurofer from 1988 to 1993 and Head of Administrative Services at COLEP from 1991

<sup>8</sup> Until the General Meeting held on 9 April 2019.

to 1993. From 1993 to 2001 he worked in the field of tax management at KPMG and was Senior Tax Manager from 1993 to 2001. He was head of Tax Management and Accounts at Secil, from 2001 to 2005, at SEMAPA from 2002 to 2006, and in the Company from 2006 to 2007. He has been an executive director of the Company since April 2007.

#### **José Miguel Pereira Gens Paredes<sup>9</sup>**

José Miguel Paredes has a degree in economics from Universidade Católica Portuguesa, and began his professional career in 1985, at the Directorate-General of Competition and Prices. In the following years, he worked at transport provider Rodoviária Nacional, Trader Interbiz, in the Foreign Lending Division of Companhia de Seguros de Crédito Cossec, in the Commercial Department and in the Treasury/Forex Room of Generale Bank, Portugal branch, and in the Finance Department of United Distillers in Portugal. In 1994, he became Financial Director of Semapa and other related companies. He was Executive Director at Enersis, a company that operated in the renewable energies area and which was held by the Semapa Group. From 2004 to 2018, he served as a Market Relations Representative of Semapa, and has been a Semapa Executive Director since 2006 until February 2020. In 2008, he became a director of ETSA and has served as Chairman of the Board of Directors since 2010 until February 2020. Since 2011 and 2012, respectively, until February 2020, he has served as director of The Navigator Company and Secil. And he has been a director of Sonagi since 2018.

#### **Manuel Soares Ferreira Regalado**

Manuel Regalado has a degree in finance from Instituto Superior de Economia e Gestão (ISEG) in Lisbon (1972) and completed the Senior Executive Programme of the London Business School (1997). He began his professional career in 1971, holding various internal auditing, management control and planning and investment project analysis positions from this year until 1984. From 1984 to 1994, and from 1998 to 2004, he was appointed to a variety of management positions and directorships in a range of sectors, including banking, insurance, manufacturing and energy, in Edinfor, COSEC, IAPMEI and Hidroelétrica de Cahora-Barra and Banco BPI (in Portugal, Africa and Latin America). Between 1994 and 1998, he served on the Board of Directors of Portucel, and was also part of the statutory bodies of INAPA

and CELPA. He is member of the Board of Directors of The Navigator Company since 2004 and was an executive director until 2016.

#### **Maria Teresa Aliu Presas**

Maria Teresa Aliu Presas is a graduate of the Instituto Superior de Psicologia Aplicada, in Lisbon. She made her career in the paper industry, having joined the Tetra Pak Group in 1982, where she held several positions in Portugal, Switzerland, international headquarters, and in Brussels, in the areas of Marketing and Communication, Environment and European Affairs, namely Vice President for Europe and responsible for the environment for the entire Group. From 2003 to 2011 she directed the European Confederation of the Paper Industry (CEPI). She was a member of the board of directors of several European associations as well as a non-executive director of the company Powerflute Oy. She currently works at the consultant Magellan in Brussels, is a member of the mentoring programme at PWC Benelux and Germany, a member of the Advisory Board of the World Bioeconomy Forum, and a non-executive director at Navigator since 2019.

#### **Mariana Rita Antunes Marques dos Santos Belmar da Costa**

Mariana Marques dos Santos graduated in Business Management from Universidade Católica Portuguesa and complemented her training with an MBA from INSEAD (Fontainebleau), having also attended the same programme at Kellogg - Northwestern University, in Chicago. From 1989 to 2006, she was a university professor, both in the areas of quantitative methods at ISCTE, and in internationalisation strategy and policies, at the executive school, IBS-ISCTE Business School. Along with academic activities, she developed a business career linked to different areas and functions. Starting by experiencing the dynamics of the financial markets, she collaborated with Lloyds Bank in the area of securities portfolio management. She then joined a venture capital team - SFIR, where she was a project analyst from 1991 to 1992. She was also a consultant in Madrid, in a multinational company, Arthur D. Little, being associated with several projects, including the launch of the Portuguese branch, in the years 1995 and 1996. She then took on a succession of international areas, within Grupo Abrantina, between 1996 and 2007, namely in Mozambique and Germany, managing projects in several areas such as food and the production and distribution of construction

<sup>9</sup> Until 29 February 2019.

materials. At the end of 2007, she embraced her own business project, launching NBC Medical, in the area of international trade of medicine, to which she is currently dedicated. She has been a non-executive Director of The Navigator Company since May 2019.

#### **Nuno Miguel Moreira de Araújo Santos**

Nuno Santos has a degree in civil engineering from Instituto Superior Técnico (1993) and an MBA from INSEAD (1996). He began his professional career at McKinsey & Company in 1993, and until March 2015 was a Senior Partner (Manager) and the leader of the area of Energy, Commodities & Industry of the McKinsey & Company's Iberian Office. He also belonged to the Leadership Committee of the Global Division of Energy, Commodities & Industry of McKinsey & Company. He has been an executive director of The Navigator Company since April 2015.

#### **Paulo Miguel Garcês Ventura<sup>10</sup>**

Miguel Ventura has a degree in law, and completed the INSEAD IEP in July 2008 and COL December 2015 courses, as well as Governance Programmes in 2018. He began his professional career as an attorney in 1995. Starting in 1997, he served on the presiding boards of the General Meetings of various subsidiaries of Cimigest, Sodim and Semapa, and was also appointed as Semapa's Secretary. From 2005 to 2007, he was a member of the Lisbon District Council of the Portuguese Bar Association (Ordem dos Advogados). Since 2006, he has been an Executive Director of Semapa and various related companies. In 2007, he was also appointed Deputy Chairman of the General Meeting of REN (a position he held until the end of 2014) and of Infraestruturas de Portugal. Since 2011 and 2012, respectively, he has been a director of The Navigator Company and Secil. In 2014 he was appointed as a member of the General Council of AEM - Associação de Empresas Emitentes de Valores Cotados em Mercado, a position which he held until the end of 2016, and was also appointed as a managing member of this same association in 2017. He has been a director of Sonagi since 2018.

#### **Ricardo Miguel dos Santos Pacheco Pires**

Ricardo Pires is a graduate in business administration from the Portuguese Catholic University, with a specialisation in Corporate Finance from ISCTE and an MBA in business management from Universidade Nova de Lisboa. He began his career

in management consulting between 1999 and 2002, first at BDO Binder and later at GTE Consultores. From 2002 to 2008, he worked at the Corporate Finance Department of ES Investment, where he carried out a number of M&A and capital market projects in the sectors of Energy, Pulp & Paper and Food & Beverages. Since 2008 he has worked at Semapa, initially as a Strategic Planning and New Business Manager and later, starting in 2011, as Head of the Office of the Chairman of the Board of Directors. He has been an Executive Director at Semapa since 2014, as well as holding positions at other related companies. Since 2015, he has performed management duties at The Navigator Company and at Secil. Since 2017, he is CEO of SEMAPA Next.

#### **Sandra Maria Soares Santos**

Sandra Maria Soares Santos has a degree in management from the Faculty of Economics of Porto (1989-94) and completed an MBA at PBS - Porto Business School (1999). She started her career at Banco Espírito Santo and at the University of Porto in 1994, where she taught as a guest lecturer. At BES, she performed several technical and commercial functions, at a time when the Bank was incorporating young managers and substantially transforming its organisational and business structure. She started her career at Grupo BA, at the end of 1999, as Controller, a role she built when the group started its geographical expansion. Since then, she has held various positions, such as financial director, human resources director, factory director and CFO. As CFO (2007), she had an active participation in the acquisition and integration processes of the acquired companies. In 2012, she was posted to be CFO in another business, plastic packaging, in which BA shareholders decided to invest, a mission that ended a year later. Since 2014 she is CEO and member of the Board of Directors of Grupo BA. Grupo BA now has industrial operations in 7 European countries, 12 industrial units, 3,800 workers and an annual turnover of 950 million euros. She has been a non-executive director of Navigator since April 2019.

#### **Vítor Manuel Rocha Novais Gonçalves**

Vítor Novais Gonçalves has a degree in business management from ISC-HEC in Brussels and has more than 30 years of professional experience with executive management responsibilities in the Consumer Products, Telecommunications and Finance sectors. He began his professional career in 1984 at Unilever as a Management

<sup>10</sup> Until 31 May 2019.

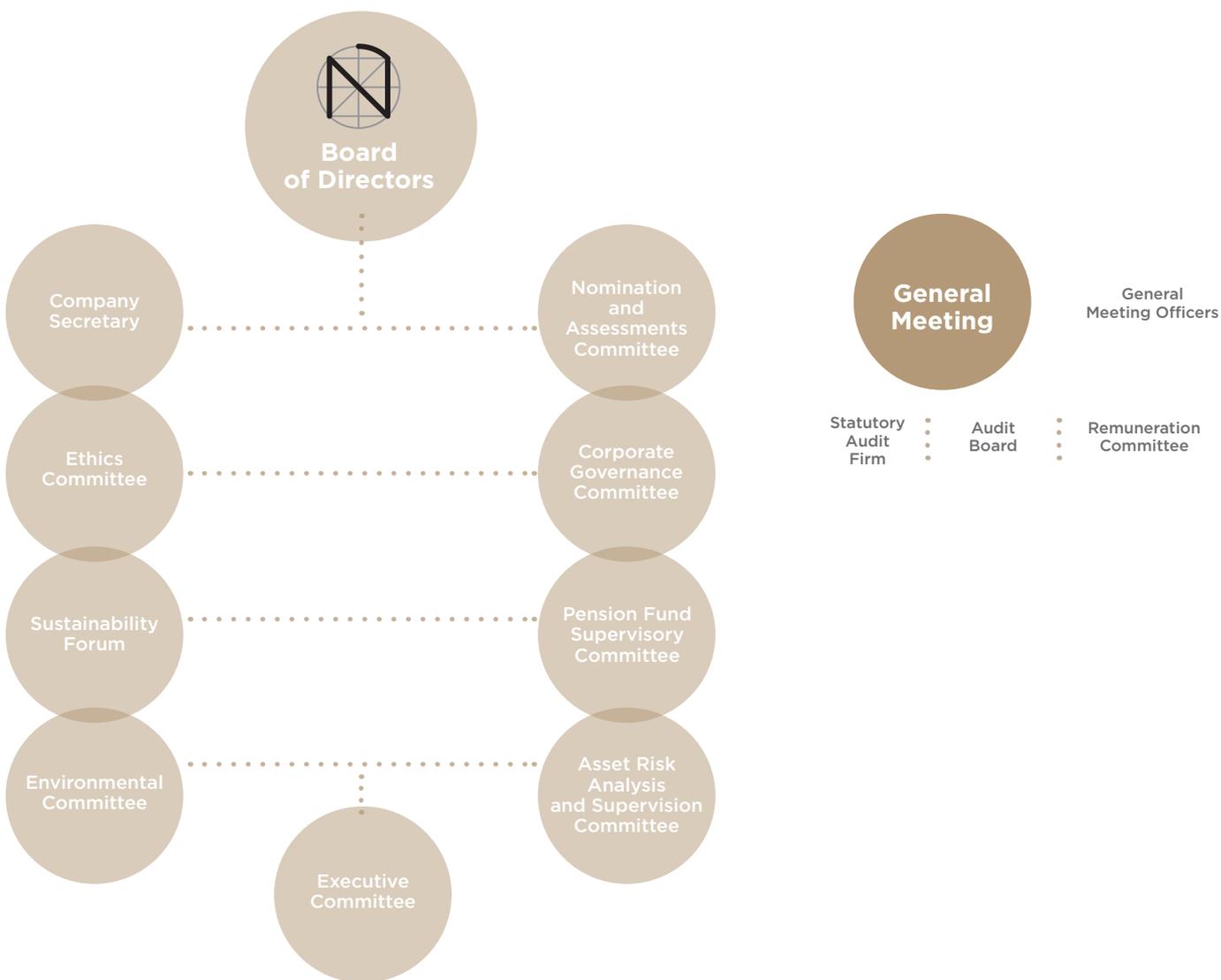
Trainee, and subsequently as a Product Manager and Market Manager. From 1989 to 1992, he worked at Citibank Portugal, initially as a Venture Capital Business Manager and later as head of Corporate Finance and member of the Management Committee. Between 1992 and 2000, he worked in the financial area of the José de Mello Group, served as director at several companies and serving, among other things, as Strategic Marketing and Development Manager of Banco Mello and General Manager of Companhia de Seguros Império. From 2001 to 2009, he worked in the telecommunications area of the SGC Group as a director of SGC Comunicações, where he was in charge of strategic marketing and international business development. Among other positions, he has been a Director at Zoom Investment and Semapa. He has been a non-executive director of The Navigator Company since 2015.

**20. Regular and significant family, professional or business relationships of the members, as applicable, of the Board of Directors,**

**General and Supervisory Board and Executive Committee with shareholders with qualified holdings exceeding 2% of voting rights.**

Among the members of the Company's Board of Directors, during the year under analysis, the Directors João Nuno de Sottomayor Pinto de Castello Branco, José Miguel Pereira Gens Paredes, Paulo Miguel Garcês Ventura, Ricardo Miguel dos Santos Pacheco Pires were also Directors of the shareholder SEMAPA. Director Vítor Manuel Galvão Rocha Novais Gonçalves was also a representative of ZOOM LUX S.À.R.L., a company that had a qualified holding in Navigator until November 2018.

**21. Organisational or functional charts showing the division of powers between the different corporate boards, committees and/or company divisions, including information on delegated powers, in particular with regard to delegation of the daily management of the Company.**





### Executive Committee

João Castello Branco  
António Redondo  
Fernando Araújo  
João Paulo Oliveira  
Nuno Santos

#### Portucel Mozambique

João Lé  
Paulo Silva

#### Chief of Staff to the CEO

António Cunha Reis

Advisory to the Executive  
Committee  
João Ventura

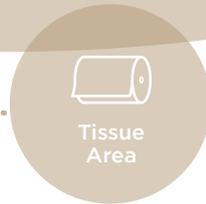
Investor  
Relations  
Joana Lã Appleton



Research  
Area



Forestry  
Area



Tissue  
Area



Industrial  
Area

**RAIZ**  
Carlos Pascoal Neto

**Forestry Management  
Division**  
Nuno Neto

**Tissue Sales Division**  
Nuno Anjo e Silva

**Setúbal Industrial  
Division**  
José Nordeste

**Wood Supply Division**  
Hermano Mendonça

**Tissue Operations  
Division**  
Joaquim Belfo

**Figueira da Foz  
Industrial Division**  
Pedro Matos Silva

**Tissue Supply Chain  
Division**  
Fernando Gaga

**Aveiro Industrial  
Division**  
Alexandre Vale

**Central Technical  
Division**  
Carlos Brás

**Environment and  
Energy Division**  
Óscar Arantes



**Pulp Sales**  
José Tátá Anjos

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**Europe Sales Division**  
Vitor Coelho

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**International Sales Division**  
Mário França

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**Supply Chain Division**  
Eduardo Veiga

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**Marketing Division**  
António Quirino Soares

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**Logistics Division**  
Gonçalo Vieira

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**Technical Product Division**  
Vitor Crespo

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**Revenue Management Division**  
Cristina Campos

**Risk Management Division**  
Gonçalo Veloso Sousa

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**Communication and Brand Division**  
Rui Pedro Batista

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**Financial Division**  
Manuel Arouca

---

**Management Control Division**  
João Escobar Henriques

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**Accounting and Remuneration Division**  
Carla Guimarães

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**Business Development Division**  
Vasco Ferreira

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**Tax Division**  
José Almeida Fernandes

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**Empremédia**  
Alexandra Fernandes

**Legal Services Division**  
António Neto Alves

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**Human Resources Division**  
Paula Castelão

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**Information Systems Division**  
Adriano Serrano

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**Innovation and Internal Consulting Division**  
Miguel Faria

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**Sustainability Division**  
António Porto Monteiro

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**Materials Management Division**  
Pedro Sousa

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**Bioeconomics and Partnerships Division**  
Miguel Faria

## EXECUTIVE COMMITTEE

Between 9 April 2019 and 31 December 2019, the Executive Committee was composed of five members, who shared among themselves the following list of responsibilities:

### **João Nuno de Sottomayor Pinto de Castello Branco:**

- Head of CEO Office and CE Advisors
- Risk Management Division
- Human Resources Division
- Investor Relations

### **António José Pereira Redondo:**

- Pulp Sales Division
- Europe Sales Division
- International Sales Division
- Supply Chain Division
- Marketing Division
- Logistics Division
- Technical Product Division
- Communication and Brand Division
- Revenue Management Division

### **José Fernando Morais Carreira de Araújo:**

- Financial Division
- Management Control Division
- Accounting and Tax Division
- Legal Services Division
- Information Systems Division
- Empremedia

### **Nuno Miguel Moreira de Araújo Santos:**

- Forestry Management Division
- Wood Supply Division
- Tissue Sales Division
- Tissue Operations Division
- Internal Consultancy Division
- Business Development Division
- Portucel Mozambique Division

### **João Paulo Araújo Oliveira:**

- Setubal Industrial Division
- Figueira da Foz Industrial Division
- Aveiro Industrial Division (new designation of the former Cacia Industrial Division)
- Central Technical Division
- Environment and Energy Division
- Materials Management Division
- Sustainability Division
- Bioeconomics and Partnerships Division
- Raiz

Between 1 January and 9 April 2019, the Executive Committee was composed of five members, who shared among themselves the following list of responsibilities:

### **Diogo António Rodrigues da Silveira:**

- Head of CEO Office and CE Advisors
- Risk Management Division

- Communication and Brand Division
- Talent Management and Organisational Development Division
- People Management Division
- Innovation and Internal Consultancy Division
- Business Development Division
- Sustainability Division
- Investor Relations

### **António José Pereira Redondo:**

- Pulp Sales Division
- Paper Sales Division
- Europe Sales Division
- International Sales Division
- Supply Chain Division
- Revenue Management Division
- Marketing Division
- Logistics Division
- Technical Product Division

### **José Fernando Morais Carreira de Araújo:**

- Legal Services Division
- Financial Division
- Management Control Division
- Information Systems Division
- Accounting and Tax Division
- Insurance / Empremedia

### **Nuno Miguel Moreira de Araújo Santos:**

- Forestry Management Division
- Wood Supply Division
- Tissue Sales Division
- Tissue Operations Division
- Portucel Mozambique
- Colombo Energy

### **João Paulo Araújo Oliveira:**

- RAIZ - Instituto de Investigação da Floresta e Papel (Forestry and Paper Research Institute)
- Setubal Industrial Division
- Figueira da Foz Industrial Division
- Aveiro Industrial Division
- Central Engineering - Instituto de Investigação da Floresta e Papel
- Environment and Energy - Instituto de Investigação da Floresta e Papel
- Materials Management - Instituto de Investigação da Floresta e Papel

The following powers are delegated to the Executive Committee:

- To propose the Company's policies, aims and strategies to the Board of Directors;
- To propose to the Board of Directors operating budgets and medium- and long-term investment and development plans, and to implement these once approved;

- c) To approve budget alterations during the year, including transfers between cost centres not exceeding twenty million euros each year;
- d) To approve contracts for the acquisition of goods and services of a value each year no greater than twenty million euros;
- e) To approve financing contracts, to apply for bank guarantees, or to accept any other liabilities which represent increased indebtedness, totalling no more than twenty million euros each year;
- f) To acquire, dispose of or encumber the Company's fixed assets of a value, in each individual case, of up to five per cent of the paid-up share capital;
- g) To lease or let any immoveable property;
- h) To represent the Company in or out of court, as claimant or respondent, and to bring or follow up any judicial or arbitral actions, confess or desist, settle or agree to arbitration;
- i) To acquire, dispose of or encumber holdings in other companies, of a value of no more than twenty million euros each year;
- j) To resolve on executing acquisition and disposal of own shares, when this has been resolved on by the General Meeting, in keeping with the terms of such resolution;
- k) To manage holdings in other companies, jointly with the Chairman of the Board of Directors, namely by designating, with the agreement of the latter, the representatives in the respective governing bodies, and setting guidelines for the acts of these representatives;
- l) To enter into, amend and terminate employment contracts;
- m) To open, transact and close bank accounts;
- n) To appoint Company attorneys;
- o) In general, all powers which may lawfully be delegated, with any limitations deriving from the provisions of the preceding paragraphs.

Jointly with the Chairman of the Board of Directors, the Executive Committee may also resolve on the matters indicated in items c), d), e) and i) above when the respective values, calculated on the terms set out therein,

are greater than twenty million euros but no greater than fifty million euros.

The Chairman of the Board of Directors has the powers assigned to him by Law and the Articles of Association.

The Executive Committee may discuss all matters within the sphere of competence of the Board of Directors, notwithstanding that it may only resolve on matters delegated to it.

The competence to change any conditions of contracts previously entered into and covered by the aforementioned items c), d), e) and i) will fall on the body or bodies that would be competent to execute them.

The Regulation of the Executive Committee, approved by the Board of Directors, also establishes the performance regime for Executive Directors.

Decisions regarding the definition of the Company's strategy, as well as its general policies and the corporate structure of the Navigator Group, are matters for the Board of Directors, and the Executive Committee does not have delegated powers in this regard. Thus, Non-Executive Directors participate in the definition of the strategy, main policies, business structure and decisions that should be considered strategic due to their amount or risk, as well as in the assessment of their compliance.

The Company's management is centered on the articulation between the Board of Directors and the Executive Committee. Coordination and approximation were ensured by the close cooperation developed by the Chairman of the Board of Directors with the executive team, by the availability of the members of the Executive Committee for the regular transmission of all relevant or urgent information, or that is requested, regarding the current management of the Company to the non-executive members of the Board of Directors, in order to allow permanent monitoring of corporate life, and by calling meetings of the Board of Directors for all strategic decisions or considered especially relevant, even if these fall within the scope of generally delegated powers, and also by the presence of the Chairman of the Board of Directors in some meetings of the Executive Committee of the Company.

Also, for the other members of the governing bodies, the requested information is provided by the members of the Executive Committee in a timely and appropriate manner.

To ensure a regular transmission of information, the Chairman of the Executive Committee sends the notices and minutes of the respective meetings to the Chairman of the Board of Directors and the Chairman of the Supervisory Board. The Company's other committees and governing bodies also ensure, in a timely and appropriate manner and in accordance with the respective operating regulations, the flow of information, namely, through the availability of notices and minutes, under the terms necessary and appropriate to the exercise of legal and statutory powers by the remaining bodies and commissions.

At the end of 2018, internal regulations of the Board of Directors and Supervisory Board were reviewed, approved and disclosed, as well as the internal commissions identified below, which contain rules of operation, competence and articulation between the various bodies and commissions. Under the terms of the aforementioned regulations and other applicable rules, the corporate bodies and the other committees of the Company must prepare complete minutes of the respective meetings.

The governing bodies and internal commissions identified above are required, under their terms, internal operating regulations to make available to each other, under the legally and statutory required terms, all the information and documentation necessary for the exercise of the legal and statutory powers of each of the other bodies and commissions, and the various departments and divisions of the Company must collaborate in the production, treatment and dissemination of said information, in an appropriate, rigorous and timely manner.

The regulations of the Board of Directors and of the Supervisory Board also establish, in particular, mechanisms that guarantee, within the limits of the applicable legislation and regulations, the access of its members to the Company's Employees and to all information that is necessary for the assessment of the performance, situation and development prospects of the Company, including and without limiting minutes, supporting documentation of the resolutions taken, notices and archives of the meetings of the Board of Directors and the respective Executive Committee, without prejudice to being able to access other documents or people who may be asked for clarification.

## B) FUNCTIONING

### **22. Existence of rules of procedure for the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, and place where these may be consulted.**

The Internal Rules of Procedure of the Board of Directors of Navigator are published the Company's website, in the investor relations/ Corporate Governance area, and are therefore freely available for consultation at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

The Internal Rules of Procedure of the Board of Directors governs the exercise of the functions, chairman, frequency of the meetings, functioning and framework of duties of its members.

In accordance with these Rules of Procedure, and the applicable legislation:

- The directors may have access to all Company information and staff for assessing performance, the situation and the outlooks on the development of the Company, including, namely, minutes, documents supporting decisions taken, convening notices and records on the meetings of other corporate bodies, without prejudice to access to all other documents or persons who may be called upon to provide clarifications.
- The Board of Directors must ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, required for the performance of the functions, determined by law and the bylaws, of each of the remaining corporate bodies and committees.
- Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.
- The directors in the Executive Committee may not perform executive functions in entities outside of the Company's group, except if the activity of such entities is deemed to be ancillary or complementary to the group's activity or is not very time-consuming.

The directors who are not in the Executive Committee may perform management functions (executive or not) in entities outside of the Company's group, where such companies do not carry out activities that compete with that of the Company, or in companies directly or indirectly held by the Company, and the Chairman of the Board of Directors must be notified before the start of such functions.

- The following matters may not be generally delegated: a) The definition of the strategy and main policies of the Company, although the Board of Directors may delegate to the Executive Committee the drafting of the preliminary strategic plan and investment policy, subject to the approval of the Board of Directors; b) the organisation and coordination of the business structure; and c) matters that should be considered strategic, by virtue of the amounts involved, the risk, or special characteristics.
- The Board of Directors shall evaluate its performance annually, as well as the performance of the Executive Committee and of other Committees and managing directors, if any, taking into account the compliance with the Company's strategic plan and budget, risk management, its internal operation and the contribution of each member to that purpose, and the functioning between the Company's Bodies and Committees, identifying the ways in which such performance may be improved.

### **23. Number of meetings held and rate of meeting attendance of each member of the Board of Directors, General and Supervisory Board and Executive Committee, as applicable.**

During 2019, the Board of Directors held twelve meetings, minutes of which were duly drawn up. All members of the Board of Directors attended all twelve meetings in person, corresponding to an attendance rate of 100%.

Detailed minutes are drawn up for the Board of Directors' meetings, in accordance with its Rules of Procedure.

The number of meetings of the Board of Directors is freely available on the Company's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

### **24. Indication of the company bodies empowered to assess the performance of executive directors.**

The Remuneration Committee decides how the system works and makes all the arrangements for assessing Executive Directors. It is also responsible for final confirmation of the performance factors and their impact on remuneration, as well as for the overall coherence of the system. However, the actual assessment of each individual's performance is the responsibility of the person leading the team, in the case of the members of the Executive Committee, and of the Chairman of the Board of Directors, in the case of the Chief Executive Officer, in both cases with the participation of other non-executive directors as the person conducting the assessment sees fit to involve.

The Rules of Procedure of the Board of Directors approved in December 2018 also provide that the Board of Directors should annually evaluate its performance, as well as the performance of its committees and the directors appointed, accounting for the fulfilment of the Company's strategic plan and budget, the management of risks, its internal operations and the contribution of each member to that end, in addition to the relationship between the Company's boards and committees.

Thus, even though the assessment of Executive Directors already takes place annually, the self-assessment of the Board of Directors and its committees took place on 29 July 2019, in relation to the performance in 2018, which reflects adherence to Recommendation V.1.1. of the IPCG Corporate Governance Code.

### **25. Predetermined criteria for assessing the performance of executive directors.**

The basic criteria for assessing the performance of Executive Directors are those defined in item 2 of chapter VI of the Remuneration Policy Statement for setting the variable remuneration component. These criteria are applied by using a system of KPIs that encompass quantitative and qualitative components, and individual and joint components. The joint quantitative components considered are EBITDA, net profit and cash flow.

### **26. Availability of each of the members of the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, indicating**

**office held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of these bodies during the period.**

The members of the Board of Directors have the appropriate availability to perform the duties entrusted to them. The Directors' other

activities, outside the business group to which Navigator belongs, do not impede their availability for performing their duties within the Navigator Group.

In addition to the activities listed in item 19, the directors also hold corporate office in other companies as detailed below:

### **João Nuno de Sottomayor Pinto de Castello Branco**

#### *Offices Held In Navigator Group Companies:*

- > Chairman of the Board of Directors of The Navigator Company, S.A.
- > Chairman of the Executive Committee of The Navigator Company, S.A.<sup>11</sup>
- > Chairman of the Board of Directors of Bosques do Atlântico, S.L.
- > Chairman of the Board of Directors of EMA21, S.A.<sup>12</sup>
- > Chairman of the Board of Directors of ENERPULP, S.A.
- > Chairman of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
- > Chairman of the Board of Directors of Navigator Added Value, S.A.<sup>13</sup>
- > Chairman of the Board of Directors of Navigator Brands, S.A.
- > Chairman of the Board of Directors of Navigator Navigator Financial Services SP. Z.O.O.
- > Chairman of the Board of Directors of Navigator Fine Paper, S.A.<sup>14</sup>
- > Chairman of the Board of Directors of Navigator International Holding, SGPS, S.A.
- > Chairman of the Board of Directors of Navigator North America, Inc.
- > Chairman of the Board of Directors of Navigator Paper Figueira, S.A.
- > Chairman of the Board of Directors of Navigator Paper Setúbal, S.A.
- > Chairman of the Board of Directors of Navigator Paper World, S.A.
- > Chairman of the Board of Directors of Navigator Parques Industriais, S.A.
- > Chairman of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
- > Chairman of the Board of Directors of Navigator Pulp Aveiro, S.A.<sup>15</sup>
- > Chairman of the Board of Directors of Navigator Pulp Figueira, S.A.
- > Chairman of the Board of Directors of Navigator Pulp Setúbal, S.A.
- > Chairman of the Board of Directors of Navigator Tissue Aveiro, S.A.<sup>16</sup>
- > Chairman of the Board of Directors of Navigator Tissue Ródão, S.A.

#### *Offices Held in Other Companies/Entities:*

- > Chairman of the Board of Directors of APHELION, S.A.
- > Member of the General Council of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado.
- > Member of the Board of Directors of CIMIGEST, SGPS, S.A.
- > Chairman of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
- > Chairman of the Board of Directors of SEMAPA NEXT, S.A.
- > Member of the Board of Directors and Chairman of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
- > Member of the Board of Directors of SODIM, SGPS, S.A.

<sup>11</sup> Office held until 31 December 2019.

<sup>12</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>13</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>14</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>15</sup> Formerly called Navigator Pulp Cacia, S.A.

<sup>16</sup> Formerly called Navigator Tissue Cacia, S.A.

## António José Pereira Redondo

### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of Bosques do Atlântico, S.L.
- > Member of the Board of Directors of EMA21, S.A.<sup>17</sup>
- > Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
- > Member of the Board of Directors of Added Value, S.A.<sup>18</sup>
- > Manager of Navigator Afrique Du Nord, SARLAU.
- > Member of the Board of Directors of Navigator Brands, S.A.
- > Member of the Board of Directors of Navigator Deutschland, GMBH.
- > Chairman of the Board of Directors of Navigator Eurasia Kagit Ve Kagit Ürünleri Sanayi Ve Ticaret Anonim Sirke.
- > Member of the Board of Directors of Navigator Financial Services SP. Z O.O.
- > Member of the Board of Directors of Navigator Fine Paper, S.A.<sup>19</sup>
- > Chairman of the Board of Navigator France, SAS.
- > Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
- > Member of the Management of Navigator International Trading, GMBH.
- > Chairman of the Board of Directors of Navigator Itália, S.R.L.
- > Chairman of the Board of Directors of Navigator Middle East Trading DMCC.
- > Chairman of the Board of Directors of Navigator Netherlands B.V.
- > Member of the Board of Directors of Navigator North America, Inc<sup>20</sup>
- > Member of the Board of Directors of Navigator Paper Austria GMBH.
- > Member of the Board of Directors of Navigator Paper, UK, Ltd.
- > Chairman of the Board of Directors of Navigator Paper España, S.A.
- > Member of the Board of Directors of Navigator Paper Figueira, S.A.
- > Member of the Board of Directors of Navigator Paper Setúbal, S.A.<sup>21</sup>
- > Manager of Navigator México S. De R.L. De C.V.
- > Member of the Board of Directors of Navigator Parques Industriais, S.A.
- > Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
- > Chairman of the Management of Navigator Poland Paper Spółka Z Ograniczona Odpowiedzialnoscia.
- > Member of the Board of Directors of Navigator Pulp Aveiro, S.A.<sup>22</sup>
- > Member of the Board of Directors of Navigator Pulp Figueira, S.A.
- > Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
- > Member of the Board of Directors of Navigator Rus Company, LLC.
- > Member of the Board of Directors of Navigator Paper World, S.A.
- > Member of the Board of Directors of Navigator Tissue Aveiro, S.A.<sup>23</sup>
- > Member of the Board of Directors of Navigator Tissue Ródão, S.A.
- > Member of the Board of Directors and member of the Executive Committee of The Navigator Company, S.A.<sup>24</sup>

### *Offices Held in Other Companies/Entities:*

- > On 31 December 2019, he did not perform functions in other companies/entities.

## Adriano Augusto da Silva Silveira

### *Offices Held In Navigator Group Companies:*

- > Chairman of the Board of RAIZ – Instituto de Investigação da Floresta e do Papel
- > Member of the Board of Directors of The Navigator Company, S.A.

### *Offices Held in Other Companies/Entities:*

- > Member of the board of APIGEE representing The Navigator Company, S.A.
- > Member of the Advisory Board of APCER – Associação Portuguesa de Certificação

<sup>17</sup> Company incorporated in Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>18</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>19</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>20</sup> Served as Chairman of the Board of Directors until 28 June 2019, having started as a Member after that date.

<sup>21</sup> Formerly called About The Future – Empresa Produtora de Papel, S.A.

<sup>22</sup> Formerly called Navigator Pulp Cacia, S.A.

<sup>23</sup> Formerly called Navigator Tissue Cacia, S.A.

<sup>24</sup> Served as a member of the Executive Committee until 31 December 2019, having started the functions of Chairman after that date.

## João Paulo Araújo Oliveira

### *Offices Held In Navigator Group Companies::*

- > Chairman of the Board of Directors of Arboser – Serviços Agro-Industriais, S.A.<sup>25</sup>
- > Member of the Board of Directors of Bosques do Atlântico, S.L.
- > Member of the Board of Directors of EMA21, S.A.<sup>26</sup>
- > Member of the Board of Directors of Enerpulp – Cogeração Energética de Pasta, S.A.<sup>27</sup>
- > Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
- > Member of the Board of Directors of Navigator Added Value, S.A.<sup>28</sup>
- > Member of the Board of Directors of Navigator Brands, S.A.
- > Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
- > Member of the Board of Directors of Navigator Fine Paper, S.A.<sup>29</sup>
- > Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
- > Member of the Board of Directors of Navigator North America, INC.
- > Member of the Board of Directors of Navigator Paper Figueira, S.A.<sup>30</sup>
- > Member of the Board of Directors of Navigator Paper Setúbal, S.A.<sup>31</sup>
- > Member of the Board of Directors of Navigator Parques Industriais, S.A.
- > Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
- > Member of the Board of Directors of Navigator Pulp Aveiro, S.A.<sup>32</sup>
- > Member of the Board of Directors of Navigator Pulp Figueira, S.A.
- > Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
- > Member of the Board of Directors of Navigator Paper World, S.A.
- > Member of the Board of Directors of Navigator Tissue Aveiro, S.A.<sup>33</sup>
- > Member of the Board of Directors of Navigator Tissue Ródão, S.A.
- > Member of the Board of Directors of Pulpchem Logistics, ACE.
- > Member of the Board of Directors and member of the Executive Committee of The Navigator Company, S.A.

### *Offices Held in Other Companies/Entities:*

- > Member of the General Council of CELPA – Associação da Indústria Papeleira, as representative of Navigator Paper Setúbal, S.A.
- > Member of the General Council of Universidade de Aveiro
- > Member of the Advisory Board of AICEP
- > Member of the Supervisory Board of Fraunhofer Institute in Portugal

<sup>25</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>26</sup> Served as Chairman of the Board of Directors until 29 April 2019, having started as a Member after that date. Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>27</sup> Served as Chairman of the Board of Directors until 29 April 2019, having started as a Member after that date.

<sup>28</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>29</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>30</sup> Served as Chairman of the Board of Directors until 29 April 2019, having started as a Member after that date.

<sup>31</sup> Formerly called The Future – Empresa Produtora de Papel, S.A.

<sup>32</sup> Formerly called Navigator Pulp Cacia, S.A.

<sup>33</sup> Formerly called Navigator Tissue Cacia, S.A.

## **José Fernando Morais Carreira de Araújo**

### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of Bosques do Atlântico, S.L.<sup>34</sup>
- > Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
- > Member of the Board of Directors of EMA21, S.A.<sup>35</sup>
- > Member of the Board of Directors of ENERPULP, S.A.
- > Member of the Board of Directors of Navigator Added Value, S.A.<sup>36</sup>
- > Member of the Board of Directors of Navigator Africa, S.R.L.
- > Manager of Navigator Afrique du Nord, SARLAU.
- > Member of the Board of Directors of Navigator Brands, S.A.
- > Member of the Board of Directors of Navigator Deutschland, GMBH.
- > Vice-Chairman of the Board of Directors of Navigator Eurasia Kagit Ve Kagit Ürünleri Sanayi Ve Ticaret Anonim Sirketi.
- > Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
- > Member of the Board of Directors of Navigator Fine Paper, S.A.<sup>37</sup>
- > Director-General of Navigator France, SAS.<sup>38</sup>
- > Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
- > Chairman of the Management Board of Navigator International Trading, GMBH.
- > Member of the Board of Directors of Navigator Itália, S.R.L.
- > Member of the Board of Directors of Navigator Middle East Trading, D.M.C.C.
- > Member of the Board of Directors of Navigator Netherlands, B.V.
- > Member of the Board of Directors of Navigator North America, Inc.<sup>39</sup>
- > Member of the Board of Directors of Navigator Paper Austria, GMBH.
- > Member of the Board of Directors of Navigator Paper UK, Ltd.
- > Member of the Board of Directors of Navigator Paper España, S.A.
- > Member of the Board of Directors of Navigator Paper Figueira, S.A.
- > Member of the Board of Directors of Navigator Paper Setúbal, S.A.<sup>40</sup>
- > Manager of Navigator México S. De R.L. De C.V.
- > Member of the Board of Directors of Navigator Parques Industriais, S.A.
- > Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
- > Member of the Management Council of Navigator Poland Paper Spółka Z Ograniczona Odpowiedzialnoscia.
- > Member of the Board of Directors of Navigator Pulp Aveiro, S.A.<sup>41</sup>
- > Member of the Board of Directors of Navigator Pulp Figueira, S.A.
- > Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
- > Member of the Board of Directors of Navigator Rus Company, LLC.
- > Member of the Board of Directors of Navigator Paper World, S.A.
- > Member of the Board of Directors of Navigator Tissue Aveiro, S.A.<sup>42</sup>
- > Member of the Board of Directors of Navigator Tissue Iberica, S.A.
- > Member of the Board of Directors of Navigator Tissue Ródão, S.A.
- > Member of the Board of Directors of Portucel Moçambique – Sociedade de Desenvolvimento Florestal e Industrial.
- > Member of the Board of Directors of and member of the Executive Committee of The Navigator Company, S.A.

### *Offices Held in Other Companies/Entities:*

- > Chairman of the Board of the General Meeting of CELPA – Associação da Indústria Papeleira.
- > Member of the Board of AFP – Associação Fiscal Portuguesa.

<sup>34</sup> Served as Chairman of the Board of Directors until 10 April 2019, having started as a Member after that date.

<sup>35</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>36</sup> Served as Chairman of the Board of Directors until 29 April 2019, having started as a Member after that date. Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>37</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>38</sup> Served as Director of the Board until 29 June 2019, having started as Director-General after that date.

<sup>39</sup> Served as Vice-Chairman of the Board of Directors until 28 June 2019, having started as a Member after that date.

<sup>40</sup> Formerly called About The Future – Empresa Produtora de Papel, S.A.

<sup>41</sup> Formerly called Navigator Pulp Cacia, S.A.

<sup>42</sup> Formerly called Navigator Navigator Tissue Cacia, S.A.

### **José Miguel Pereira Gens Paredes**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.<sup>43</sup>

#### *Offices Held in Other Companies/Entities:*

- > Chairman of the Board of Directors of ABAPOR – Comércio e Indústria de Carnes, S.A.
- > Member of the Board of Directors of APHELION, S.A.
- > Member of the Board of Directors of Aprovechamiento Integral de Subproductos Ibéricos, S.A.
- > Manager of BIOLOGICAL – Gestão de Resíduos Industriais, Lda.
- > Chairman of the Board of Directors of CELCIMO, S.L.<sup>44</sup>
- > Chairman of the Board of Directors of ETSA – Investimentos, SGPS, S.A.
- > Chairman of the Board of Directors of ETSA LOG, S.A.
- > Chairman of the Board of Directors of I.T.S. – Indústria Transformadora de Subprodutos, S.A.
- > Chairman of the Board of Directors of SEBOL – Comércio e Indústria de Sebo, S.A.
- > Member of the Board of Directors of and member of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
- > Member of the Board of Directors of SEMAPA NEXT, S.A.
- > Member of the Board of Directors of CIMIGEST, SGPS, S.A.
- > Chairman of the Board of Directors of CIMO – Gestão de Participações, SGPS S.A.
- > Member of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
- > Member of the Board of Directors of SODIM, SGPS, S.A.
- > Member of the Board of Directors of SONAGI, SGPS, S.A.

### **Manuel Soares Ferreira Regalado**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

#### *Offices Held in Other Companies/Entities:*

- > On 31 December 2019, he did not perform functions in other companies/entities.

### **Maria Teresa Aliu Presas**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

#### *Offices Held in Other Companies/Entities:*

- > Member of the Advisory Board of the World Bioeconomy Forum.
- > Senior Consultant at Magellan Association.
- > Advisor in the European Women on Boards Programme by Partner PriceWaterhouseCoopers & Associados SROC, Lda.

### **Mariana Rita Antunes Marques dos Santos Belmar da Costa**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

#### *Offices Held in Other Companies/Entities:*

- > Director at MSCINCO – Participações e Gestão, S.A.
- > Manager of Casal dos Netos – Actividades Imobiliárias e Turismo, Lda.
- > Member of the Board of Directors of NBC Medical, S.A.

<sup>43</sup> Office held until 29 Fevereiro 2019.

<sup>44</sup> Served as a Member of the Board of Directors until 31 January 2019, having started as Chairman after that date.

## **Nuno Miguel Moreira de Araújo Santos**

### *Offices Held In Navigator Group Companies:*

- > Chairman of the Board of Directors of Atlantic Forest – Comércio de Madeiras, S.A.
- > Member of the Board of Directors of Bosques do Atlântico, S.L
- > Member of the Board of Directors of EMA21, S.A.<sup>45</sup>
- > Member of the Board of Directors of ENERPULP, S.A.
- > Member of the Board of Directors of Eucaliptusland – Sociedade de Gestão de Património Florestal, S.A.
- > Member of the Board of Navigator Abastecimento de Madeira, ACE.
- > Member of the Board of Directors of Navigator Added Value, S.A.<sup>46</sup>
- > Chairman of the Board of Directors of Navigator Africa, S.R.L.
- > Member of the Board of Directors of Navigator Brands, S.A.
- > Member of the Board of Directors of Navigator Financial Services SP Z.O.O.
- > Member of the Board of Directors of Navigator Fine Paper, S.A.
- > Chairman of the Board of Directors of Navigator Forest Portugal, S.A.
- > Member of the Board of Directors of Navigator International Holding, SGPS, S.A.
- > Member of the Board of Directors of Navigator North America, INC.
- > Member of the Board of Directors of Navigator Paper Figueira, S.A.
- > Member of the Board of Directors of Navigator Paper Setúbal, S.A.<sup>47</sup>
- > Member of the Board of Directors of Navigator Parques Industriais, S.A.
- > Member of the Board of Directors of Navigator Participações Holding, SGPS, S.A.
- > Member of the Board of Directors of Navigator Pulp Aveiro, S.A.<sup>48</sup>
- > Member of the Board of Directors of Navigator Pulp Figueira, S.A.
- > Member of the Board of Directors of Navigator Pulp Setúbal, S.A.
- > Member of the Board of Directors of Navigator Paper World, S.A.<sup>13</sup>
- > Member of the Board of Directors of Navigator Tissue Aveiro, S.A.<sup>49</sup>
- > Chairman of the Board of Directors of Navigator Tissue Iberica, S.A.
- > Member of the Board of Directors of Navigator Tissue Ródão, S.A.
- > Chairman of the Board of Directors of Portucel Moçambique – Sociedade de Desenvolvimento Florestal e Industrial, S.A.
- > Chairman of the Board of Directors of Sociedade de Vinhos da Herdade de Espirra – Produção e Comercialização de Vinhos, S.A.
- > Chairman of the Board of Directors of Viveiros Aliança – Empresa Produtora de Plantas, S.A.
- > Member of the Board of Directors of and member of the Executive Committee of The Navigator Company, S.A.

### *Offices Held in Other Companies/Entities:*

- > Member of the General Council of CELPA – Associação da Indústria Papeleira, as representative of Navigator Forest Portugal, S.A. and of Navigator Pulp Aveiro, S.A.

## **Ricardo Miguel dos Santos Pacheco Pires**

### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

### *Offices Held in Other Companies/Entities:*

- > Member of the Board of Directors of APHELION, S.A.
- > Member of the Board of Directors of SEMAPA NEXT, S.A.
- > Member of the Board of Directors of CIMIGEST, SGPS, S.A.
- > Member of the Board of Directors of CIMO – Gestão de Participações, SGPS S.A.
- > Member of the Board of Directors of PYRUS AGRICULTURAL LLC.
- > Member of the Board of Directors of PYRUS INVESTMENTS LLC.
- > Member of the Board of Directors of PYRUS REAL ESTATE LLC.
- > Member of the Board of Directors of SECIL – Companhia Geral de Cal e Cimento, S.A.
- > Member of the Board of Directors and member of the Executive Committee of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
- > Member of the Board of Directors of SODIM, SGPS, S.A.
- > Member of the Board of Directors of UPSIS S.A.

<sup>45</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>46</sup> Company acquired by Navigator Pulp Figueira, S.A. on 30 December 2019.

<sup>47</sup> Formerly called About The Future – Empresa Produtora de Papel, S.A.

<sup>48</sup> Formerly called Navigator Pulp Cacia, S.A.

<sup>49</sup> Formerly called Navigator Tissue Cacia, S.A.

### **Sandra Maria Soares Santos**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

#### *Offices Held in Other Companies/Entities:*

- > Chairman of the Board of Directors of MOLDIN, S.A.
- > Chairman of the Board of Directors of Barbosa & Almeida, SGPS, S.A.
- > Chairman of the Board of Directors of BA Vidro II, SGPS, S.A.
- > Chairman of the Board of Directors of BA Glass Packaging, S.A.
- > Manager of Artividro, Lda.
- > Member of the Board of Directors of BA Glass I – Serviços de Gestão e Investimentos, S.A.
- > Member of the Board of Directors of BA Glass Portugal, S.A.
- > Chairman of the Board of Directors of BA Glass Spain, S.A.U.
- > Chairman of the Board of Directors of BA - Vidrio Distribución y Comercialización de Envases de Vidrio, S.A.
- > Chairman of the Board of Directors of Minas de Valdeastillo, S.A.U.
- > Chairman of BA Glass Germany, GmbH.
- > Chairman of BA Glass Poland, Sp. z.o.o.
- > Chairman of the Board of Directors of BA Glass Bulgaria, S.A.
- > Chairman of the Board of Directors of BA Glass Romania, S.A.
- > Managing Director of BA Glass Romania, S.A.
- > Director of Land International Property Limited.
- > Director of Bareck Overseas Limited.
- > Director of Beluxen Entreprises Limited.
- > Director of Chelianda Estates Limited.
- > Director of GlassInvest Limited.
- > Director of MGL Mediterrean Glass Limited.
- > Director of Ivaglass Manufacturers Limited.
- > Chairman of the Board of Directors of BA Glass Greece, S.A.
- > Director of Hellenic Glass Recycling and Waste Treatment, Ltd.

### **Vítor Manuel Rocha Novais Gonçalves**

#### *Offices Held In Navigator Group Companies:*

- > Member of the Board of Directors of The Navigator Company, S.A.

#### *Offices Held in Other Companies/Entities:*

- > Member of the Board of Directors of BELDEVELOPMENT, S.A.
- > Member of the Board of Directors of EXTRARESEARCH, SGPS, S.A.
- > Manager of MAGALHÃES e GONÇALVES – Consultoria e Gestão, Lda.
- > Director of QUALQUER PONTO – Sociedade Imobiliária, S.A.
- > Manager of QUALQUER PRUMO – Sociedade Imobiliária, Lda.
- > Member of the Board of Directors of SEMAPA – Sociedade de Investimento e Gestão, SGPS, S.A.
- > Manager of VANGUARDINTEGRAL, Lda.
- > Member of the Board of Directors of VRES – Vision Real Estate Solutions, S.A.
- > Member of the Board of Directors of ZOOM INVESTMENT, SGPS, S.A.
- > Member of the Board of Directors of ZOOM INVESTMENT TURISMO, S.A.
- > Member of the Board of Directors of 2FOR VENTURE, SGPS, S.A.

The Rules of Procedure of the Board of Directors (article 24) regulates the exercise of other administrative functions in entities outside the business group to which the Company belongs, by Executive and Non-Executive Directors. Thus, under the terms of the Board of Directors' regulations approved in December 2018, the directors who are part of the Executive Committee cannot perform executive management functions in entities outside the business group to which the company belongs, unless the activity of these entities is considered ancillary or complementary to the group's activity or does not imply a significant expenditure of time, and executive directors shall not hold positions in other companies that do not meet the aforementioned criteria.

The same Rules of Procedure provide that directors who are not on the Executive Committee can serve as directors (executive or non-executive) in entities outside the business group in which the company is integrated whenever they do not pertain to companies that perform an activity that competes with that of the company or companies held directly or indirectly thereby. The Chairman of the Board of Directors must be informed prior to the start of such duties. Non-executive directors of the company shall not perform duties in other companies that do not fulfil the aforementioned requirements.

### **C) COMMITTEES BELONGING TO THE MANAGEMENT OR SUPERVISORY BODIES AND MANAGING DIRECTORS**

#### **27. Identification of committees set up by the Board of Directors, the General and Supervisory Board and the Executive Committee, as the case may be, and place where the rules of procedure may be consulted.**

The following committees report to the Company's Board of Directors:

- Executive Committee
- Corporate Governance Committee
- Sustainability Forum
- Pension Fund Supervisory Board
- Property Risks Analysis and Monitoring Committee
- Ethics Committee
- Environmental Board (instituted by the Articles of Association)
- Remuneration Committee

<sup>50</sup> Ceased to serve as Chairman of the Executive Committee on 31 December 2019.

- Nominations and Assessments Committee

The Operating Rules of these Committees make reference to their respective powers, presidency, meeting frequency, functioning and duties of the members, with detailed minutes of their meetings drawn up, available at the Company's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

The composition and number of annual meetings of internal committees are published at the Company's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

In accordance with their respective Operating Rules, Internal Committees must ensure a timely and adequate flow of information, from their respective meeting notices and minutes, as required to exercise the powers under the law and Articles of Association of each of the remaining boards and committees.

#### **28. Composition, if applicable, of the Executive Committee and/or identification of the Managing Director(s).**

On 31 December 2019, the Executive Committee comprised the following Directors:

##### **Chairman**

- João Nuno de Sottomayor Pinto de Castello Branco<sup>50</sup>

##### **Members**

- António José Pereira Redondo<sup>51</sup>
- José Fernando Morais Carreira de Araújo
- Nuno Miguel Moreira de Araújo Santos
- João Paulo Araújo Oliveira

#### **29. Indication of the powers of each of the committees created and summary of the activities carried on the exercise of these responsibilities.**

##### **Executive Committee**

The powers of the Executive Committee are described in item 21 of this report.

The Executive Committee is the Company's executive management body and has performed its duties by exercising the powers entrusted to it by the Board of Directors. This Committee meets regularly and whenever required by the evolution of the Company's affairs and to monitor its business

<sup>51</sup> Started as Chairman of the Executive Committee on 1 January 2020.

activities; a total of 42 meetings were held in 2019. In addition to the members of the Executive Committee, whenever the matters so justify, Non-Executive Directors and Group Companies are present at these meetings and members of the various Navigator Boards.

### Corporate Governance Committee

The Corporate Governance Committee comprises of three members: Mariana Marques dos Santos, Manuel Regalado and António Neto Alves.

The Corporate Governance Committee oversees application of the Company's corporate governance rules and the Code of Ethics and Conduct, with the following specific responsibilities:

- a) To assist the Board of Directors when so required by it, assessing and submitting to it proposals for strategic guidelines in the field of corporate responsibility;
- b) To constantly monitor and oversee matters related to corporate governance, social responsibility, the environment and ethics; the business sustainability of the Navigator Group, Internal Codes of Ethics and systems for evaluating and resolving conflicts of interest, namely with regard to relationships between the Company and its shareholders or other stakeholders.

In the exercise of its responsibilities, the Corporate Governance Committee is required in particular:

- a) To submit to the Board of Directors the corporate governance policy to be adopted by the Company;
- b) To monitor, review and assess the adequacy of the Company's governance model and its consistency with national and international recommendations, standards and best practice in the field of corporate governance, addressing to the Board of Directors the recommendations it sees fit to this end;
- c) To propose and submit to the Board of Directors changes to the Company's corporate governance model, including to the organisational structure, functioning, responsibilities and rules of procedure of the Board of Directors;
- d) To monitor the Company's corporate links with the organisational structure of the other companies in the Navigator Group;

- e) To oversee compliance with and the correct application of the principles and rules relating to corporate governance contained in law, regulations and the articles of association, in coordination with the activities of the Board of Directors, the Executive Committee, the Official Auditor and the External Auditor, sharing and requesting the exchange of information necessary for this purpose;
- f) To define the parameters of the Company's governance report to be included in its annual Report and Accounts;
- g) To monitor the work of the Ethics Committee and the activities of the divisions of Navigator Group companies relating to matters within the scope of its responsibilities;
- h) To monitor on an ongoing basis, assess and supervise internal procedures relating to matters of conflicts of interest, and also the effectiveness of the systems for assessment and resolution of conflicts of interest;
- i) To give its opinion on transactions between the Company and its Directors, and also between the Company and its shareholders, whenever materially relevant;
- j) Whenever so requested by the Board of Directors, to issue opinions on the application to the Company's statutory bodies of the rules on incompatibility and independence;
- k) To further and strengthen the operation of the Company as a sustainable undertaking, gaining it recognition for this, both internally and externally;
- l) To ensure compliance, by the members of the Board of Directors and other persons concerned, of the securities market rules applicable to their conduct;
- m) To develop a transversal strategy of corporate sustainability, integrated and consistent with the Company's strategy;
- n) To promote, develop and supervise the internal measures required for the Company to achieve sustained growth, as regards the business, environmental and social aspects of its operations;
- o) To prepare and monitor decision-making by statutory bodies and committees on matters relating to corporate

governance and sustainability or which give rise to conflicts of interest between the Company, shareholders and officers;

- p) To monitor inspections conducted by the Portuguese Securities Market Commission (CMVM) in relation to corporate governance issues.

In 2019, the Commission held two meetings in which the following topics were analysed: Analysis of the Corporate Governance Report for 2018; Analysis of the evaluation conducted by the Executive Committee for Follow-up and Monitoring (CEAM), regarding the compliance with the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG), with reference to the period of 2018; and the elaboration of a Proposal, to be submitted to the Board of Directors, regarding the review and implementation of internal documents on corporate governance, following the monitoring and evaluation of the degree of compliance with the Corporate Governance Code by the Company. The purpose of the proposal was, namely: (a) the revision of the Regulations on Conflicts of Interest and Transactions with Related Parties and (b) the revision of the Internal Regulations of the Appointments and Appraisals Committee.

### **Sustainability Forum**

In recognition of the fundamental role of sustainability in its strategic development, in 2015 the Navigator Group created the Sustainability Forum.

The main aim of the Forum is to allow the Navigator Group to work hand-in-hand with experts and leaders within its sphere of activity, from NGOs and universities to social and labour organisations as well as clients and suppliers.

It is an initiative aimed at strengthening dialogue with its main stakeholders, encouraging proactive listening and discussion on topics relevant to the Company and to society.

The Sustainability Forum meets twice per year: one session dedicated to Permanent Members, and another session extended to various stakeholders. The sessions have a core topic to be discussed and explored in greater depth, helping to shape corporate and strategic policies on matters involving social and environmental responsibility, thereby enabling platforms of understanding and cooperation between the Navigator Group and its main stakeholders.

The Sustainability Forum comprises External Members and Internal Members from the Navigator Group, and is chaired by the Chief Executive Officer, João Castello Branco, with Manuel Gil Mata as General Secretary.

In addition to the Chairman and the General Secretary, the Internal Members are the members of the Executive Committee, the members of the Environmental Board and the Senior Consultants of the Company for the purpose appointed by the Executive Committee.

In 2019, the following participated as Internal Members: Diogo da Silveira (Chairman of the Executive Committee until 09.04.2019), Manuel Regalado (General Secretary), António Redondo, Fernando Araújo, Nuno Santos and João Paulo Oliveira, in the Executive Committee, Adriano Silveira, in the Board of Directors, Fernando Santana, Casimiro Pio, Maria da Conceição Cunha, Margarida Tomé e Joaquim Poças, in the Environmental Board.

In the same year, its executive members - key personalities tied to the activities of the Company's main stakeholders - were, Filipe Duarte Santos, João Proença (until 22.02.2019), Jorge Loureiro (until 22.02.2019), José Júlio Norte, Luís Neves da Silva, Margarida Santos-Reis (until 22.02.2019), Nuno Ribeiro da Silva (until 22.02.2019), Rosário Alves, Teresa Presas, Tito Rosa (until 22.02.2019), Winfried Brüeggmann, Cristina Tomé, Manuel Martins, Vitor Bento and Francisco Gomes da Silva.

The Forum had two sessions in 2019. The first, held on 29 May 2019, was aimed exclusively at Permanent Members and was intended to share the main themes of The Navigator Company's sustainability agenda and the most relevant indicators of 2018, which show progress in crucial areas for the Company and the Partnership, as is the case with carbon neutrality ("Navigator Roadmap to a Carbon Neutral Company" until 2035).

The second meeting, held on 8 October, was dedicated to the theme "Building a Carbon-Neutral Future", and was attended by 250 participants from various areas.

### **Pension Fund Supervisory Board**

The current Pension Fund Supervisory Board was appointed in 2016. The members are António Cunha Reis, João Ventura and Manuel Arouca, and two representatives of the fund beneficiaries, Alberto Vale Rego and Fernando Dias Amaral.

The committee's responsibilities include checking compliance with the rules applicable to the pension plan and to the management of the respective pension fund, issuing opinions on proposals for transferring management and other significant changes in the contractual arrangements for the fund and its management, and on the winding up of the pension fund or of part thereof.

In 2019, the Pension Fund Supervisory Board held three meetings in which, among other topics, the changes to the constitutive contract of the Pension Fund and the performance of the financial assets of the Pension Fund were analysed.

#### **Property Risks Analysis and Monitoring Committee**

The Company has a Property Risks Analysis and Monitoring Committee, coordinated by the directors responsible for financial affairs, risk and assets, respectively Fernando Araújo and João Paulo Oliveira. The Committee also comprises of the Plant Managers, who on 31 December 2019 were Pedro Silva, José Nordeste, Alexandre Vale and Joaquim Belfo, the Environment and Energy Director, Óscar Arantes, the Financial Director, Manuel Arouca, and the Risk Management Director, Gonçalo Veloso de Sousa. Meetings have also been regularly attended by Alexandra Fernandes, the manager responsible for the operations of Empremedia.

This committee meets whenever necessary to give its opinion on systems for preventing property risk in effect at the Company, mainly measures taken to address recommendations from inspections performed by reinsurers, as well as give its opinion on the suitability of the scope, type of coverages and insured values purchased by the Navigator Group; to discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary situations in terms of property risk; and to monitor and keep track of the most significant risks involving property, in close connection with the risk governance system in effect at the Navigator Group.

In 2019, the Property Risk Analysis and Monitoring Committee held two meetings, one on 27 June and the other on 5 December, having analysed various topics, namely, a review of recommendations after 2019 risk analyses and pending recommendations from previous years; identification and quantification of claims in the last ten years (2010-2019), reflection

on Navigator's retention and risk policy for 2020; and the capital to be insured in 2020.

#### **Environmental Board**

In view of the specific nature of the Group's business and the corresponding environmental concerns, in 2008 the Board of Directors decided to set up an Environmental Board to monitor and issue its opinion on environmental aspects of the Company's operations, and to make recommendations concerning the environmental impact of its main projects, paying special attention to legal requirements, licensing terms and the Navigator Group's policy in this area. The Environmental Board is currently comprised of four members: Fernando Santana (Chairman), Casimiro Pio, Maria da Conceição Cunha, Maria Margarida Tomé and Joaquim Poças Martins, all independent academic personalities of known scientific and technical expertise, particularly in the most important domains of the environmental concerns of the Navigator Group as it is currently configured.

The Environmental Board is in direct contact with the Navigator Group's business world through meetings held at its industrial facilities, main forest plantations and its research institute, "RAIZ".

In the course of 2018, the Environmental Board held two meetings, where the following topics were addressed:

- a) Environmental status of Industrial Activities at the Navigator Group's manufacturing facilities;
- b) The new titles for the use of water resources;
- c) The environmental impact of the PO3 project at the Figueira da Foz pulp mill;
- d) Project to reduce water consumption in Figueira da Foz;
- e) Neutral capital and biodiversity.

#### **Nominations and Assessments Committee**

In 2018, the Company established an Appointments and Appraisals Committee. In 2019 the commission included three board members, João Castello Branco, Adriano Silveira and Manuel Regalado. In 2019, the functions of this Commission were increased and it included four members: João Nuno de Sottomayor Pinto de Castello Branco

(Chairman), Ricardo Miguel dos Santos Pacheco Pires, Mariana Rita Antunes Marques dos Santos Belmar da Costa and Vítor Paulo Paranhos Pereira.

In accordance with its Rules of Procedure, the Appointments and Appraisals Committee is in charge of monitoring and supporting appointments to the management staff for the Company and the Navigator Group, as well as evaluating the performance of the same managers.

In the performance of its duties, and without prejudice to other powers attributed to it by the Company's Board of Directors, the Appointments and Appraisals Committee is particularly responsible for the governing bodies:

a) In terms of appointments:

- i. Assist the Board of Directors in identifying and assessing the adequacy of the profile, knowledge, and curriculum of members of the governing bodies to be designated, namely, the appointment by co-option for the performance of functions of member of the Board of Directors of the Company, as well as, in the choice of administrators who will perform executive functions;
- ii. Make its terms of reference available and induce, to the extent of its competencies, transparent selection processes that include effective mechanisms for identifying potential candidates, through which the ones with the greatest merit are selected, that are best suited to the job requirements and promote, within the organisation, adequate diversity including gender;
- iii. Whenever considered convenient, know and monitor the selection processes of potential candidates for the performance of executive management functions in subsidiaries of the Group, in the cases where the Company intends to present the respective elective proposal.

b) In terms of appraisals:

- i. To monitor the management's performance evaluation and remuneration attribution system;

- ii. To comment on the proposals for individual annual performance evaluation of the members of the Executive Committee, issued by the respective Chairman, and on the latter, issued by the Chairman of the Board of Directors;

- iii. To monitor the overall assessment of the performance of the Board of Directors, as a body, taking into account compliance with the Company's strategic plan and budget, risk management, its internal functioning and the contribution of each member.

In addition to other functions that are expressly assigned to it by the Board of Directors, the Appointments and Appraisals Committee is responsible, especially with regard to the remaining management staff, to:

- (a) Monitor and issue recommendations on the Group's internal talent management policies and procedures;
- (b) Periodically assess the need and availability of talent at the Group level and recommend appropriate actions to ensure the Group's capacity to respond to the challenges that arise, namely to monitor and issue recommendations on internal policies and procedures related to selection, hiring, remuneration, evaluation remuneration and incentives policies, as well as the succession plan for the management staff, and formulate the recommendations that it considers appropriate.

The Appointments and Appraisals Committee is comprised of three to seven members, including a majority of Directors without executive functions, one of which will be Chairman, designated by the Board of Directors for a four-year term coinciding with the term of office of the Board of Directors.

Due to the members that integrate it and their competences, in terms of remuneration, performance evaluation and appointments, the existence of this Committee reflects the adherence to Recommendation III.9 of the IPCG Corporate Governance Code.

### III. Auditing

*(Audit Board, Audit Committee or General and Supervisory Board)*

#### A) COMPOSITION\*

##### **30. Identification of the supervisory body (Audit Board, Audit Committee or General Supervisory Board) corresponding to the model adopted.**

Under the single-tier management model adopted, the Company's supervisory body is the Audit Board.

##### **31. Composition, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum numbers of members and duration of their term of office, as established in the Articles of Association, number of full members, date of first appointment and end date of the term of office of each member; reference may be made to the item in the report where this information is contained in accordance with paragraph 18.**

In 2019, the Company's Audit Board had the following members:

##### **Chairman**

- José Manuel Oliveira Vitorino

##### **Full Members**

- Gonçalo Nuno Palha Gaio Picão Caldeira  
- Maria da Graça Torres Ferreira da Cunha Gonçalves

##### **Alternate Member**

- Ana Isabel Moraes Nobre de Amaral Marques

In accordance with the Articles of Association, the Company's Audit Board comprises of three full members, one of whom is Chairman, and two alternate members, elected by the General Meeting for four-year terms in office.

The current members of the Audit Board were appointed for the current term, from 2019 to 2022, at the General Meeting held on 9 April 2019, at which the members of Navigator's governing bodies were elected.

Dr. José Manuel Oliveira Vitorino was elected as alternate member on 29 April 2015. On 2

July 2015, Dr. José Manuel Oliveira Vitorino took the position of full member of the Audit Board for the 2015-2018 term of office, replacing full member Duarte Nuno d'Orey da Cunha following his resignation. In the ordinary General Meeting of 19 April 2016, Dr. José Manuel de Oliveira Vitorino was appointed as a full member of the Supervisory Board, until the end of the current term of office of the other members of statutory bodies. However, since the composition of Navigator's Supervisory Board and its majority shareholder Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. have been coinciding; since an election was held in 2018 for the 2018-2022 term of office of the Semapa Audit Board, thereby changing its composition; and given the intent expressed by the Chairman of the Audit Board, Dr. Miguel Camargo de Sousa Eiró, to also resign from Navigator in the General Meeting of 23 May 2018, Dr. José Manuel Oliveira Vitorino, previously a full member of the Audit Board, was appointed to the position of Chairman of the Audit Board until the end of the current term of office of other members of statutory bodies. He was elected Chairman of the Audit Board on 9 April 2019 for the term of 2019 to 2022.

Dr. Gonçalo Nuno Palha Gaio Picão Caldeira was elected as a full member of the Audit Board for the first time with effect as from the start of the term running from 2007 to 2010 and was re-elected for the terms from 2011 to 2014, 2015 to 2018 and 2019 to 2022.

Dr. Maria da Graça Torres Ferreira da Cunha Gonçalves was appointed a full member of the Audit Board in the General Meeting on 23 May 2018, until the end of the current term of office of the other members of statutory bodies, having been re-elected for the 2019-2022 term.

Dr. Ana Isabel Moraes Nobre de Amaral Marques was appointed as alternate member of the Audit Board on 19 April 2016, until the end of the current term of office of the other members of statutory bodies, having been re-elected for the 2019-2022 term.

The Company believes that the number of members of the Audit Board is perfectly adequate in view of its size and the complexity of risks inherent to its activity, efficiently ensuring the duties entrusted to them.

\* over the reporting period

**32. Identification, as applicable, of the members of the Audit Board, the Audit Committee, the General and Audit Board or the Committee for Financial Affairs who are deemed independent, in accordance with article 414 (5) of the Companies Code; reference may be made to the item in the report where this information is contained in accordance with item 19.**

The Company considers that all the members of the Audit Board at 31 December 2018 can be regarded as independent, on the terms defined in article 414 (5) of the Companies Code.

**33. Professional qualifications, as applicable, of each of the members of the Audit Board, the Audit Committee or the General and Supervisory Board or the Committee for Financial Affairs and other relevant biographical details; reference may be made to the item in the report where this information is contained in accordance with item 21.**

**José Manuel Oliveira Vitorino**

*(Chairman of the Audit Board)*

José Manuel Vitorino graduated in business administration and organisation from the University of Lisbon's Instituto Superior de Economia. He is qualified as a statutory auditor, and in the executive training programme of Universidade Nova de Lisboa. He lectured at the Faculty of Economics, University of Coimbra, where he remained until 1980, having then joined PricewaterhouseCoopers, where he divided his time between audit and financial consultancy work, both in Portuguese and foreign companies and groups, and also on projects where he worked with international teams. After several years as a partner, he left PricewaterhouseCoopers in 2013, as he reached the age limit for his position. He also served as Chairman of the Audit Board of Novo Banco, S.A. until 2017 and currently serves as a member of the Audit Board of ANA - Aeroportos de Portugal, S.A. He has served as a member of the Audit Board of The Navigator Company since 2015 and that of Semapa and Secil since 2016, while performing duties as Chairman of such oversight bodies since 2018.

**Gonçalo Nuno Palha Gaio Picão Caldeira**

*(Full member of the Audit Board)*

Gonçalo Picão Caldeira has a degree in law and has been registered with the Portuguese Bar Association since 1991, after completing his legal internship. He holds an MBA from Universidade Nova de Lisboa and also attended

a property management and valuation course at ISEG. He has worked in property management and development through family companies since 2004. Prior to this, he worked for the BCP Group from 1992 to 1998, and with the Sorel Group from October 1998 to March 2002. He also worked for Semapa from April 2002 to February 2004. He has sat on the Company's Audit Board since 2007, and on the Audit Boards of Semapa, since 2006, and of Secil, since 2013.

**Maria da Graça Torres Ferreira da Cunha Gonçalves**

*(Full member of the Audit Board)*

Maria da Graça Torres Ferreira da Cunha Gonçalves has a degree in business administration and organisation from Instituto de Ciências do Trabalho e da Empresa (ISCTE), and is a chartered accountant. From June 1978 to November 1985, she held various positions in the areas of general accounting, analytical accounting, and financial planning and analysis at Magnetic Peripherals Inc. Portugal. She was a financial analyst at Shell Portuguesa, S.A. from December 1985 to November 1989. From December 1989 to July 1994, she was controller and CFO, in charge of the entire financial, IT and purchasing area. From August 1994 to July 1995, she was CFO of ITT Automotive Europe GmbH, in charge of the entire financial and staffing area. From August 1995 to June 2015, she was Back Office Director at Pernod Ricard Portugal, in charge of the areas of finance, management control, purchasing, logistics, production, human resources and legal. In 2001 and 2002, she was in charge of the acquisition process of Seagram (Sandeman & Co.) in Portugal. Subsequently, in 2005 and 2006, she was in charge of the areas of finance and human resources in the acquisition process of Allied Domecq (Cockburn Smithes & Co.). She was Deputy Chairperson at the sector's association, ACIBEV, as a representative of Allied Domecq. She is a member of the Company's Audit Board, and of the Audit Boards of Semapa and Secil, since 2018.

**B) OPERATION**

**34. Existence of operating regulations, and place where they can be consulted, as applicable, of the Audit Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs; reference may be made to the item in the report where this information is contained in accordance with item 24.**

The Company's Audit Board has internal operating regulations, which are published at the Company's website in the investors' area (corporate governance section), freely available for consultation at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

The annual report issued by the Audit Board on its work during the year is published in conjunction with the Report & Accounts and is available at the Navigator Group's website.

**35. Number of meetings held and rate of attendance at meetings of the Audit Board, the Audit Committee or the General and Supervisory Board and the Committee for Financial Affairs, as the case may be; reference may be made to the item in the report where this information is contained in accordance with item 25.**

In 2019 the Audit Board held fourteen meetings. The relevant agendas and minutes were forwarded to the Chairman of the Board of Directors and made available to the Risk Management Division.

Its members were in attendance at all meetings held during the performance of their duties, resulting in an attendance rate of 100%.

The number of meetings of the Supervisory Board is freely available at the company's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

Detailed minutes are drawn up for the Supervisory Board's meetings, in accordance with its Rules of Procedure.

**36. Availability of each of the members of the Supervisory Board, the Audit Committee or the General and Audit Board and the Committee for Financial Affairs, as the case may be, indicating offices held simultaneously in other companies, inside and outside the group, and other relevant activities carried out by the members of these bodies during the period; reference may be made to the item in the report where this information is contained in accordance with item 26.**

This information is available in item 33 on the professional qualifications and other relevant biographical details of each member of the above statutory bodies.

The members of the Audit Board have the appropriate availability to perform the duties entrusted to them.

In addition to the activities listed in item 33, the members of the Audit Board also hold corporate office in other companies as detailed below:

**José Manuel Oliveira Vitorino**

*Offices held in Navigator Group companies:*

No offices held in other companies belonging to the same group as Navigator.

*Offices held in other companies/entities:*

- Member of the Audit Board of ANA Aeroportos de Portugal, S.A.
- Chairman of the Audit Board of SECIL Companhia Geral de Cal e Cimento, S.A.
- Chairman of the Audit Board of SEMAPA Sociedade de Investimento e Gestão, SGPS, S.A.

**Gonçalo Nuno Palha Gaio Picão Caldeira**

*Offices held in Navigator Group companies:*

No offices held in other companies belonging to the same group as Navigator.

*Offices held in other companies/entities:*

- Manager of LINHA DO HORIZONTE Investimentos Imobiliários, Lda.
- Manager of LOFTMANIA - Gestão Imobiliária, Lda.
- Member of the Audit Board of SECIL Companhia Geral de Cal e Cimento, S.A.
- Member of the Audit Board of SEMAPA Sociedade de Investimento e Gestão, SGPS, S.A.

**Maria da Graça Torres Ferreira da Cunha Gonçalves**

*Offices held in Navigator Group companies:*

No offices held in other companies belonging to the same group as Navigator.

*Offices held in other companies/entities:*

- Member of the Audit Board of SECIL Companhia Geral de Cal e Cimento, S.A.
- Member of the Audit Board of SEMAPA - Sociedade de Investimento e Gestão, SGPS, S.A.

**C) POWERS AND RESPONSIBILITIES**

**37. Description of applicable procedures and criteria for the supervisory body's involvement in hiring additional services from the external auditor.**

In accordance with the rules in article 77, paragraphs 10 and 11 of the Bylaws of the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas), approved by Law no. 140/2015, of 7 September, the Rules of Procedure of the Audit Board and the

Rules of Procedure for the approval of services beyond the scope of auditing, approved on 1 June 2016, the contracting of different auditing services, which are not required by law or constitute prohibited services, to the External Auditor and Audit Auditor or to any member of its network, by Navigator or by companies in within its domain or group, is subject to prior approval by the Navigator Audit Board, duly substantiated.

As such, proposals submitted are handed over to the Audit Board for analysis and validation, with a view to essentially ensuring (i) that the services in question are permitted, (ii) that the provision of services will not affect the independence and impartiality of the External Auditor, as needed to provide auditing services, (iii) that the combined value of fees for the provision of services other than auditing services does not exceed the limit of the Bylaws of the Association of Statutory Auditors (EOROC), and (iv) that the additional services in question are provided with a high degree of quality and autonomy.

### **38. Other duties of the supervisory bodies and, if applicable, of the Committee for Financial Affairs.**

1. The functions and duties of the Audit Board are expressly set out in its Internal Rules of Procedure, which governs the exercise of the functions, the chairman, the frequency of the meetings, functioning and framework of duties of its members and determines that detailed minutes of its meetings are written. These Rules are published the Company's website, at <http://en.thenavigatorcompany.com/Investors/Governance>.

In accordance with the Rules of Procedure, amended on December 2018, the Audit Board ensures the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, required for the performance of the functions, determined by law and the bylaws, of each of the remaining corporate bodies and committees.

2. In the performance of its duties, without prejudice to other powers assigned to it by law, in particular by Article 420 of the Companies Code, in accordance with its Rules of Procedure, the Audit Board has the following functions and powers:

a) To supervise the management of the Company, including, in this regard, an annual assessment of compliance

with the Company's strategic plan and budget, risk management, the internal operation of the Board of Directors and its committees, and the relation between the different corporate bodies and committees of the Company;

b) To ensure compliance with the law and the articles of association;

c) To verify that books, accounting records and the respective supporting documents are in order;

d) To verify, when it deems to be appropriate and as it sees fit, the state of cash and inventories of any type of goods or assets belonging to the Company or received by the same as security, deposit or on another basis;

e) To verify the accuracy of the financial statements;

f) To verify that the accounting policies and valuation criteria adopted by the Company lead to a correct valuation of the Company's assets and results;

g) To draw up an annual report on its audit activities and issue its opinion on the report, accounts and proposals submitted by the Directors;

h) To convene the General Meeting when the Chairman of the meeting fails to do so;

i) To monitor, evaluate and issue its opinion on the strategic lines and the risk policy defined by the Board of Directors;

j) To supervise the effectiveness of the risk management system, the internal control system and the internal audit system, if any, proposing the adjustments deemed to be necessary;

k) To issue its opinion on the work plans and resources allocated to the internal audit services, including control of compliance with the rules applicable to the Company and internal audit;

l) To receive reports of irregularities (whistleblowing) submitted by shareholders, collaborators of the Company or others;

m) To contract the provision of services by experts to assist one or more of its members in the exercise of their functions; whereas the contracts with

- and remuneration to be paid to such experts shall be in line with the importance of the matters entrusted to them and the economic situation of the Company;
- n) To perform any other duties established in law or the articles of association;
  - o) To supervise the appropriateness of the procedure for preparation and disclosure of financial information by the Board of Directors, including the adequacy of the accounting policies, estimates, evaluations, relevant disclosures and a consistent implementation thereof in each year, that shall be fully documented and communicated;
  - p) To propose to the General Meeting the appointment of the Statutory Auditor and its remuneration, indicating the criteria which governed the selection of the statutory auditor and describing the auditor's selection procedure it conducted;
  - q) To propose to the General Meeting the dismissal of the Statutory Auditor or the termination of the services provision agreement, whenever there are justifiable grounds for that purpose;
  - r) To supervise the auditing of the Company's financial statements and reports;
  - s) To supervise the independence of the Statutory Auditor, namely with regard to the provision of additional services, and assess, yearly, the work carried out by the Statutory Auditor and its suitability for the performance of the tasks assigned to it;
  - t) To confirm if the disclosed report on the corporate governance structure and practices includes the information listed in Article 245-A of the Portuguese Securities Code;
  - u) To issue a previous and binding opinion on the Regulation on Conflicts of interests and Related Party Transactions to be drawn up and approved by the Board of Directors or, in the absence of such Regulation, on the definition by the Board of the type, scope and minimum amount, separate or aggregate, of related party transactions which:
    - (i) Must be previously approved by the Board of Directors; and
    - (ii) Due to involving higher amounts, are also subject to prior favourable opinion of the Supervisory Board;
  - v) To issue prior opinion on any business with related parties submitted for its approval, including on those which, in accordance with the final part of the previous paragraph, require its prior favourable opinion.
3. Concerning its powers, in the performance of its functions, and without prejudice to other powers assigned to it by law, members of the Audit Board may, acting jointly or separately:
- a) Obtain from the Management, for examination and certification, any books, records and documents belonging to the Company, and verify the existence of any type of assets, namely cash, securities and commodities;
  - b) Obtain from the Management or any of the Directors, information or clarifications on the course of operations or activities of the Company or on any of its businesses;
  - c) Have access to all Company information and Staff for assessing performance, the situation and the outlooks on the development of the Company, including, namely, minutes, documents supporting decisions taken, convening notices and records on the meetings of other corporate bodies, without prejudice to access to all other documents or people who may be called upon to provide clarifications;
  - d) Receive the reports made by the internal control and internal audit of the Company, in particular reports concerning matters related to financial statements, the identification or resolution of conflicts of interest and the detection of potential irregularities;
  - e) Receive from the Company's Statutory Auditor the clarifications which are necessary for the annual assessment, by the Supervisory Board, of the work carried out by the Statutory Auditor, and of its independence and its suitability for the performance of the tasks assigned to it;
  - f) To obtain from third parties who have carried out transactions on behalf of the Company any information required for proper clarification of such transactions;

- g) Attend meetings of the Board of Directors, whenever it deems appropriate.

In order to perform their duties, the Audit Board may be assisted by a technical team specially appointed for this purpose and also by a specialised audit firm, and may contract the provision of services by experts, to assist one or more of its members in the exercise of their duties.

4. In the performance of its functions, without prejudice to other powers assigned to it by law, members of the Audit Board have the following duties:

- a) To inform themselves and prepare Supervisory Board meetings diligently;
- b) To participate in Board meetings and attend General Meetings and meetings of the Board of Directors to which they are summoned by the Chairman or in which the accounts for the financial year are to be discussed;
- c) To exercise a conscientious and impartial supervision;
- d) To keep confidential any facts and information which come to their knowledge by virtue of their functions, without prejudice to the duties enshrined in paragraphs 2 and 3 of this Article;
- e) To inform the Board of Directors of any verifications, inspections and measures, undertaken and the results thereof;
- f) To report, at the first general meeting held, all irregularities and inaccuracies verified by this Board and whether it obtained all clarifications required for the performance of its functions;
- g) To record in writing all checks, inspections, complaints received, and measures taken and their outcome;
- h) To inform the Board of Directors of the results of the statutory audit and explain how this has contributed to the integrity of the procedure for preparing and disclosing financial information, as well as the role that the audit body played in this process;
- i) To monitor the process for preparation and disclosure of the financial information and submit recommendations or proposals to ensure their integrity;

- j) To supervise the effectiveness of the internal quality control and risk management systems and, if applicable, of the internal audit, with regard to the procedure for preparing and disclosing financial information, while preserving its independence;

- k) To monitor the annual statutory audit of individual and consolidated accounts, namely the execution thereof;
- l) To check and monitor the audit firm's independence and, in particular, verify its appropriateness and approve the provision of other services and relevant terms, in addition to the audit services by the Statutory Auditor to the Company and other entities included in the Company's group;
- m) To select audit firms to submit to the General Meeting for election and justifiably recommend one of them for approval;
- n) To treat in confidence any documents of the Company which they have access to in the exercise of their functions, including the content of the Board meetings and of the other corporate bodies in which they participate and the preparatory information of the meetings; and,
- o) To provide other corporate bodies and committees, in accordance with legal statutory requirements, with all necessary information and documents required for the exercise of legal and statutory functions of such bodies and committees.

The members of the Audit Board must refer to the Public Prosecution Office any criminal offences that they are aware of and which constitute a public crime.

5. If any of the members of the Audit Board becomes aware of any difficulties in the pursuit of its corporate purpose, they must inform the Statutory Auditor immediately.

It should also be stressed that it is the responsibility of the Supervisory Board to define criteria and selection procedure for the Audit Auditor and Chartered Accountant of the Company, in accordance with its Internal Rules, as mentioned above. The implementation of such criteria and the specific definition of the terms and conditions of the applicable selection procedure shall take place by resolution of the Supervisory Board for each selection procedure,

as occurred in the last selection process for the Audit Auditor and Chartered Accountant of the Company.

In addition, the Audit Board is the main correspondent of the Statutory Auditor and Chartered Accountant of the Company and has access to and direct knowledge of the activities carried out by it. The Company believes that this supervisory activity by the Audit Board, without any interference from the Board of Directors, of the works of the Statutory Auditor and Chartered Accountant, provided it does not jeopardise the timely and adequate knowledge of the Board of Directors, ultimately responsible for company matters and financial statements, in what concerns these tasks. In compliance with this principle, reports of the Statutory Auditor and Chartered Accountant are addressed to the Audit Board and discussed in joint meetings of the Supervisory Board with a member of the Board of Directors, where the Audit Board informs, notably, of the results of the statutory audit, ensuring that conditions required to provide audit services exist within the Company. It is also a responsibility of the Audit Board to propose

and monitor, with support from internal divisions of the Company, the fees of the Statutory Auditor and Chartered Accountant.

The Statutory Auditor and Chartered Accountant also cooperates with the Audit Board, providing, immediately and in accordance with applicable laws and regulations, information on irregularities relevant for the exercise of its functions that the Supervisory Board has detected, as well as any issues arising in the exercise of its duties.

Pursuant to the Rules of Procedure of the Audit Board, approved on 9 November 2018, and the Rules of Procedure on the approval of services outside the scope of the audit, approved on 1 June 2016, this body must verify the adequacy and approve the provision other services and respective conditions, in addition to the audit services, by the Statutory Auditor to the Company and other entities of the Group in which the Company is included, as defined in the Bylaws of the Association of Statutory Auditors, approved by Law no. 140/2015, of 7 September.

## IV. Statutory Auditor

### **39. Identification of the statutory audit firm and the partner and statutory auditor representing the same.**

The Company's acting Statutory Auditor is KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., registered with the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas) under no. 189 and registered with the Portuguese Securities Market Commission (CMVM) under no. 20161489, represented by Paulo Alexandre Martins Quintas Paixão (statutory auditor [ROC] no. 1427).

The alternate Statutory Auditor is Vítor Manuel da Cunha Ribeirinho (statutory auditor [ROC] no. 1081).

### **40. Indication of the consecutive number of years for which the statutory audit firm has held office in the Company and/or Group.**

The Statutory Auditor referred to in item 39 has been working with the Company since 2018.

### **41. Description of other services provided by the statutory auditor to the company.**

In addition to the statutory auditing services provided to the Company and its subsidiaries, the Statutory Auditor also provided other assurance services, pursuant to Law 140/2015, of 7 September.

The amounts paid for these services over the course of 2019 are detailed in items 46 and 47 below.

## V. External Auditor

### **42. Identification of the external auditor appointed for the purposes of article 8 and the partner and statutory auditor representing such firm in the performance of these duties, together with their respective registration number with the Portuguese Securities Market Commission.**

The Company's external auditor is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered with the Association of Statutory Auditors (Ordem dos Revisores Oficiais de Contas) under no. 189 and registered with the Portuguese Securities Market Commission (CMVM) under no. 20161489, represented in the performance of these duties by partner Paulo Alexandre Martins Quintas Paixão (statutory auditor [ROC] no. 1427).

### **43. Indication of the consecutive number of years for which the external auditor and the respective partner and statutory auditor representing the same in the performance of these duties has held office in the Company and/or Group.**

The external auditor and its partner statutory auditor representing it in the performance of these duties were appointed by the General Meeting in September 2017 to provide services beginning on 1 January 2018. They were re-elected for the position at the General Meeting held on 9 April 2019. Thus, 2019 was the second year of exercise of functions with the Company and/or the Group.

### **44. Policy on rotation of the external auditor and the respective partner and statutory auditor representing the same in the performance of these duties, and the respective frequency of rotation.**

The Statute of the Chamber of Statutory Auditors, approved by Law 140/2015, of 7 September, took effect on 1 January 2016 and established new mandatory legal rules on the rotation of statutory auditors in companies of public interest, such as Navigator, which previously had no policy requiring the statutory auditor or its representative to be rotated.

Under the new legal rules, PricewaterhouseCoopers & Associados - SROC, Lda. had reached the time limit on serving as statutory auditor to the main shareholder Semapa - Sociedade de Investimento e Gestão, SGPS, S.A., with

which the Company consolidates its accounts, in 2017, the Audit Board, supported by the management and divisions of the companies involved, conducted an organised procedure, open to a number of firms, for selecting the Statutory Auditor, for 2018, until the end of term in office of the other corporate bodies. The tenders submitted were analysed and assessed by the Audit Board on the basis of the criteria adopted in the selection process.

As a result of this selection procedure, the Audit Board submitted to the shareholders a recommendation and proposal to appointment KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. as external auditor, which was approved by the shareholders at the General Meeting.

### **45. Indication of the body responsible for assessing the external auditor and the intervals at which this assessment is conducted.**

Within the scope of its oversight and auditing function for the Company's accounting documents, the Audit Board continuously evaluates the external auditor and the Statutory Auditor, particularly with regard to the preparatory work for its Report and Opinion on the annual accounts.

In addition to its responsibility for proposing the appointment of the statutory auditor and its respective remuneration to the General Meeting, the Supervisory Board is responsible for assessing and monitoring all audit work conducted by the external auditor on an ongoing basis, and has the possibility of proposing its dismissal with due cause at General Meetings, when the proper formalities are complied with. To this end, the Supervisory Board holds frequent meetings during the year with the statutory auditor and external auditor, and a permanent and established relationship is established between the Board and the auditor, the Board being the final recipient of the auditor's reports. At these meetings the Supervisory Board is able to assess all the accounting and financial information it deems necessary at any time and is able to request from them any information it deems necessary for its supervisory functions.

In addition, in the exercise of its supervisory duties and in its audit of the

Company's accounts, the Supervisory Board conducts an annual appraisal of the performance of the external auditor in connection with the preparatory work on its Report and Opinion on the annual accounts, and also verifies its independence, by obtaining written confirmation of the independence of the auditor as provided for in article 62 of the Bylaws of the Association of Statutory Auditors (EOROC), confirmation of compliance with requirements for rotation of the partner responsible and identifying threats to independence and safeguards adopted to mitigate these threats.

To that extent, the Audit Board has unrestricted access to the documentation produced by the Company's auditors and may request that they provide any additional information deemed necessary. It is also the first recipient of the final reports prepared by the external auditors.

Pursuant to article 420 (2) b) of the Companies Code, the Audit Board is responsible for proposing the appointment of the Company's Statutory Auditor to the General Meeting.

**46. Identification of work, other than auditing, done by the external auditor for the company and/or for companies in a control relationship with it, together with internal procedures for approving the hiring of such services, specifying the reasons for doing so.**

As described in point 47, in the year ended on 31 December 2019, KPMG, a company of statutory auditors, and other entities belonging to the same network, were billed the fees related to the statutory audit of annual accounts, limited review of interim

accounts and reliability assurance services and services other than accounts. The breakdown of billing for these services is detailed below in point 47.

Services indicated as "other assurance services" correspond to the issuance of reports on financial information, verification services of the Sustainability Information and validation of the map of expenses related to an investment project. With regard to services other than auditing, these refer to merger operations opinions within the scope of the Statutory Auditor of Navigator group companies.

The provision of different auditing services by the Statutory Audit Firm to the Company and subsidiaries is regulated in the Internal Standard on the approval of services outside the scope of auditing, approved on 1 June 2016, which provides for different auditing services that cannot be provided by the Statutory Audit Firm and prior control and authorisation processes for these services by the Supervisory Board. The regime defined in this internal standard is fully consistent with the provisions of the Statute of the Order of Chartered Accountants, approved by Law No. 140/2015, and the Legal Regime of Audit Supervision, approved by Law No. 148/2015.

**47. Indication of the annual remuneration paid by the company and/or controlled, controlling or group entities to the auditor and other individuals or organisations belonging to the same network, specifying the percentage relating to the following services (for the purposes of this information, the concept of network is as defined in Commission Recommendation No. C [2002] 1873 of 16 May 2002):**

**BY THE COMPANY\***

Value of audit services (€)	89 083	79%
Value of assurance services (€)	23 750	21%
Value of tax consultancy services (€)	0	0%
Value of services other than account review (€)	0	0%

**BY ENTITIES THAT ARE PART OF THE GROUP\***

Value of audit services (€)	204 003	93%
Value of assurance services (€)	13 500	6%
Value of tax consultancy services (€)	0	0%
Value of services other than audit services (€)	3 000	1%

\* Including individual and consolidated accounts

In 2019, services other than audit services billed to the company or to entities that maintain a dominant relationship with it by the External Auditor and Statutory Auditor,

including entities that are in a participation relationship with or that integrate the same network, represented 12% of the total services provided.

## C. INTERNAL ORGANISATION

### I. Articles of Association

#### 48. Rules applicable to amendment of the Company's Articles of Association (article 245-A (1) (h)).

The Company's Articles of Association contain no specific rules on amendments of the articles, and accordingly the General Meeting has powers to resolve on any proposed amendments, as established in the Companies Code.

Proposed amendments to the Articles of Association should therefore be tabled

by the Company's shareholders to be voted on at a General Meeting. The meeting in question may only be held on the first call if shareholders representing no less than one third of the share capital are present; on the second call the meeting can adopt resolutions on amendments without being subject to any specified quorum.

A proposed amendment to the Articles of Association can only be approved by two thirds of the votes cast, at either the first or second call of the General Meeting.

### II. Reporting of Irregularities (Whistleblowing)

#### 49. Means and policy for reporting of irregularities (whistleblowing) occurring in the company.

The Company has "Whistleblowing Regulations" designed to provide a procedure and rules for communication by any stakeholders, be they Employees, clients, suppliers, partners or any other organisations or individuals which have dealings with the Company or its subsidiaries, of any irregularities allegedly occurring in the Navigator Group.

In these Regulations, "irregularity" is defined as any alleged breach of provisions under the law, regulations and/or Articles of Association occurring at the Navigator Group. Irregularities also include non-compliance with ethical principles and duties per the Company's Code of Ethics.

These Regulations lay out the general obligation of reporting alleged irregularities and establish a multidisciplinary team in charge of handling them. The rules of procedure of the company's boards and committees also foresee the adoption of and compliance with such regulations.

This multidisciplinary team, comprised of Legal Services and the Risk Management Division, must investigate all facts needed to properly assess the alleged irregularity. This process ends with the report being filed or submission to the Board of Directors or the Executive Committee, depending on whether a member of a statutory body is implicated or not, of a proposal for application of the measures most appropriate in light of the irregularity in question. The Supervisory Board must also be informed of all reports received.

The Regulations also contain other provisions, namely with regard to ensuring the confidentiality of whistleblowing, the non-prejudicial treatment of reporting stakeholders and the dissemination of the respective scheme at the Company.

In the course of 2019, reports were received of four potential irregularities. All reports were duly followed up by evaluation of the facts reported, investigation and a decision on any measures to be taken. The irregularities reported in 2019 refer to several topics, including:

- Potential unlawful behaviour of an employee of a service provider;

- Alleged discriminatory and abusive behaviour against an employee at one of our manufacturing centres;
- Lack of civility in dealing with certain colleagues;
- Problems with cargo packaging shipped from our factories.

Of these, two were closed (removal of the employee in question by the service provider

and conclusion of the investigations without further measures), with the others still being dealt with.

Three reports of irregularities carried over from previous years were closed, concerning, among others, issues related to the company's promotional contest or problems with any product of the brands produced by the company. A topic was also carried over to 2020, which, given the particular complex nature of it, is still being dealt with.

### III. Internal Control and Risk Management

#### 50. People, bodies or committees responsible for internal audits and/or implementation of internal control systems.

The Company regards Risk Management as a core process in its business activities. A system for permanent monitoring of risk management has therefore been implemented in the Navigator Group, involving all organisational units, DGR and the Supervisory Board.

This system is based on a systematic and explicit assessment of business risks by all organisational divisions in the Navigator Group and identification of the main controls in place in all business processes. This platform will allow the Company to assess on an ongoing basis the extent to which its internal control system is appropriate to the risks regarded as most critical from time to time.

As part of this periodic assessment, an annual internal audit programme has been instituted, to be implemented by DGR in conjunction with each division involved, to monitor the appropriateness of the internal control system to the perceived risks and to help the organisation to implement programmes to improve this system.

This risk governance system is headed by the Supervisory Board and the Board of Directors, as detailed below.

#### Board of Directors

The Board of Directors has the following responsibilities:

- Review and approve the risk policy defined for the Navigator Group, including risk appetite and tolerance;

- Set goals with regard to the assumption of risks, and ensure that they are achieved;
- Approve the risk governance model adopted by the Navigator Group;
- Oversee application of the risk policy in the Navigator Group;
- Discuss and approve the Company's risk policy and strategic plan, including the determination of acceptable risk levels;
- Approve strategies for dealing with risks, especially very high risks;
- Promote a risk culture within the Navigator Group.

#### Audit Board

The Audit Board has the following responsibilities:

- To supervise the effectiveness of the risk management system, the internal control system and the internal audit system, proposing the necessary adjustments;
- Assess and propose improvement to the risk management model, processes and procedures;
- Oversee execution of the plans of activities in connection with risk management;
- Monitor, evaluate and comment on the strategic lines and objectives and risk policy defined by the Board of Directors, proposing and implementing mechanisms and procedures for periodic control in order to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body;

- Issue an opinion on the work plans and resources allocated to the internal control services, including the control of compliance with the rules applied to the Company and internal auditing;
- Take note of the risk control and management reports issued by the Statutory Auditor and propose the adoption of measures considered necessary or convenient in light of these reports;
- Take note of the risk management monitoring reports issued by the Risk Management Division and propose the adoption of the measures considered necessary or convenient in light of these reports.

### Chief Executive Officer

The Chief Executive Officer has the following responsibilities:

- Define the Navigator Group's risk policy, including its risk appetite;
- Take the risk policy into account when setting the Navigator Group's strategic objectives;
- Provide the means and resources to assure that risk management is effective and efficient;
- Approve the risk management model, processes and procedures;
- Define the risk management governance model to be adopted by the Group, including the division of responsibilities;
- Approve activities plans in the field of risk management;
- Ensure that the main risks to which the Navigator Group is exposed are identified and reduced to acceptable levels, in line with the risk appetite and tolerance defined;
- Discuss and approve options for handling risks where the residual risk level is in excess of the risk tolerance levels;
- Oversee and review the work of the Risk Management Division, in the field of risk management;
- Report on results to the Board of Directors.

### Risk Management Division

The Risk Management Division has the following responsibilities in this area:

- Define the risk management model, processes and procedures;
- Draw up activities plans in the field of risk management;
- Identify and implement the means and resources (human, procedural and technological) to facilitate risk identification, analysis and management;
- Warn of potential risks when strategic and operational objectives are being defined;
- Help define risk appetite and risk tolerance;
- Help decide on the division of responsibilities in the field of risk management;
- Help identify and characterise risks;
- Monitor risk indicators;
- Help design risk mitigation measures;
- Assess the effectiveness of risk mitigation measures;
- Assess compliance with risk tolerance;
- Ensure compliance with action plans for mitigating risks;
- Draw up risk management monitoring reports.

### Business Areas/Divisions

Business areas/divisions have the following responsibilities:

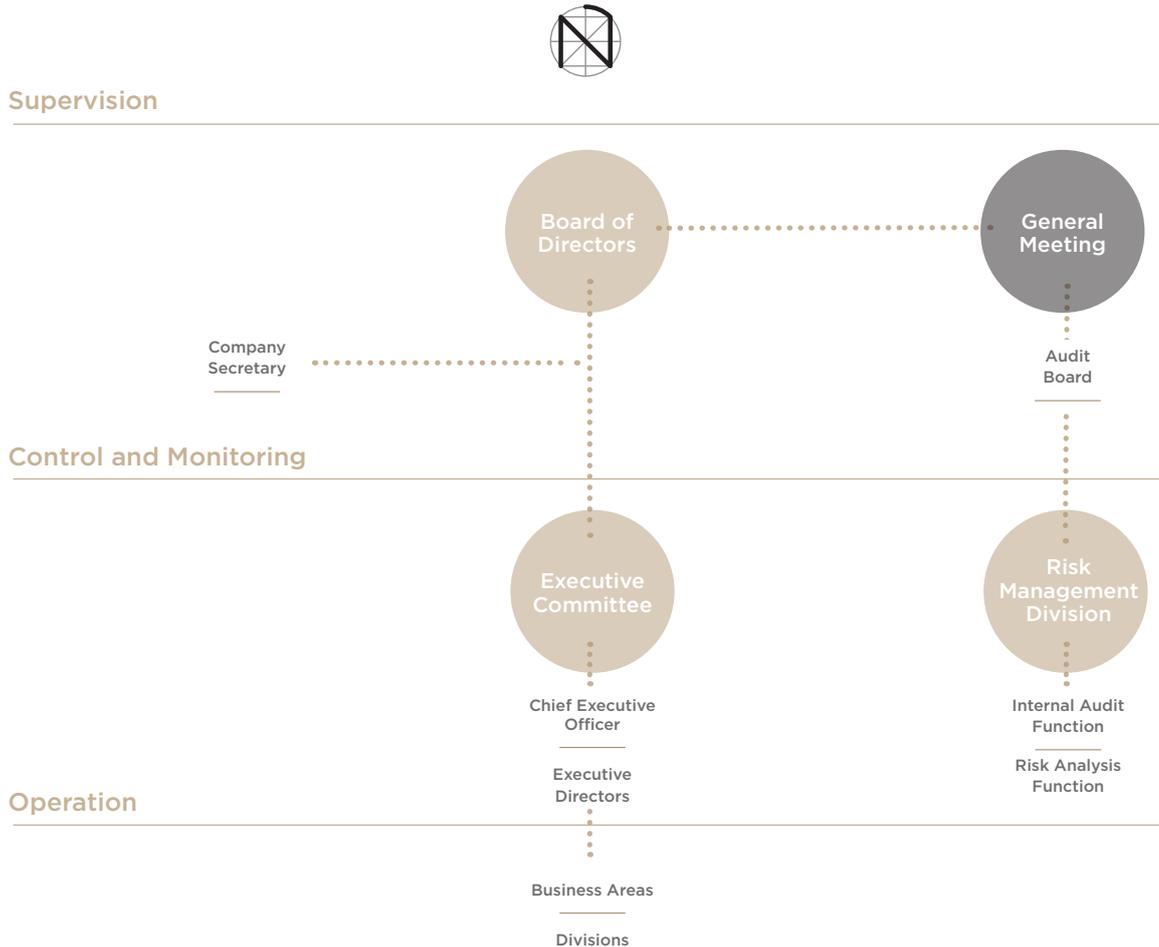
- Define risk tolerance;
- Identify and characterise risks;
- Define and monitor risk indicators;
- Define, implement and execute risk mitigation measures, in keeping with the risk mitigation action plans;
- Conduct risk assessments and controls.

**51. Description of the lines of command in this area in relation to other bodies or committees; an organisational chart may be used to provide this information.**

It follows clearly from the previous section that risk management in the Company is the responsibility of the entire organisation; specific duties are detailed above.

In terms of the hierarchical and functional structure, it should be noted that, in addition

to reporting to the Chief Executive Officer, the Internal Audit Division (Risk Management Division) also reports to the Supervisory Board, thereby providing the support needed for the Board to exercise its responsibilities. The following chart illustrates the reporting and functional relations within the Company:



## 52. Existence of other divisions with responsibilities in the field of risk control.

The Company has committees which complement the work of the Supervisory Board and the Chief Executive Officer with regard to control and monitoring of specific risks:

- Risks Analysis and Monitoring Committee - pronounces on asset risk prevention systems in place in the Company, in close connection with the risk governance system in the Navigator Group; and assesses the suitability of asset risk insurance policies in force in the Navigator Group, and the individual policies.

- Corporate Governance Committee - oversees application of the Group's corporate governance rules, and also the Code of Ethics and Conduct, as well as supervising internal procedures relating to matters of conflicts of interest, in particular with regard to relations between the Group and its shareholders or other stakeholders.

- Sustainability Forum - implements corporate and strategic policy on questions of social and environmental responsibility, and prevention of potential risks in these areas.

- Ethics Committee - oversees compliance with the requirements of the Code of Ethics and Conduct and identifies situations which constrain compliance with this code.

**53. Identification of the main risks (economic, financial and legal) to which the company is exposed in the course of its business.**

In the course of its activity, the Navigator Group is exposed to a variety of economic, financial and legal risks. The following is a selection of the principal risks identified:

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
Industrial workplace accidents	Risk of the occurrence of accidents at work potentially resulting in injuries, incapacity or fatalities.
Increase in transport costs	Risk of increase in pulp, paper or tissue transport costs, which may result in a reduction in sales margins or the need to increase prices charged to customers.
Higher demand for raw materials (wood)	Risk associated with an increase in demand for raw material (wood) due to competitors expanding their capacity, triggering an increase in wood prices and a consequent increase in production costs.
Foreign Exchange	Risk of variation in the exchange rate between the Euro and other currencies, which can significantly affect the Group's results, either through revenues (sales) or costs (purchases).
Cybersecurity Flaws	Risk associated with security breaches in the company's computer systems that allow undue and/or unlawful activities by third parties to the detriment of the company.
Environmental consequences of operations	Risk of occurrences with adverse environmental consequences, directly or indirectly attributed to industrial activities, potentially resulting in a breach of environmental legislation or customer and stakeholder dissatisfaction, namely regarding the local community.
Forest damage	Risk of forest damage resulting from natural or man-made causes, which may jeopardise the quantity of raw materials needed for the Group's activities and consequently lead to increased costs or loss of revenues.
Regulatory deterioration in the competitiveness of the energy business	Risk of less competitive terms for power sales, caused to a certain extent by the regulatory environment; volatility in regulation of sector may lead to sudden loss (total or partial) of the contribution from this business to the Group's profitability.
Reduction in paper demand due to technological substitution	Risk associated with a reduction in demand for the products sold by the Group, which may result in a significant reduction in sales.
Failure in wood supplies	Risk of failure in wood supplies, which may result in production stoppages and consequent increase in costs or lost revenues.
Equipment failure	Risk of failure in the operation of production equipment, which may result in production stops and a consequent increase in costs or loss of revenue.
Data security failures	Risk of failures in data security relating to the confidentiality, availability and integrity of data over the process of acquisition, processing, communication, storage and destruction, potentially leading to information losses/leaks, fraud, discontinuity of operations.
Shortage of certified raw material	Risk associated with inability to obtain certified raw material, potentially resulting in a loss of value in end product and consequently in sales values.
Fraud	Risk of fraud in processes involving movements in funds/valuables, causing losses to the Group.
Supplier management	Risk of inefficiency in management of relationship with critical suppliers for the business, or over-dependence on these supplies, compromising the quality of services provided, limiting Group operations or potentially leading to operational inefficiencies.
Non-compliance with legislation and regulations	Risk of non-compliance with legislation on tax, employment, environmental, accounting and/or other matters or with industry regulations. Non-compliance with accounting standards.
Irregularities in purchases and payments	Risk of inefficient or inappropriate processes in purchases of materials and services critical for the business, resulting in items being out of stock, financial losses, non-performance by and in relation to suppliers or occurrence of situations of fraud.
Occurrence of fires or other natural disasters	Risk of loss of assets or even personal injury due to fires or other natural phenomena.
Loss of new business/product/process opportunities	Risk of failing to capture opportunities to develop new business, products or processes due to ineffective R&D or technology scouting.
Loss of Forestry Yields	Risk of not being able to achieve full production potential of plantations due to failure to apply best available forestry practices.
Losses on client credit	Risk of credit granted to customers, which may result in uncollectable debts and a consequent increase in costs.
Pulp price	Risk associated with pulp price fluctuations, which may result in losses for the Group.
Product quality	Risk associated with product quality, potentially resulting in consumer dissatisfaction and a consequent drop in sales and lost revenues.
Reduction in paper price	Risk of pressure of competition, which may result in a drop-in sales or reduction of market share.

... >

RISK (NON-EXHAUSTIVE SELECTION)	SUMMARY DESCRIPTION
Environmental restrictions on industrial production	Risk of environmental restrictions on industrial production, which may result in changes being required in the production process, thereby increasing costs.
Legal restrictions on forestry production	Risk of legal restrictions being imposed on forestry production, which may result in a reduction in raw material output and a consequent increase in acquisition costs.
Legal restrictions on paper imports	Risk of restriction on paper imports in producer countries through the implementation of cost barriers, potentially resulting in a reduction in sales.
Sustainability of forestry operations	Risk of compromising the future operations of the organisation or of local society and the business community, in general, due to over-use or irrational use of the natural resources involved in forestry operations.
Sustainability of industrial operations	Risk of soil contamination or excess atmospheric emissions of noxious gases, resulting directly or indirectly from the process of supply, sanitation or processing of solid urban waste (e.g. accidents, breakdowns, techniques used) or from natural causes such as floods or droughts at intake points or serious pollution accidents.
Variation in energy prices	Risks associated with changes in the purchase and sale price of energy, resulting in additional costs and lost revenues.

Many of the risk factors identified are beyond the Navigator Group's control, especially in the case of market factors which can have a fundamental and negative effect on the market price of the Company's shares, irrespective of the Navigator Group's operational and financial performance.

#### 54. Description of the process of identification, assessment, monitoring, control and management of risks.

The Navigator Group regards risk management as an essential decision-making tool, involving permanent monitoring of the risks to which it is exposed, raising awareness throughout the Navigator Group of a risk culture which seeks to avoid risks but also includes a positive approach to risk-taking.

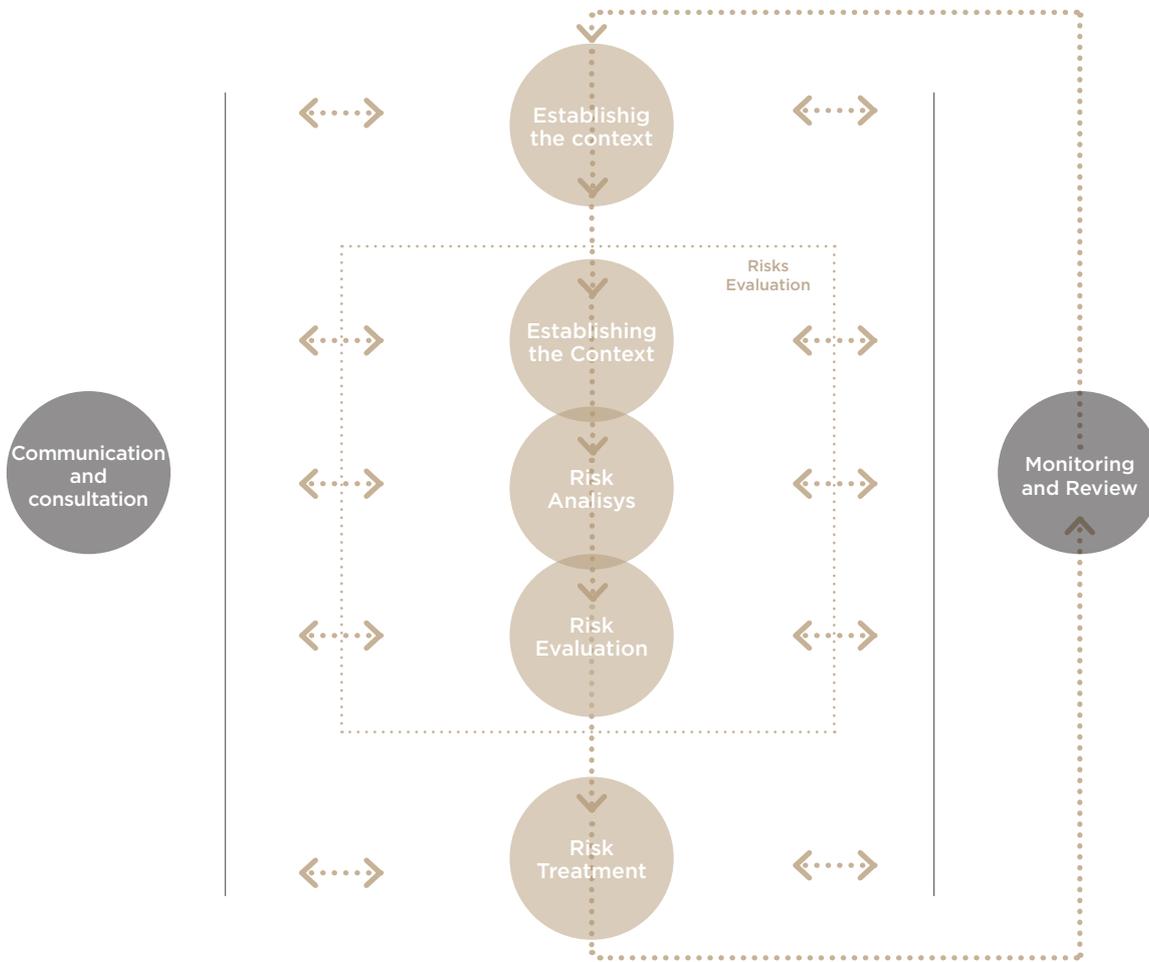
At the same time, the different divisions/ areas benefit from risk management insofar as it allows them to anticipate situations of uncertainty, mitigating the risks of adverse consequences and making the most of risks which offer opportunities. Risk management also provides the Navigator Group with greater and more sustained decision-making capability with regard to risk events, allowing it to respond in a coordinated and integrated manner to risks with causes, impacts or vulnerabilities which extend across more than one area.

Lastly, risk management is especially important for internal auditing and the control environment, as it offers the possibility of ongoing assessment of the Navigator Group's risk profile and a higher level of internal control. Risk management also makes an important contribution to Internal

Auditing, pointing it to areas/processes where business risks and concerns are greater "Risk-based Internal Audit". As an immediate result of this approach, it will be possible to plan and execute audits which take into consideration the risks most relevant to the Navigator Group, by using an audit planning methodology.

The Navigator Group's risk management process follows the best internationally accepted risk management practices, models and frameworks, including the "COSO II Integrated framework for Enterprise Risk Management", the "AS/NZS 4360 Risk Management Standard" and the ISO 31000 standard.

In putting together the risk management process, the ISO 31000 standard was taken into account with regard to its main phases, while COSO II was used to organise and structure risks. This process comprises a series of seven inter-related phases, which together comprise an interactive process of ongoing improvement. This takes the form of a process of communication and consultation, and a process of monitoring and review. The diagram below illustrates the flow for the risk management process.



The entire process is built on a computer tool disseminated throughout the Company.

KPMG is in charge of external auditing. The Company's External Auditor checks, in particular, the application of remuneration policies and systems, and the effectiveness and functioning of internal control procedures through the information and documents provided by the Company.

The respective findings are reported by the External Auditor to the Supervisory Board which then reports the shortcomings detected, if any.

In view of the main risks identified, the Risk Management Division has retained its monitoring and control function, which it exercises by conducting internal control.

In this context, during 2019 a set of internal control audits were carried out and follow-up on open issues from previous audits. In particular, this year's work focused mainly on internal control processes, namely on controlling large investments and accessing

computer applications and processes for treating both liquid and gaseous effluents from some of the manufacturing facilities.

**55. Main components of internal control and risk management systems implemented at the company for the disclosure of financial information (article 245-A (1) (m)).**

The Company has an internal control system for the preparation and disclosure of financial information, operated by the Supervisory Board, in conjunction with other Divisions/Business Areas in the Company, in particular the Accounting and Tax Division, the Management Control Division, the Risk Management Division and the Investor Relations Office. In connection with this system, the Supervisory Board assesses financial information each quarter on the basis of reports from the Division preparing them and with support from the opinions formulated by the statutory and external auditors. Meetings are held for this purpose with the Risk Management Division, members of the Executive Committee, the Statutory

Auditor and external auditor and the staff in charge of accounts and management planning and control, in order to monitor the

processes underway. The elements of the internal control and risk management system are described in item 54.

## IV. Investor Support

### **56. Office responsible for investor support, composition, functions, information provided and contact details.**

The Company has had an Investor Relations Office since November 1995, whose mission is to plan, manage and coordinate all the activities needed to handle contacts, on a permanent and appropriate basis, with the financial community – investors, shareholders, financial analysts and regulatory authorities – and to publish the Company's financial reports and any other information of relevance to the stock market performance of Navigator shares in the capital market.

In keeping with the principles of coherence, integrity, regularity, fairness, credibility and opportunity, the office helps to facilitate the investment decision-making process and sustained value creation for shareholders.

The mission of the Investor Relations Office is to comply with its legal obligations of reporting to the regulator and to the market, and in particular to disclose the Group's profits and activities, reply to information requests from investors, financial analysts and other agents and also to support the Executive Committee in making public The Navigator Company's strategy for growth and development.

As such, this office adequately and rigorously handles the production, processing and timely disclosure of information to the Management, shareholders, investors, other stakeholders, financial analysts and the market in general.

The Investor Relations Office comprises of a single person, who also acts as market relations officer and whose contact details are provided in the following item.

All mandatory disclosures, such as information on the Company name, its status as a public company, registered offices and other details required by article 171 of the Companies Code, are available on the Navigator Group's website, at <http://www.thenavigatorcompany.com/>. Also available in the investors' section of the Navigator website, in Portuguese and English, are disclosures of quarterly results, half-yearly and annual reports and accounts, together with the respective statements and press releases, description of statutory bodies, the financial calendar, the Company's Articles of Association, notices of General Meetings, and all motions tabled for discussion and vote at General Meetings, resolutions approved and statistics relating to attendance, together with relevant developments.

### **57. Market Relations Officer.**

The Company's Market Relations Officer is Joana de Avelar Pedrosa Rosa Lã Appleton who may be contacted by telephone (+351) 219 017 434 or by email: [joana.la@thenavigatorcompany.com](mailto:joana.la@thenavigatorcompany.com). These contact details are supplied on Navigator's website, in the investors' section.

### **58. Information on the proportion and response time to information requests during the year or pending from previous years.**

Information requests to the Investor Relations Office are primarily done by email, although some phone calls are also received. All requests are answered or forwarded to the appropriate areas, with an average response time of less than three working days.

On 31 December 2019, all information requests received were considered addressed, thus with no pending requests as of this date.

## V. Website

### 59. Address(es).

Navigator's website is at: <http://www.thenavigatorcompany.com/>.

### 60. Location information on the company name, public company status, registered office and other items referred to in article 171 the Companies Code.

The above information is available in the investors' area of Navigator's website at <http://www.thenavigatorcompany.com/Investidores/Accao-Navigator>.

### 61. Location of the articles of association and operating regulations of boards and/or committees.

The above information is available in the investors' area (corporate governance section) of Navigator's website at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>.

### 62. Location of information on the identities of members of statutory bodies, the market relations officer and the Investor Support Office or equivalent structure, and their respective duties and means of access.

The above information is available in the investors' area (specifically in the corporate governance section) as well as in the area entitled "Profile" of Navigator's website, respectively, at <http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade> and <http://www.thenavigatorcompany.com/Investidores/Contactos>.

### 63. Address for consultation of financial statements and reports, which must be accessible for no less than five years, together with the six-monthly corporate diary, disclosed at the start of each semester, including, amongst other things, General Meetings, disclosure of annual, half-yearly and (if applicable) quarterly accounts.

Navigator's quarterly, half-yearly and annual results, published since 2003, are available in the investors' area (in the section entitled "Financial information"), at <http://www.thenavigatorcompany.com/Investidores/Informacao-Financeira>. There is a specific tab in the investors' area for the corporate diary for the current year, available at <http://www.thenavigatorcompany.com/Investidores/Calendario>.

### 64. Location for publishing the meeting notice for the General Meeting and all preparatory and subsequent information related to it.

General Meeting notices and all related preparatory and subsequent information are available in the investors' area (in a separate tab entitled "General Meetings") at <http://www.thenavigatorcompany.com/Investidores/Assembleias-Gerais>.

### 65. Location for publishing a historical archive of decisions made at the company's general meetings, share capital representation and voting results for the 3 preceding years.

The above information is available at the same location as information on General Meetings, i.e. in the investors' area (in a separate tab entitled "General Meetings") at <http://www.thenavigatorcompany.com/Investidores/Assembleias-Gerais>.

## O. REMUNERATION

### I. Powers to determine remuneration

**66. Indication of the powers for determining the remuneration of statutory bodies, members of the executive committee or managing director and company managers.**

The Remuneration Committee is responsible for the remuneration policy of statutory

bodies, which it reviews annually and submits to the General Meeting, attended by at least one Remuneration Committee representative, for approval.

The remuneration policy submitted to the ordinary General Meeting of 9 April 2019 can be found in item 70 of this report.

### II. Remuneration Committee

**67. Composition of the Remuneration Committee, including identification of individuals or organisations contracted to provide support, and declaration regarding the independence of each member and adviser.**

The Remuneration Committee only comprises the following members:

**Chairman**

- José Gonçalo Ferreira Maury

**Members**

- João Rodrigo Appleton Moreira Rato

- João do Passo Vicente Ribeiro

The Company believes that the composition of the Remuneration Committee ensures its independence with regard to management given that all of its members are independent. Indeed, and on the basis that what is at issue here is independence from the executive members of the management body, Navigator considers that the members of the Committee independently exercise their functions in the Remuneration Committee.

Within the company, the Remuneration Committee provides all information or clarifications to shareholders in the respective Annual General Meetings or in any other general meetings if the respective agenda includes a matter related to the remuneration of members of boards and committees of the company or if such presence is requested by shareholders, doing so through the presence of at least one of its members. This is what occurred in the annual general meeting of 9 April 2019, in which all of its members were present.

In accordance with its Internal Rules, the Remuneration Committee may freely decide on the Company hiring consultancy services necessary or convenient to the exercise of its duties, requiring the assurance that such services are provided independently and that the respective providers will not be hired to provide any other services to the Company or to other entities that are in a controlling or group relations without the express authorisation of the Committee.

In the course of 2019, no one was hired to provide support for the Committee.

**68. Expertise and experience of the members of the Remuneration Committee in the field of remuneration policy.**

All of the Remuneration Committee's members have extensive experience in and knowledge of matters concerning remuneration for members of Statutory Bodies, due to the positions they have held over the course of their professional careers.

Furthermore, from 1990 to 2014, Mr. José Maury, Chairman of this Committee, was a representative of a multinational company specialising in human resource procurement, particularly executive positions, which entails in-depth knowledge of assessment procedures and criteria and associated compensation packages.

### III. Remuneration structure

#### 69. Description of the remuneration policy for members of the management and supervisory bodies as referred to in article 2 of Law 28/2009 of 19 June.

The remuneration policy for members of the Company's management and supervisory bodies is set out in the Remuneration Policy Statement issued by the Remuneration Committee, approved at the beginning of each mandate and confirmed annually, and set out in Annex II to this Report, as described in the following item, and there is no deviation in the procedure for implementation of the approved remuneration policy.

#### 70. Information on the means of structuring remuneration to align the interests of managing board's members with the long-term interests of the company, and how this is based on performance assessment, discouraging the assumption of excessive risk.

The means of structuring remuneration and how it is based on the management's performance assessment is clearly demonstrated by the Remuneration Committee Remuneration Policy Statement, namely chapter VI, sections 1 and 6.

In developing these principles, various KPIs are used to determine the exact variable remuneration component which, as stated in item 25 above, quantitatively include EBITDA, net income and cash flow.

Long-term alignment of interests and sustained performance are achieved to a certain extent due to the fact that EBITDA KPIs establish a relationship for the medium term; however, this aim is more significantly assured by the fact that membership of Navigator's Executive Committee has been extremely stable over time. This stability has the natural result of alignment with longer-term goals, also in the salary component, as future results influence future remuneration, in relation to which expectations exist.

The same can be said for the assumption of excessive risk. The company has no independent remuneration tool for this specific purpose. Risk is an intrinsic characteristic of any act of management and, as such, is unavoidably and continuously considered in all management decisions. The qualitative or quantitative assessment

of risks as good or bad cannot be conducted in isolation but has to be seen in its impact on Company performance over time; this process is therefore indistinguishable from long-term interests, and benefits from the general incentives for long term alignment described above.

#### 71. Reference, if applicable, to the existence of a variable remuneration component and information on any impact on this from performance assessments.

The remuneration of Executive Directors effectively includes a variable component which depends on a performance assessment, as described in the Remuneration Policy Statement, in particular in item 2 of chapter VI.

The performance assessment has an impact on approximately 50% of the variable remuneration component, on an individual and qualitative basis.

In the case of non-executive directors, although it only includes a fixed part, it may be differentiated as a result of an accumulation of additional functions and enhanced responsibilities.

There are no maximum remuneration limits, except for the limit on management profit-sharing, pursuant to the Articles of Association and no mechanism has been set up allowing the Company to ask for the return of paid up variable compensation.

The remuneration of Audit Board members has no variable component.

#### 72. Deferred payment of the variable remuneration component, with reference to the deferral period.

No deferred variable remuneration component exists at the Company, notwithstanding the existence of a specific index – one of EBITDA's components is not determined in relation to a year but to a specific theoretic EBITDA determined by reference to a mid-term plan – which ascertains mid-term sustainable development.

#### 73. Criteria applied in allocating variable remuneration in shares and on the continued holding by executive directors of these shares, on any contracts concluded with regard to these shares,

**specifically hedging or transferring risk, the respective limits and the respective proportion represented of total annual remuneration.**

In the Company, the variable remuneration includes no component consisting of shares.

**74. Criteria applied in allocating variable remuneration in options and indication of the deferral period.**

In the Company, the variable remuneration includes no component consisting of shares.

**75. Main parameters and grounds for any annual bonus system and any other non-cash benefits.**

The criteria for setting annual bonuses are those relating to the variable remuneration as described in item 2 of chapter VI of the Remuneration Policy Statement, and in item 25 above, and no other non-cash benefits are allocated.

**76. Main features of complementary or early retirement schemes for directors, and the date of approval by the General Meeting for each individual.**

There are no early retirement arrangements for Directors.

In 2019, a proposal was submitted to the Insurance and Pension Funds Supervisory Authority (“ASF”) to amend the Pension Fund Constitutive Contract, whereby the The Navigator Company Pension Plan is amended, leaving the Directors to be entitled to retirement supplement under the Plan, with effect from 19 July 2019. So far, ASF has yet to comment on this proposed amendment.

Therefore, under the terms of the Regulation of The Navigator Company Pension Plan (ex-Portucel SA Pension Plan) still in force, the Directors of the Company who receive as such, and who have fulfilled, at least, a complete mandate under the statutory terms, are entitled, after retiring or in a situation of disability, if it occurs during the term of the mandate, to a monthly supplement of retirement pension for old age or disability, respectively.

If the disability occurs after the term of office, the members in question of the Board of Directors will only be entitled to the disability pension supplement if they are awarded the corresponding disability pension by the Social Security authority with which they are enrolled, and if so requested from the Company.

This complementary pension is set on the basis of a formula which considers gross monthly remuneration and length of service; no less than 10 years’ service is required and no more than 30 years’ service will be considered.

On 31 December 2018, Manuel Soares Ferreira Regalado was the only Director who benefited from The Navigator Company’s Pension Plan.

In addition, the Board members Eng. António José Pereira Redondo and Eng. Adriano Augusto da Silva Silveira are participants in the pension plan of Navigator Brands, SA, one of the Company’s subsidiaries, in their capacity as Employees of that company before holding management positions.

Due to the specific nature of the Navigator Group’s pension plan, to date, the General Meeting has in no way intervened in approving the main characteristics of the specific rules applicable to Directors’ retirement.

In this regard, it should be noted that the Company was a public company until 1991, with the activity and form of operation regulated by the special law applicable to this type of companies, and it was in this period that the specific rules applied to the retirement of members of the Board were approved.

However, it is important to mention that the retirement pension supplement plans in force in the Company are described in note 27 of the annexes to the consolidated accounts for the year, which are part of the Report and Accounts subject to approval by the General Meeting.

## IV. Disclosure of Remuneration

77. Indication of the annual amount of remuneration earned, in aggregate and individual form, by the members of the management bodies of the company, from the company, including fixed and variable remuneration and, in relation to this, mention of the different components that gave rise to it.

Below is set out the amount of compensation paid to board members in 2019, whereas

variable compensation was paid in 2019 but concerns performance in 2018, by Company directors, from Navigator. Fixed and variable components are indicated, but not the different components which originated the variable compensation, since the variable component is defined as a whole, considering the elements explained in the Remuneration Policy of the Remuneration Committee, not identifying components.

VALUE IN EUROS

BOARD OF DIRECTORS	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	RELATIVE PERCENTAGE	VALUE	RELATIVE PERCENTAGE
<b>António José Pereira Redondo</b>	<b>319,203.08</b>	<b>36.78%</b>	<b>548,701.74</b>	<b>63.22%</b>
Navigator	0.00	0.00%	25,000.00	100.00%
Subsidiaries	319,203.08	37.87%	523,701.74	62.13%
<b>Diogo António Rodrigues da Silveira</b>	<b>259,032.78</b>	<b>28.39%</b>	<b>653,533.55</b>	<b>71.61%</b>
Navigator	259,032.78	67.45%	125,000.00	32.55%
Subsidiaries	0.00	0.00%	528,533.55	100.00%
<b>Luís Alberto Caldeira Deslandes</b>	<b>77,000.00</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	77,000.00	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%
<b>Adriano Augusto da Silva Silveira</b>	<b>297,108.00</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	0.00	0.00%	0.00	0.00%
Subsidiaries	297,108.00	100.00%	0.00	0.00%
<b>João Paulo Araújo Oliveira</b>	<b>319,189.74</b>	<b>39.67%</b>	<b>485,485.28</b>	<b>60.33%</b>
Navigator	319,189.74	80.97%	75,000.00	19.03%
Subsidiaries	0.00	0.00%	410,485.28	100.00%
<b>José Fernando Moraes Carreira de Araújo</b>	<b>319,213.16</b>	<b>38.21%</b>	<b>516,187.39</b>	<b>61.79%</b>
Navigator	0.00	0.00%	25,000.00	100.00%
Subsidiaries	319,213.16	39.39%	491,187.39	60.61%
<b>Manuel Soares Ferreira Regalado</b>	<b>77,000.00</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	77,000.00	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%
<b>Maria Teresa Aliu Presas</b>	<b>56,023.29</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	56,023.29	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%
<b>Mariana Rita Antunes Marques dos Santos Belmar da Costa</b>	<b>76,395.40</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	76,395.40	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%
<b>Nuno Miguel Moreira de Araújo Santos</b>	<b>319,198.74</b>	<b>43.45%</b>	<b>415,446.87</b>	<b>56.55%</b>
Navigator	319,198.74	80.97%	75,000.00	19.03%
Subsidiaries	0.00	100.00%	340,446.87	100.00%
<b>Sandra Maria Soares Santos</b>	<b>56,023.29</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	56,023.29	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%
<b>Vítor Manuel Galvão Rocha Novais Gonçalves</b>	<b>98,000.00</b>	<b>100.00%</b>	<b>0.00</b>	<b>0.00%</b>
Navigator	98,000.00	100.00%	0.00	0.00%
Subsidiaries	0.00	0.00%	0.00	0.00%

This information is in the proposal for a Statement on the Remuneration Policy, of the Remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

**78. Amounts paid on any basis by other controlled, controlling or group companies or companies under common control.**

Below is indicated the amount of remuneration earned at SEMAPA by the directors in common with Navigator, in 2019.

VALUE IN EUROS

	FIXED ANNUAL REMUNERATION	FIXED VARIABLE REMUNERATION
João Nuno de Sottomayor Pinto de Castello Branco	761,199.25	688,622.85
José Miguel Pereira Gens Paredes	315,969.50	567,863.64
Paulo Miguel Garcês Ventura	192,012.60	512,810.56
Ricardo Miguel dos Santos Pacheco Pires	315,969.50	557,559.56
Vítor Manuel Galvão Rocha Novais Gonçalves	77,825.00	N/A

**79. Remuneration paid in the form of profit sharing and/or payment of bonuses, and the grounds on which these bonuses and/or profit sharing were granted.**

There was no remuneration in the Company in the form of profit sharing during the period in question. The remuneration policy establishes the criteria in force to assigning variable remuneration, and annual bonuses are assigned on the basis of the Company's results in each period, in conjunction with the merit and performance assessment of each specific Director.

**80. Compensation paid or due to former executive directors for their dismissal during the year.**

No compensation was paid during the year, nor is any compensation due, to former executive directors for their dismissal.

**81. Indication of the annual remuneration earned, on an aggregate and individual basis, by the members of the Company's supervisory bodies, for the purposes of Law 28/2009 of 19 June.**

VALUE IN EUROS

AUDIT BOARD	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	RELATIVE PERCENTAGE	VALUE	RELATIVE PERCENTAGE
José Manuel Vitorino	21,994	100%	0	0%
Gonçalo Picão Caldeira	16,002	100%	0	0%
Maria Graça Gonçalves	16,002	100%	0	0%

The chart above indicates the annual amount corresponding to the period in which members of the Audit Board performed their functions.

This information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

**82. Indication of remuneration earned in the reporting period by the Chairman of the General Meeting.**

The Chairman of the General Meeting only receives a fixed remuneration.

In 2019, the Chairman of the General Meeting earned remuneration of 3,000 euros (three thousand euros).

This information is in the proposal for a Statement on the Remuneration Policy, of the remuneration Committee to be submitted to the annual General Meeting of Shareholders, to take place this year.

## V. Agreements With Implications for Remuneration

### 83. Contractual limits on severance pay for directors, and the respective relationship with the variable remuneration component.

As stated in Annex II to this Report, no agreements exist or have ever been established by the Remuneration Committee on severance pay for the Company's directors, with or without just cause. Accordingly, termination of functions before the end of the mandate does not originate, directly or indirectly, payment of any amount to the board member other than those provided for by Law.

### 84. Reference to the existence and description, with indication of the amounts involved, of agreements between

the company and the members of the management body and directors, as defined by article 248-B (3) of the Securities Code, which provide for compensation in the event of dismissal, unfair dismissal or termination of employment as a result of a change in control of the company. (article 245-A, (1) (l)).

There are no agreements between the Company and Board members or managers, as defined by article 248-B (3) of the Securities Code, which provide for compensation in the event of resignation, dismissal without due cause or termination of employment contract as a result of a change of control of the Company.

## VI. Stocks or Stock Option Plans

### 85. Identification of plan and beneficiaries.

Does not apply, since no remuneration is paid through stocks or stock option plans.

### 86. Description of plan (terms of allocation, non-transfer of share clauses, criteria on the price of shares and the price of exercising options, the period during which the options may be exercised, the characteristics of the shares to be distributed, the existence of incentives to purchase shares and/or exercise options).

Does not apply, since no remuneration is paid through stocks or stock option plans.

### 87. Stock-option rights for which the company's workers and Employees are the beneficiaries.

Does not apply, since no remuneration is paid through stocks or stock option plans.

### 88. Control mechanisms in an employee ownership scheme insofar as voting rights are not directly exercised by Employees (article 245-A (1) (e)).

Does not apply, since no remuneration is paid through stocks or stock option plans.

## E. RELATED PARTY TRANSACTIONS

### I. Control mechanisms and procedures

#### 89. Procedures implemented by the Company for controlling related party transactions (reference is made for this purpose to the concept deriving from IAS 24).

On 10 December 2019, the Board of Directors approved an amendment to the Regulation

on Conflicts of Interest and Related Party Transactions approved on 13 December 2018 with the favourable opinion of the Supervisory Board, through which the rules were defined relating to conflicts of interest and transactions with related parties, to which the Company is party, and creating new rules

in this domain. These Regulations supplement internal mechanisms which the Company has in place for the purposes of complying with international accounting standards (IAS 24 - Related Party Disclosures), and shall apply notwithstanding the obligations of the Company and its managers with regard to insider information, the legal scheme for company business deals with directors, as defined in article 397 of the Companies Code, and rules of procedure relating to the Internal Whistleblowing Regulations and other legislation applicable in this regard.

Such regulations are available for consultation on the company website (<http://www.thenavigatorcompany.com/Investidores/Governo-da-Sociedade>).

For the purposes of these Regulations on Conflict of Interest and Related Party Transactions, transactions between the company and related party classified as such under the terms and for purposes of the international accounting standard IAS 24 are subject to the following procedures of approval:

1. The following Related Party Transactions are approved by the Executive Committee:

- a) Loans made to the Company by its shareholder companies, with a value equal to or less than one hundred million euros;
- b) Transactions under the tax regime for groups of companies, with a value equal to or less than one hundred million euros;
- c) Transactions carried out with controlled companies that consolidate accounts with the Company, of annual or individual value, equal to or less than two percent of the controlled company's turnover, calculated in accordance with the latest approved annual accounts;
- d) Loans to controlled companies that consolidate accounts with the Company and, as well as their debt subscription, (i) with a term of less than six months, (ii) individual or accumulated annual value, less than one fifth of the company's turnover respective of the controlled company, calculated in accordance with the latest approved annual accounts, and which does not exceed one hundred million euros, and (iii) provided that the controlled company provides credit lines for the repayment of the operation; and

- e) Any other Transactions whose annual or individual value is less than or equal to one million euros.
2. Under the terms and for the purposes of the application of items c) to e) of the previous paragraph, the annual accumulated values provided therein are computed by reference to the economic year.
3. Transactions that do not fall within the scope of the previous number one are approved by resolution of the Board of Directors preceded by a favourable opinion from the Supervisory Board.
4. Only Transactions carried out under market conditions are permitted and if there is a justified interest of the Company.

The Board of Directors is informed every six months on the resolutions relating to Transactions in which it has not participated.

The Executive Committee must, at least every six months, inform the Supervisory Board of all businesses included in the above paragraphs 1 and 3.

It is the responsibility of the Company's officers who intervene in the formalisation of Transactions to ensure that these Transactions are previously submitted to the deliberations provided for in the aforementioned Regulation.

The formalisation and execution of the resolutions relating to Transactions must be subject to the framework regarding the conditions provided for in these Regulations and special monitoring by the Executive Committee.

#### **90. Indication of transactions subject to control in the reporting period.**

In 2019, there were no other transactions subject to control given that, in accordance with the criteria referred to in item 91 below, none of the Company's transactions with qualifying shareholders or any other related entities, under article 20 of the Securities Code, were subject to prior clearance by the Supervisory Board.

It should also be noted that there was no business between the Company and qualifying shareholders outside normal market conditions.

**91. Description of the procedures and criteria applicable to intervention by the supervisory body for the purposes of prior evaluation of transactions to be carried out between the Company and qualifying shareholders or related entities, under article 20 of the Securities Code.**

The procedures and criteria applicable to intervention by the supervisory body for the purposes of prior evaluation of transactions to be carried out between the Company and qualifying shareholders or related entities, under article 20 of the Securities Code, are described in item 89.

## **II. Details of transactions**

**92. Indication of the place in the financial reports and account where information is available on related party transactions, in accordance with IAS 24, or, alternatively, reproduction of this information.**

The information available on related party transactions is included in the Company's Report and Accounts, in no. 36 of the Notes to the Consolidated Financial Statements.

# PART II - ASSESSMENT OF CORPORATE GOVERNANCE

## 1. IDENTIFICATION OF THE CORPORATE GOVERNANCE CODE ADOPTED

The Corporate Governance Code to which the company is subject or has voluntarily decided to be subject to, under the terms and for the purposes of art. 2 of this Regulation, must be identified.

Furthermore, the place where the texts of the corporate governance codes to which the issuer is subject should also be indicated (art. 245-A, (1) (p)).

In 2018, Navigator adopted the Corporate Governance Code of the Portuguese Institute of Corporate Governance (“Instituto Português de Corporate Governance”, or “IPCG”) of 2018, taking into consideration the revocation of CMVM’s Corporate Governance Code (CMVM Regulation no. 4/2013) which the Company had adopted.

The adopted Code is disclosed by IPCG and may be consulted on its website, at [https://cgov.pt/images/ficheiros/2018/codigo\\_de\\_governo\\_das\\_sociedades\\_ipcg\\_vf.pdf](https://cgov.pt/images/ficheiros/2018/codigo_de_governo_das_sociedades_ipcg_vf.pdf).

## 2. ANALYSIS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ADOPTED

Under the terms of article 245-A (1) (o), a declaration on the acceptance of the corporate governance code to which the issuer is subject must be included, specifying the possible parts of that code from which it differs and the reasons for the divergence.

The information to be submitted should include, for each recommendation:

- a) Information to assess compliance with the recommendation or reference to the point in the report where the issue is dealt with in detail (chapter, title, point, page);
- b) Justification for possible non-compliance or partial compliance;
- c) In case of non-compliance or partial compliance, identification of any alternative mechanism adopted by the company for the purpose of pursuing the same objective as the recommendation.

## 3. OTHER INFORMATION

The company must provide any additional elements or information that, not being included in the previous numbers, are relevant to the understanding of the governance model and practices adopted.

RECOMMENDATIONS	ADOPTION	COMMENTS
<b>Chapter I – GENERAL PROVISIONS</b>		
<b>GENERAL PRINCIPLE:</b>		
Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of Investors, Employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.		
<b>I.1. Company’s relationship with investors and disclosure</b>		
<b>PRINCIPLE:</b>		
Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.		
<b>Recommendations:</b>		
<b>I.1.1.</b> The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.	ADOPTED	Part I no. 21, 22, 38 and 56 to 65..
<b>I.2. Diversity in the composition and functioning of the company’s governing bodies</b>		
<b>PRINCIPLES:</b>		
<b>I.2.A</b> Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.		

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RECOMMENDATIONS:	ADOPTION	COMMENTS
<b>I.2.B</b> Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and committees.		
RECOMMENDATIONS:	ADOPTION	COMMENTS
<b>I.2.1.</b> Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>I.2.2.</b> The company's managing and supervisory boards, as well as their committees, should have internal regulations – namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members – and detailed minutes of the meetings of each of these bodies should be carried out.	ADOPTED	Part I no. 21, 22, 23, 27, 34, 35 and 38.
<b>I.2.3.</b> The internal regulations of the governing bodies – the managing body, the supervisory body and their respective committees – should be disclosed, in full, on the company's website.	ADOPTED	Part I no. 22, 27, 34 and 61
<b>I.2.4.</b> The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.	ADOPTED	Part I no. 17, 23, 27, 29, 31 and 35, 67
<b>I.2.5.</b> The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.	ADOPTED	Part I no. 49
<b>I.3. Relationships between the company bodies</b>		
<b>PRINCIPLE:</b>		
Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.		
<b>Recommendations:</b>		
<b>I.3.1.</b> The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.	ADOPTED	Part I no. 21, 22 and 38
<b>I.3.2.</b> Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.	ADOPTED	Part I no. 21, 22, 27 and 38
<b>I.4. Conflicts of interest</b>		
<b>PRINCIPLE:</b>		
The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.		
<b>Recommendations:</b>		
<b>I.4.1.</b> The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.	ADOPTED	Part I no. 89
<b>I.4.2.</b> Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.	ADOPTED	Part I no. 89
<b>I.5. Related party transactions</b>		
<b>PRINCIPLE:</b>		
Due to the potential risks that they may hold, transactions with related parties should be justified in the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.		
<b>Recommendations:</b>		
<b>I.5.1.</b> The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorisation of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.	ADOPTED	Part I no. 38 and 89 to 91

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RECOMMENDATIONS:	ADOPTION	COMMENTS
<b>I.5.2.</b> The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.	ADOPTED	Part I no. 89 to 91

## Chapter II - SHAREHOLDERS AND GENERAL MEETINGS

### PRINCIPLE:

- II.A** As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.
- II.B** The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.
- II.C** The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.

### Recommendations:

<b>II.1.</b> The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.	ADOPTED	Part I no. 12 and 13
<b>II.2.</b> The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.	ADOPTED	Part I no. 14
<b>II.3.</b> The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.	ADOPTED	Part I no. 12
<b>II.4.</b> The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>II.5.</b> The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution – without increased quorum in comparison to the legally established – and in that resolution, all votes cast will be counted without observation of the imposed limits.	NOT APPLICABLE	Part I nos. 5, 13 and 14
<b>II.6.</b> The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.	ADOPTED	Part I no. 4, 83 and 84

## Chapter III - NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION

### PRINCIPLES:

- III.A** The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.
- III.B** The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.
- III.C** The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.

### Recommendations

<b>III.1.</b> Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.11.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>III.2.</b> The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.	ADOPTED	Part I no. 18, 30, 31, 50, 51 and 54
<b>III.3.</b> In any case, the number of non-executive directors should be higher than the number of executive directors.	ADOPTED	Part I no. 18

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RECOMMENDATIONS:	ADOPTION	COMMENTS
<p><b>III.4.</b> Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:</p> <ul style="list-style-type: none"> <li>i. Having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;</li> <li>ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;</li> <li>iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;</li> <li>iv. Being a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;</li> <li>v. Living in a non-marital partnership or having been the spouse, relative or next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or</li> <li>vi. Being a qualified holder or representative of a shareholder of qualifying holding.</li> </ul>	ADOPTED	Part I no. 18
<p><b>III.5.</b> The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).</p>	NOT APPLICABLE	Part I no. 18
<p><b>III.6.</b> Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>	ADOPTED	Part I no. 21 and 22
<p><b>III.7.</b> The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.</p>	NOT APPLICABLE	Not applicable
<p><b>III.8.</b> The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.</p>	ADOPTED	Part I no. 38
<p><b>III.9.</b> Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.</p>	ADOPTED	Part I no. 27 and 29
<p><b>III.10.</b> Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.</p>	ADOPTED	Part I no. 50, 51, 52, 53, 54 and 55
<p><b>III.11.</b> The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.</p>	ADOPTED	Part I no. 38, 50 and 54
<p><b>III.12.</b> The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.</p>	ADOPTED	Part I no. 37, 38, 45, 49 and 50

#### Chapter IV – EXECUTIVE MANAGEMENT

##### PRINCIPLES:

**IV.A** As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.

**IV.B** In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.

##### Recommendations:

**IV.1.** The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.

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RECOMMENDATIONS:	ADOPTION	COMMENTS
<b>IV.2.</b> The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.	ADOPTED	Part I no. 21 and 22
<b>IV.3.</b> In matters of risk assumption, the managing body should set objectives and look after their accomplishment.	ADOPTED	Part I no. 50 and 55
<b>IV.4.</b> The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.	ADOPTED	Part I no. 38, 50 and 54

## Chapter V - EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT

### V.1 Annual evaluation of performance

#### PRINCIPLES:

The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialised committees.

#### Recommendations:

<b>V.1.1.</b> The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	ADOPTED	Part I no. 22, 24 and 25
<b>V.1.2.</b> The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.	ADOPTED	Part I no. 24, 25, 38 and 50

### V.2 Remuneration

#### PRINCIPLE:

The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalisation, promotion of merit and transparency within the company.

#### Recommendations:

<b>V.2.1.</b> The remuneration should be set by a committee, the composition of which should ensure its independence from management.	ADOPTED	Part I no. 27, 66 and 67
<b>V.2.2.</b> The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.	PARTIALLY ADOPTED	Part I no. 69 to 75, Annex II Explanation of recommendations not adopted below
<b>V.2.3.</b> The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19 <sup>th</sup> June, should additionally contain the following:	ADOPTED	Part I no. 77, 81 and 82
i. The total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;		
ii. Remunerations from companies that belong to the same group as the company;	ADOPTED	Part I no. 78
iii. The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date and any change in these conditions;	NOT APPLICABLE	Part I no. 73, 74, 85, 86, Annex II
iv. Information on the possibility to request the reimbursement of variable remuneration;	ADOPTED	Part I no. 69 and 71 and Annex II
v. Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;	ADOPTED	Part I no. 69 and Annex II
vi. Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.	ADOPTED	Parte I n.º 69, 80 e Anexo II

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RECOMMENDATIONS:	ADOPTION	COMMENTS
<b>V.2.4.</b> For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.	NOT APPLICABLE	Part I no. 70, 76 and 80
<b>V.2.5.</b> In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.	ADOPTED	Part I no. 29 and 66
<b>V.2.6.</b> Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring by the company of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorisation of the Committee.	ADOPTED	Part I no. 29 and 67

### V.3 Director remuneration

#### PRINCIPLE:

Directors should receive compensation:

- i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;
- ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and
- iii) that rewards performance

#### Recommendations:

<b>V.3.1.</b> Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.	ADOPTED	Part I no. 70, 71 and 75 Annex II
<b>V.3.2.</b> A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>V.3.4.</b> When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.	NOT APPLICABLE	Part I no. 73 and 74
<b>V.3.5.</b> The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.	ADOPTED	Part I no. 71
<b>V.3.6.</b> The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.	ADOPTED	Part I no. 83 and 84

### V.4. Appointments

#### PRINCIPLE:

Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.

#### Recommendations:

<b>V.4.1.</b> The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae for the duties to be carried out.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>V.4.2.</b> The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.	ADOPTED	Part I no. 29
<b>V.4.3.</b> This nomination committee includes a majority of non-executive, independent members.	NOT ADOPTED	Explanation of recommendations not adopted below
<b>V.4.4.</b> The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.	ADOPTED	Part I no. 29

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## Chapter VI – RISK MANAGEMENT

## PRINCIPLE:

Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimisation of risks inherent to the company's activity.

## Recommendations:

<b>VI.1.</b> The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.	ADOPTED	Part I no. 50, 54
<b>VI.2.</b> Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.	ADOPTED	Part I no. 38, 50, 53 and 54.
<b>VI.3.</b> The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.	ADOPTED	Part I no. 38, 50, 53, 54.

## Chapter VII – FINANCIAL STATEMENTS AND ACCOUNTING

## VII.1 Financial Information

## PRINCIPLES:

**VII.A** The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.

**VII.B** The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.

## Recommendations

<b>VII.1.1.</b> The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.	ADOPTED	Part I no. 38
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## VII.2 Legal review and auditing

## PRINCIPLE:

The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.

## Recommendations:

<b>VII.2.1.</b> Through the use of internal regulations, the supervisory body should define:		
i. The criteria and the process of selection of the statutory auditor;	ADOPTED	Part I no. 38
ii. The methodology of communication between the company and the statutory auditor;	ADOPTED	Part I no. 38
iii. The monitoring procedures destined to ensure the independence of the statutory auditor;	ADOPTED	Part I nos. 37, 38 and 46
iv. The services, besides those of accounting, which may not be provided by the statutory auditor.	ADOPTED	Part I no. 46
<b>VII.2.2.</b> The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.	ADOPTED	Part I no. 38
<b>VII.2.3.</b> The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.	ADOPTED	Part I no. 38
<b>VII.2.4.</b> The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.	ADOPTED	Part I no. 54
<b>VII.2.5.</b> The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.	ADOPTED	Part I no. 38

**Recommendation I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.**

As mentioned in paragraph 16 of Part I above, in 2019 the Board of Directors changed the Regulations of the Appointments and Appraisals Committee, now including in its powers, in matters of appointment: “assisting the Board of Directors in the identification and evaluation of the adequacy of the profile, knowledge, and curriculum of members of the governing bodies to be appointed”. Subsequently, the Company will establish criteria and requirements related to the profile of new members of the corporate bodies appropriate to the function to be performed, under the terms provided for in Recommendation I.2.1 of the IPCG Code, which will be taken into consideration in the next election of members of the corporate bodies.

These criteria and requirements will be defined, without prejudice to the fact that the Management understands that the judgment on the composition options of the governing bodies must be forwarded to the shareholders, under the Portuguese legislative system, which refers to the shareholders the composition of the bodies of the companies and the nature of the group to which Navigator belongs, with a concentration of the capital structure in a family group and members of boards of directors common to several related companies.

However, due to the different backgrounds, professional experiences and gender, it is considered that the set of Directors brings together the necessary suitability, experience, diversity and proved professional competence in order to ensure the adequacy of profiles, knowledge and curricula to the functions to be performed by these.

Therefore, it is understood that the objectives pursued by this IPCG Recommendation are duly and fully safeguarded.

**II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.**

Taking into consideration the lack of any request or expression of interest, until the date hereof, by any shareholders, concerning the implementation of systems that allow for the digital participation in general meetings and since the Company has implemented mechanisms for voting by electronic mail and, conversely, such meetings have extended disclosure deadlines and flexible participation requirements – whereas it is estimated that, notably, where one vote corresponds to one share and short deadlines to evidence the position as shareholder and constitute attorneys – the Company believes that shareholders rights to be present in general meetings are already fully guaranteed and in very flexible terms.

Due to the above-mentioned reasons, the Company believes that presently the adoption of this recommendation is not justified, since the objectives underlying it have already been materially attained and the uncertainty as to the results of such system will not justify incurring in an additional administrative burden.

**III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.**

Taking into consideration the specificities of the Company, notably its capital concentration and family owned nature, and the total number of non-executive directors, and, among these, independent directors, as well as the characteristics and position of the current Chairman of the Board of Directors, who is not a CEO (the lead independent director being the most used figure in other jurisdictions when the CEO and the chairman coincide), the Company believes that the appointment of a lead independent director would not be appropriate and would simply aim for the mere formal adoption

of this recommendation, with which the company does not agree.

In fact, and as has been mentioned in this report, the Company has implemented several rules and mechanisms which allow for a close and regular liaison between different members of the Board of Directors, notably in what concerns the Chairman and other directors, and the existence of required conditions and means for the performance of their functions.

Therefore, this recommendation is not formally adopted by the Company, although all its objectives are attained.

**V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.**

This recommendation is adopted in all its aspects, save for indication of the amounts of the fixed component of remuneration. This option is due to the fact that it is understood that in this respect shareholders should only approve principles and assign the specific definition to the committee. It is noted that there is total transparency in respect of this matter, since fixed compensation is disclosed annually.

**V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.**

The explanation for the non-adoption of this recommendation is set out in the statement on the remuneration policy in force, which corresponds to Annex II to this Report, and reads as follows:

“Experts in this area have been defending the existence of relevant advantages in deferring the payment of the variable part of the remuneration to a later moment that would allow, in some way, the weighting of the entire mandate.

We accept the principle as theoretically sound, but we do not think it would be advantageous in the specific case of Navigator and other companies of a similar nature.

One of the main supports of the proposed option is the commitment of the administration and its remuneration to a medium-term, sustainable result, thus avoiding the association with a simple exercise that may not be representative and whose results may even be superior at the expense of the next exercises.

Now, if this danger is real and it is justified to be mitigated through systems like this in totally dispersed capital societies in which the management can be tempted to have a short-term vision of the rapid realisation of potential advantages in sacrificing the future, the same does not happen at the moment with a company like Navigator, with controlled and stable management, in which these concerns are naturally assured”.

The recommendation is thus not adopted by the Company, albeit it guarantees the substance which would justify it even more than it would with its adoption.

In addition, it is noted that Navigator's yearly consolidated results have always been, repeatedly and consistently, highly positive, evidencing the sustainability in performance that the Recommendation seeks to preserve. As a result, thereof, the possible partial deferment for a period of not less than three years, of the variable component of remuneration, would have no impact on the right to a variable component of Navigator directors.

**V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.**

As a result of the Portuguese legal framework, which assigns to shareholders the composition

of corporate bodies and the nature of the Navigator Group, which has a capital concentration with a family owned structure, and common board members in different connected companies, management believes that the decision on the options to form corporate bodies must be assigned to shareholders.

**V.4.3. This committee includes a majority of non-executive, independent members.**

The Appointments and Appraisals Committee of the Company integrated an independent non-executive member

in 2019. However, it is considered that the remaining Non-Executive Directors have the necessary suitability, experience and proved professional competence in order to ensure the performance of the functions of this Committee in an impartial, independent and objective manner.

Consequently, it is understood that the objectives pursued by this Recommendation of the Corporate Governance Code of the IPCG are duly and fully safeguarded, with the necessary conditions being ensured to guarantee the exercise of a function and monitoring and support for the appointment of management staff.

## PART III – OTHER INFORMATION

There are no other elements or additional information that are relevant to the

understanding of the governance model and practices adopted.

### ANNEX I

#### 1. DISCLOSURES REFERRED TO IN ARTICLES 447 OF THE COMPANIES' CODE (WITH REFERENCE TO 2019)

##### Securities issued by company and held by company officers:

António José Pereira Redondo: **6,000 shares**  
Adriano Augusto da Silva Silveira: **2,000 shares**

#### 2. INFORMATION ON OWN SHARES

(required by Articles 66 and 324 no. 2 of the Companies Code)

In accordance with article 66, no. 5, paragraph d) of the Companies' Code, Navigator hereby informs that from 1 January 2019 to 31 December 2019 it acquired 5,452,882 shares in its share capital, at an average price of 3.2756€/share, in accordance with notices disclosed on the CMVM website.

### ANNEX 2

#### STATEMENT ON THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF THE NAVIGATOR COMPANY

## I. Introduction

The Remuneration Committee of Navigator has been drawing up the remuneration policy statement since 2008, originally in the context of a recommendation from the Securities Market Commission (Comissão de Mercado de Valores Mobiliários – CMVM), from 2009 according to Law no. 28/2009 of 19 June, and more recently in line with the recommendations of the 2018 Corporate Governance Code of the Portuguese Corporate Governance Institute.

Although the Committee finds that the statement stability is a good policy, the changes to the legal recommendations

followed by Navigator, in parallel with the election of corporate bodies for the 2019-2022 term in office, have dictated some changes to the Policy that has been adopted which, although relevant, do not change the essence of the options followed.

As it is made clear by the several options and explanations that stand out in the text, the final result sought was a compromise, on the one hand, between the new trends of management remuneration options and, on the other hand, the weight of history, previous options and the specific features of the Company.

## II. Legal framework and recommendations

This statement is issued in the legal framework formed by Law 28/2009, of 19 June (as mentioned above), and

the recommendations of the Portuguese Corporate Governance Institute.

In addition to rules on the frequency with which the statement must be issued and approved and on disclosure of its content, this law also stipulates that this content should include information on:

- a) Arrangements for aligning the interests of members of the management body with those of the company;
- b) Criteria for setting the variable component of remuneration;
- c) The existence of share or share option pay schemes for members of the management and supervisory bodies;
- d) The possibility of the variable component of remuneration, if any, being paid, wholly or in part, after the accounts have been finalized for the entire term of office;
- e) Rules limiting variable remuneration in the event of the company's results revealing significant deterioration in the company's performance in the last period for which accounts are closed or when such deterioration may be expected in the period underway.

The current recommendations of the Portuguese Corporate Governance Institute make the following requirements:

**V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement,**

**the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.**

**V.2.3. The statement on the remuneration policy of the managing and supervisory bodies pursuant to Article 2 of Law no. 28/2009 of 19 June, should additionally contain the following:**

- (i) The total remuneration amount itemized by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;
- (ii) Remunerations from companies that belong to the same group as the company;
- (iii) The number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date and any change to such conditions;
- (iv) Information on the possibility to request the reimbursement of variable remuneration;
- (v) Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;
- (vi) Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.

### III. Rules deriving from law and the Articles of Association

Any system for setting remuneration will inevitably have to consider the legal rules, as well as any private rules which may be established in the Articles of Association.

The legal rules for the directors are basically established in Article 399 of the Companies Code, from which it follows that:

- Powers to fix the remuneration lie with the General Meeting of Shareholders or a committee appointed by the same.
- The remuneration is to be fixed in accordance with the duties performed and the company's state of affairs.

- Remuneration may be fixed, or may consist in part of a percentage of the profits for the period, but the maximum percentage to be allocated to the directors must be authorized by a clause in the articles of association, and shall not apply to distribution of reserves or any part of the profits for the period which could not, under the law, be distributed to shareholders.

For the members of the Audit Board and the officers of the General Meeting, the law lays down that the remuneration shall consist of a fixed sum, which shall be determined in the same way by the General Meeting of Shareholders or by a committee appointed by the same, taking into account

the duties performed and the state of the Company's affairs.

A specific clause in the Company's Articles of Association (article no. 21) provides that the remuneration of directors may be differentiated, and that they are fixed by a Remuneration Committee elected by the General Meeting for a four year term. The second paragraph of this clause lays down that the General Meeting may issue rules on pension plans and complementary pension schemes for directors.

This is the formal framework to be observed in defining remuneration policy.

## IV. Historical background

From the Company's transformation into a sociedadade anónima in 1991 and through to 2004, the remuneration of all of the directors consisted of a fixed component, payable fourteen times a year, and set by a Remuneration Committee, and of a variable component, determined annually, depending on the specific circumstances, by decision of the State, as shareholder.

Since the second phase of privatization in 2004, the formal principle was first instituted of remuneration being divided into fixed and variable components, albeit following different formalities. In some years the payment was made through the allocation of profits approved directly by the General Meeting and in other years the shareholders made no decisions concerning the payable amounts, which were set by the Remuneration Committee in line with the legal, regulatory framework and according to this statement. The most recent procedure, and one that

has prevailed, entails having the respective amount, and the amounts of the variable remuneration of other staff, expressly included in the proposed allocation of profits to be voted by the shareholders.

It should be noted that the allocation of a percentage of the profits is not applied directly, but rather as an indicator, and as a statutory limit, of amounts which are determined in a more involving process, taking into account the factors set out in the remuneration policy statement in force and the KPIs mentioned below.

Since the incorporation of the Company, members of the Audit Board have received fixed monthly remuneration. In the case of the officers of the General Meeting, since for these officers was first instituted it has been set on the basis of the number of meetings actually held.

## V. General principles

The general principles to be observed when setting the remuneration of the Company officers are essentially those which in very general terms derive from the law: on the one hand, the duties performed and on the other the state of the Company's affairs. If we add to these the general market terms for similar situations, we find that these appear to be the three main general principles:

### a) Duties performed.

It is necessary to consider the duties performed by each Company officer not only in the formal sense, but also in the broader sense of the work carried out and the associated responsibilities. Not all the executive board members are in the same position, and the same is also true, for example, for the members of the audit board. Duties have to be assessed in the broadest sense, taking into account criteria as varied as, for example, responsibility, time dedicated,

or the added value to the Company resulting from a given type of intervention or an institutional representation.

The fact that time is spent by the officer on duties in other controlled companies also cannot be taken out of the equation, due, on the one hand, to the added responsibility this represents, and, on the other hand, to the existence of another source of income.

It should be noted that Navigator's experience has shown that the directors of this Company, contrary to what is often observed in other companies of the same type, have not always been neatly split into executive and non-executive. There are a number of directors with delegated powers and who are generally referred to as executive directors, but some of the directors without delegated powers have been closely involved in the life of the Company in a variety of ways.

#### **b) The state of the Company's affairs.**

This criterion must also be understood and interpreted with caution. The size of the Company and the inevitable complexity of the

associated management responsibilities, are clearly relevant aspects of the state of affairs, understood in the broadest sense. There are implications here for the need to remunerate a responsibility which is greater in larger companies with complex business models and for the capacity to remunerate management duties appropriately.

#### **c) Market criteria.**

It is unavoidably necessary to match supply to demand when setting any level of pay, and the officers of a corporation are no exception. Only respect for market practices makes it possible to retain professionals of a calibre required for the complexity of the duties performed and the responsibilities shouldered, thereby assuring not only their own interests but essentially those of the Company, and the generation of value of all its shareholders. In the case of this Company, in view of its characteristics and size, the market criteria to be considered are those prevailing internationally, as well as those to be observed in Portugal.

## **VI. Compliance with legal requirements and recommendations**

Having described the historical background and the general principles adopted, we shall now consider the issue of compliance by these principles with the relevant legal requirements.

#### **1. Article 2 a) of Law 28/2009. Alignment of interests**

The first requirement that Law 28/2009 regards as essential in terms of the information in this statement is for a description of the procedures which assure that the directors' interests are aligned with those of the Company.

We believe that the remuneration system adopted in the Company is successful in assuring such alignment. Firstly, because the remuneration sets out to be fair and equitable in the light of the principles set out, and secondly because it links board members to results by means of a variable remuneration component which is set primarily in the light of these results.

#### **2. Article 2 b) of Law 28/2009. Criteria for the variable component.**

The second requirement established by the law is for information on the criteria used to determine the variable component.

The variable component of remuneration is based on a target amount applied to each board member and is paid according to the individual's performance and performance of the Company, that meet the expectations and the criteria defined previously. The target amount is weighed by the aforementioned principles - market, specific functions, state of the Company -, in particular comparable market circumstances in positions equivalent in function. Another important factor taken into account when setting the targets is Navigator's option not to provide any share or share acquisition option plans.

Actual performance compared to the expectations and goals, which determine target variations, is weighed against a set of quantitative and qualitative KPIs of the Company's performance and of the relevant

board member, which include in particular EBITDA, net income and cash flow. One of the EBITDA components is not measured against the financial year, but instead a theoretical EBITDA established by reference to the medium term plan. An approach was introduced through this specific indicator which already takes into account the company's medium term performance.

In addition to those criteria, in accordance with commitments undertaken by the Company within its sustainability strategy and recognizing the importance of an efficient use of energy, and the need to reduce fossil CO<sub>2</sub> emissions from its economic activities, the implementation of a corporate program for energy efficiency, approved in 2016, is also included in the weighing.

### **3. Article 2 c) of Law 28/2009. Share or option plans.**

The decision whether or not to provide share or option plans is structural in nature. The existence of such a plan is not a simple add-on to an existing remuneration system, but rather an underlying change to the existing system, at least in terms of the variable remuneration.

Although a remuneration system of this type is not incompatible with the Company's articles of association, we feel that the wording of the relevant provisions in the articles and the historical background to the existing system argue in favour of maintaining a remuneration system without any share or option component.

This is not to say that we see no merits in including a share or option component in directors' remuneration, nor that we would not be receptive to restructuring directors' remuneration to incorporate such a plan. However, such a component is not essential in order to promote the principles we defend and, as we have said, we do not believe that this was the fundamental intention of the Company's shareholders.

### **4. Article 2 d) of Law 28/2009. Date of payment of variable remuneration.**

Several writings sustain profusely the deferral of the payment of the variable part of remuneration to a later time, which will enable the establishment of a direct relation between remuneration and the impact of management on the Company over a longer period.

We accept this principle as theoretically sound, but there are two facts that prevent

us from adopting that option for the time being, notwithstanding a specific indicator assessing the medium term sustainable performance, as mentioned in paragraph 2 in this chapter. The first fact is historical, regarding the practice that has been followed successfully for years without the element of deferral, and the second are prior history of stability of staff in management positions of the Company that, inevitably, binds them to a medium and long term commitment that earnings will continue to condition their remuneration.

### **5. Article 2 e) of Law 28/2009. Procedure limiting variable remuneration.**

Procedures of this kind are designed to limit variable remuneration in the event of the results showing a significant deterioration in the Company's performance in the last reporting period or when such deterioration may be expected in the period underway.

This type of provision also reflects a concern that good performance in the short term, which may boost directors' remuneration, could be achieved at the cost of future performance.

For obvious reasons, the arguments presented above also apply here. It should also be noted that a system of this kind would have little practical effect if not combined with significant deferral of remuneration, which is not proposed for the Company.

### **6. Recommendations V.2.2. and V.2.3. Approval of the Remunerations Policy.**

Recommendation V.2.2 provides for the approval of the remuneration policy of the members of the governing bodies at the beginning of their term, that it should be annually enforced and reviewed, a practice that is followed by Navigator. This recommendation and the following proceed to identify a set of topics to be included in the statement. Some matters mentioned therein have been included in other paragraphs of this statement, while others are included in the Corporate Governance Report that the Company publishes every year. For systematization and simplifying reading for stakeholders, reference will be made herein to all matters, referring to other paragraphs in this statement where necessary and repeating the information found in the corporate governance report, where duplication of information is deemed necessary.

The remunerations specified in this statement refer to the past and not the future ones.

Concerning fixed remunerations, this committee believes that it is responsible for setting the remunerations, without prejudice to the shareholder participation principle.

The variable component, which this committee is also responsible for setting, is awarded and calculated according to the criteria laid down in paragraph 2 of chapter VI of this statement. The only mechanisms that set a cap on remuneration are those which result from the fact that the quantitative part of the variable component depends on the

KPIs being minimally met, and the above mentioned implementation of a corporate energy efficiency program, approved in 2016. As mentioned before, there is no deferral of payment of the variable remuneration in this Company, nor remuneration mechanisms based on stock or acquisition options of the Company's own shares.

(i) The following is the total remuneration of the governing bodies, itemised by different components and the fixed and variable part of remuneration, for 2018, the variable remuneration having been paid in 2018, concerning performance in 2017:

#### VALUES IN EUROS

BOARD OF DIRECTORS	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	RELATIVE PERCENTAGE	VALUE	RELATIVE PERCENTAGE
<b>Pedro Mendonça de Queiroz Pereira</b>	<b>689,200.05</b>	41.61%	<b>967,061.00</b>	58.39%
Navigator	0	0.00%	767,061.00	100.00%
Subsidiaries	689,200.05	77.51%	200,000.00	22.49%
<b>Diogo António Rodrigues da Silveira</b>	<b>517,713.00</b>	45.48%	<b>620,627.00</b>	54.52%
Navigator	517,713.00	80.55%	125,000.00	19.45%
Subsidiaries	0	0.00%	495,627.00	100.00%
<b>Luís Alberto Caldeira Deslandes</b>	<b>117,579.00</b>	100.00%	<b>0</b>	0.00%
Navigator	117,579.00	100.00%	0	0.00%
Subsidiaries	0	0.00%	0	0.00%
<b>António José Pereira Redondo</b>	<b>314,485.78</b>	37.53%	<b>523,551.00</b>	62.47%
Navigator	0	0.00%	25,000.00	100.00%
Subsidiaries	314,485.78	38.68%	498,551.00	61.32%
<b>José Fernando Morais Carreira de Araújo</b>	<b>314,495.72</b>	39.12%	<b>489,410.00</b>	60.88%
Navigator	0	0.00%	25,000.00	100.00%
Subsidiaries	314,495.72	40.38%	464,410.00	59.62%
<b>Nuno Miguel Moreira de Araújo Santos</b>	<b>314,481.58</b>	35.86%	<b>562,493.00</b>	64.14%
Navigator	314,481.58	67.71%	150,000.00	32.29%
Subsidiaries		0.00%	412,493.00	100.00%
<b>João Paulo Araújo Oliveira</b>	<b>314,481.58</b>	40.80%	<b>456,349.00</b>	59.20%
Navigator	314,481.58	80.74%	75,000.00	19.26%
Subsidiaries	0	0.00%	381,349.00	100.00%
<b>Manuel Soares Ferreira Regalado</b>	<b>77,000.00</b>	100.00%	<b>0</b>	0.00%
Navigator	77,000.00	100.00%	0	0.00%
Subsidiaries	0	0.00%	0	0.00%
<b>Adriano Augusto da Silva Silveira</b>	<b>397,108.00</b>	100.00%	<b>0</b>	0.00%
Navigator	0	0.00%	0	0.00%
Subsidiaries	397,108.00	100.00%	0	0.00%
<b>Vítor Manuel Galvão Rocha Novais Gonçalves</b>	<b>98,000.00</b>	100.00%	<b>0</b>	0.00%
Navigator	98,000.00	100.00%	0	0.00%
Subsidiaries	0	0.00%	0	0.00%

#### VALUES IN EUROS

AUDIT BOARD	FIXED REMUNERATION		VARIABLE REMUNERATION	
	VALUE	RELATIVE PERCENTAGE	VALUE	RELATIVE PERCENTAGE
Miguel Camargo de Sousa Eiró	31,956.78	100%	0	0.00%
José Manuel Vitorino	19,854.00	100%	0	0.00%
Gonçalo Picão Caldeira	16,002.00	100%	0	0.00%
Maria Graça Gonçalves	9,398.50	100%	0	0.00%

The Chairman of the General Meeting earned exclusively a fixed remuneration of 3,000 euros.

Total values were set according to the fulfilment of the principles mentioned before in Chapter V of this statement. On how the remuneration policy contributes to the long-term performance, reference is made to paragraphs 1, 2 and 4 of Chapter VI. Performance criteria mentioned in paragraph 2 of Chapter VI was applied mathematically for its quantitative part, and using value assessments conducted by hierarchical superiors and weighed by the Remuneration Committee.

(ii) Governing bodies are not remunerated in other companies belonging to the same group as Semapa. Note that the group relationship is used in its technical/legal sense, which explains why some events identified in the corporate governance report of Semapa for controlling companies or companies under common control have not been mentioned.

(iii) The Company has no stock or stock acquisition plans, as outlined in paragraph 3 of Chapter VI.

(iv) There is no mechanism allowing the Company to demand refund of the variable remuneration paid.

(v) There is no withdrawal of the approved remuneration policy implementation procedure.

(vi) Neither exist or have ever been fixed by this Committee any agreements on payments by Navigator relating to dismissal or termination of Directors' duties.

This fact is the natural result of the particular situations existing in the company, and not a position of principle taken by this Committee against the existence of agreements of this nature. Therefore, the supplementary legal regime applies in this matter.

## VII. Specific Options

The specific options for the remuneration policy we propose may therefore be summarized as follows:

1. The remuneration of the executive members of the Board of Directors, as mentioned in paragraph a) of Chapter V, shall comprise a fixed and variable component.
2. The remuneration of non-executive directors shall comprise only a fixed component that may be complemented according to the piling on of added responsibilities.
3. The fixed component of the remuneration of Directors shall consist of an annual amount payable throughout the year or of a predetermined amount for each meeting of the Board of Directors attended.
4. The procedure for assigning variable remunerations to the executive members of the Board of Directors shall comply with the criteria proposed by the Remuneration Committee, and such remuneration shall not exceed five per cent of the consolidated net profits (IFRS format) as provided by the Articles of Association.
5. In setting all remuneration, including in particular the distribution of the total amount allocated to the variable remuneration of the Board of Directors, the general principles established above shall be observed: the duties performed, the state of the company's affairs and market criteria.
6. The remuneration of the members of the Audit Board and the officers of the General Meeting shall comprise a fixed component only.
7. The fixed remunerations of the members of the Audit Board shall consist in all cases of a predetermined annual amount payable throughout the year.
8. The fixed remuneration of the officers of the General Meeting shall consist in all cases of a predetermined amount for each meeting, the remuneration for second and subsequent meetings being lower than that for the first general meeting of the year.

Lisbon, 12 March 2019

*The Remuneration Committee*

**Chairman:** José Gonçalo Ferreira Maury

**Member:** Frederico José da Cunha Mendonça e Meneses

**Member:** João Rodrigo Appleton Moreira Rato

## CODE OF ETHICS AND CONDUCT

### I. General Objectives and Values

#### 1. The Code of Ethics and Conduct as the basis of the culture of The Navigator Group

The pursuit of the aims set out in this Code of Ethics and Conduct, respect for its values and compliance with its rules of conduct together form the professional ethos of The Navigator Group business universe.

The Code of Ethics and Conduct is to be viewed as setting standards of conduct interpreted as a benchmark for behaviour, which The Navigator Group and all its Collaborators should follow and respect.

#### 2. Fundamental Mission and Objectives

The Navigator Group aspires to extend the leadership earned in the printing and writing paper business to other businesses, thereby asserting Portugal in the world, as a global company, renown for developing, in an innovative and sustainable manner, the forest and providing products and services which contribute to the prosperity of individuals.

The fundamental aims pursued by The Navigator Group are based on the sustained creation of value and the protection of shareholders' interests, with an appropriate level of investor return, by offering the highest standards of quality in the supply of goods and services to customers, and through the recruitment, motivation and development of the most able and highly skilled professionals. The Navigator Group will always promote a meritocratic culture which allows the personal and professional development of its Collaborators and, through their commitment, position the Group at the forefront of the markets in which it operates, maintaining a policy on the sustainable management of natural resources, mitigation of environmental impacts and fostering social development in the areas in which it carries on its business operations.

Due to their being core principles and of a general nature, the matters governed in the Code of Ethics and Conduct may be detailed in internal guidelines, policies and procedures, or in specific codes of conduct.

#### 3. Values

The principles and rules of conduct set out in the Code of Ethics and Conduct result from the establishment of values deemed to be fundamental to The Navigator Group, and which should be permanently pursued within its corporate activity, in particular:

- (a) **Trust** – We believe in people, we welcome everyone's contribution, we respect their identity, promoting development, cooperation and communication;
- (b) **Integrity** – We are guided by principles of transparency, ethics and respect in our dealings amongst ourselves and with others;
- (c) **Entrepreneurship** – We are passionate about what we do, we like to get out of our comfort zone, we have the courage to take decisions and to accept risks in a responsible way;
- (d) **Innovation** – We seek to bring out everyone's skills and creative potential to do the impossible;
- (e) **Sustainability** – Corporate, social and environmental sustainability is our business model;
- (f) **Excellence** – In our work we focus on quality, efficiency, safety and getting it right.

## II. Scope of Application and Interpretation

### 4. Scope of Application

The Code of Ethics and Conduct applies to all Collaborators of all entities in The Navigator Group.

The rules set out herein should govern the ethical and professional conduct of all those working in The Navigator Group, in the pursuance of its corporate activity and in their relationships with third parties, and are an essential tool of the corporate policy and culture followed and fostered by The Navigator Group.

### 5. Interpretation

For the purposes of this Code of Ethics and Conduct, the following defined terms shall have the following meanings:

(a) Collaborators – all persons who work in or provide services, in a permanent or merely

casual form, to companies in The Navigator Group, including, notably, members of corporate bodies, employees, service providers, representatives and auditors or consultants;

(b) Clients – natural or legal entities to which companies in The Navigator Group supply their products or provide their services;

(c) Suppliers – natural or legal entities which supply products or provide services to The Navigator Group companies;

(d) Stakeholders – natural or legal entities with which The Navigator Group companies deal in their business, institutional or social activities, including shareholders, members of corporate bodies, Collaborators, Clients, Suppliers, business partners or members of the communities with whom The Navigator Group interacts.

## III. Rules of Conduct

### 6. Compliance with Legislation and Regulation

The activity of The Navigator Group and its Collaborators shall be based on strict compliance with legal, statutory and regulatory regulations, applicable to the activity and companies of The Navigator Group, in the jurisdictions of the countries where they operate.

### 7. Public Authorities

The activity of The Navigator Group and its Collaborators shall be based on a permanent collaboration with public authorities, notably with regulatory bodies, complying with requests legitimately made to them and which are at their reach and adopting the behavior which permits these authorities to exercise their powers.

### 8. Integrity

The practice of corruption and bribery is forbidden, in all active or passive forms, through act or omission, by creating or maintaining situations of favouritism or other irregularities, or adopting behaviours

which may create, in their counterparts, expectations of favouritism in their relations with The Navigator Group.

### 9. Transparency

The Navigator Group is committed to reporting its performance in a transparent way, taking into consideration applicable legal duties and good practices of the capital and financial markets.

### 10. Confidentiality

10.1. Collaborators must keep the confidentiality of all information concerning The Navigator Group, other Collaborators, Clients, Suppliers or Stakeholders, of which they have knowledge by virtue of carrying out their functions and which are not publicly known or notorious. Such information is restricted and only for internal use in The Navigator Group.

10.2. Collaborators must maintain confidential the information mentioned in the previous paragraph, even after termination of their functions in The

Navigator Group and regardless of the cause of such termination.

- 10.3. Confidential information may only be disclosed to third parties in accordance with legal requirements or provided disclosure thereof is previously authorized, in writing, by the Board of Directors.

### **11. Securities trading**

Any Collaborators who are in possession of information relating to The Navigator Company, of a precise nature, which has not been made public, and which, if it were made public, would be likely to have a significant effect on the prices of The Navigator Company shares and other related financial instruments, may not, in the period prior to disclosure of such information, trade securities issued by The Navigator Company, its strategic partners or companies involved in transactions or dealings with The Navigator Company, not disclose same information to third parties.

In particular, estimates of results, decisions on significant acquisitions, sales or partnerships and winning or losing of important contracts constitute forms of inside information.

### **12. Conflicts of Interest**

- 12.1. The Navigator Group undertakes to adopt measures which ensure impartiality of decision making processes, in cases of a potential conflict of interests involving The Navigator Group or its Collaborators.
- 12.2. Collaborators may not pursue private objectives in competition with The Navigator Group and obtain benefits, advantages or personal favors by virtue of the position held or the functions performed.
- 12.3. Collaborators must promptly inform their immediate superior of any situation which might create a conflict of interests, notably if, as part of their functions, they are called on to intervene in procedures or decisions which involve, directly or indirectly, organisations, entities or persons with whom they collaborate or have collaborated, or with whom they have a relation, by virtue of family ties, proximity or influence. In addition, they may also make such communication in any other cases where their impartiality may be questioned.

### **13. Relations with Shareholders**

- 13.1. The primary objectives of The Navigator Group are the protection of shareholders and investors and a quest to create value for Shareholders.
- 13.2. The Navigator Company undertakes to respect the principle of equal treatment of Shareholders, taking into consideration the proportion of their holdings in the share capital of The Navigator Company, notably ensuring the timely provision of information, in accordance with the applicable legal duties.

### **14. Competition**

The competition practices of The Navigator Group shall comply strictly with applicable competition laws, in accordance with market rules and criteria, and with a view to promoting fair competition.

### **15. Intellectual and Industrial Property**

The Navigator Group and its Collaborators must respect Intellectual and Industrial Property of Suppliers, Clients and Stakeholders.

### **16. Relations with Clients, Suppliers, Services Providers and Third Parties**

- 16.1. The Navigator Group shall ensure that the conditions of sale of products to its Clients are clearly defined, and all companies in The Navigator Group and its Collaborators must ensure compliance with such conditions.
- 16.2. Suppliers and providers of services to The Navigator Group shall be selected on the basis of objective criteria, taking into consideration the terms proposed, guarantees effectively provided and the overall optimization of advantages for The Navigator Group.
- 16.3. Suppliers and services providers of The Navigator Group must comply with the provisions of The Code of Ethics and Conduct for Suppliers and services providers of The Navigator Group.
- 16.4. The Navigator Group and its Collaborators shall always negotiate in compliance with the principle of good faith and applicable legal obligations and good practices.

## 17. Relations with Political Parties and Movements

Dealings between The Navigator Group and its Collaborators with political parties or movements shall be conducted in compliance with applicable legal rules, and in the course of such dealings Collaborators may not invoke their relation with The Navigator Group.

## 18. Social Responsibility and Sustainable Development

18.1. The Navigator Group accepts its social responsibility to the communities in which it carries on its business activities, as a means of contributing to their advancement and well-being.

18.2. The Navigator Group undertakes to adopt, comply with and promote a Policy on sustainability and environment protection.

## 19. Safety and Working Conditions

19.1. The Navigator Group will never employ child or forced labor, nor will it ever collude with such practices, and it shall adopt the measures deemed appropriate to combat such situations, notably by public denunciation, whenever they come to its attention.

19.2. The health and safety of its Collaborators is a priority for The Navigator Group, and accordingly all Collaborators shall seek to know and comply with the legislation in force and with internal rules and recommendations on such matters.

19.3. Collaborators must give immediate notice of any accident or hazard to hygiene, safety and health in the workplace, in accordance with the above mentioned rules, and the necessary or advisable preventative measures shall be adopted.

## 20. Professional development and progression

20.1. The Navigator Group provides appropriate training activities to its Collaborators and fosters their continued training, as a driver of their motivation and improved performance, recognizing the added value of their professional and personal development.

20.2. The Navigator Group values and holds responsible Collaborators in the

performance of their functions, taking into consideration their individual merit, allowing them to assume the level of independence and responsibilities associated with their skills and commitment.

20.3 The Navigator Group policies on selection, hiring, remuneration and professional progression are based on merit criteria and reference market practices.

20.4 The Navigator Group shall ensure equality of opportunities in recruitment, hiring and professional development, attaching value only to professional aspects. To that effect, all Collaborators shall adopt the measures deemed appropriate to combat and prevent any form of discrimination or differentiated treatment on the basis of, notably, ethnic or social origin, religious beliefs, nationality, gender, marital status, sexual orientation or physical disability.

## 21. Respect

In their relations with other Collaborators and Suppliers, counterparts, Clients and Stakeholders, all Collaborators shall proactively act in a correct, respectful, loyal and civil manner.

## 22. Non-discrimination and harassment

22.1. Collaborators may not act in a discriminatory manner in relation to other Collaborators or other persons, notably based on race, religion, gender, sexual orientation, origin, age, language, territory of origin, political or ideological convictions, economic situation, social and economic situation or type of contract, and must foster respect for human dignity as one of the basic principles of the culture and policy of The Navigator Group.

22.2. Any practice which may correspond to a form of harassment, notably through personal offence, mobbing, moral or sexual harassment or bullying is strictly forbidden.

## 23. Use of Assets

23.1. Collaborators shall make sensible and reasonable use of the working resources at their disposal, avoiding waste and undue use.

23.2. Collaborators shall care for the property of The Navigator Group, and not behave willfully or negligently in any manner which might undermine its state of repair.

#### 24. Personal Data Protection

24.1. The Navigator Group understands the key role of privacy and protection of personal data of its Clients, Stakeholders, Suppliers, Collaborators or any other natural persons or collaborators of any other entities. Accordingly, The Navigator Group and its Collaborators undertake to use such information in a responsible manner, in strict compliance with laws and regulations governing the protection of personal data.

24.2 Collaborators must not collect personal data, create lists of personal data or process or transfer personal data without prior consultation and authorisation from the division which is responsible for data protection.

#### 25. External Communication - Media and Advertising

Information provided by The Navigator Group and its Collaborators to the media, including for advertising purposes, shall:

- (a) Be released exclusively by management and divisions authorised for that purpose and to act as representative or spokesman of The Navigator Group;
- (b) To comply with the principles of legality, accuracy, opportunity, objectivity, truthfulness and clarity;
- (c) Protect the secrecy and confidentiality of the information, in order to protect the interests of The Navigator Group;
- (d) Respect cultural and ethical parameters of the community and human dignity;
- (e) Contribute to an image of consistency, creation of value and dignity of The Navigator Group, promoting its good name in society.

#### 26. Communicating in social networks and media

Collaborators are fully aware that the new forms of communication, which are continually evolving, may have a strong impact on The Navigator Group and its Collaborators and that the dissemination and distribution

of information through those channels may easily represent loss of control over those contents.

Accordingly, Collaborators undertake as their commitment that, when using social networks and means of communication (both traditional and recent), they:

- (a) Shall act in an ethically responsible way, contributing to the creation of value and dignity of The Navigator Group and to reinforce its image in society;
- (b) Shall respect, comply with and reflect the principles, values and rules of conduct established in this Code of Ethics and Conduct;
- (c) Shall not post or otherwise disclose confidential or internal information of The Navigator Group;
- (d) Shall not communicate, identifying themselves as Collaborators of The Navigator Group, without authorization for that purpose.

#### IV. Supervision, Default and Communication

#### 27. Non-compliance

Failure to comply with the rules of conduct established in this Code of Ethics and Conduct shall constitute serious misconduct, subject to disciplinary proceedings, in addition to any possible civil, administrative or criminal liability, in accordance with applicable laws and regulations.

#### 28. Reporting

28.1 Collaborators should report the occurrence of any conduct which is not compatible with the rules set out in this Code of Ethics and Conduct, of which they are aware or justifiably suspicious, in a timely and efficient way, through the proper channels, in accordance with the internal rules of procedure governing the reporting of irregularities.

28.2. The Navigator Group guarantees the confidentiality of information conveyed in reports, in accordance with the internal rules of procedure governing the reporting of irregularities.

28.3. The Navigator Group shall not retaliate, in any way, against a person who reports any non-compliance with the Code of Ethics and Conduct or another

irregularity, shall ensure a fair treatment of the persons addressed therein and will not allow the resulting detrimental treatment where a Collaborator has acted in good faith, thoughtfully and diligently.

28.4. In accordance with the general terms of the law, misuse or abuse of the arrangements for reporting irregularities may render the author of a report liable to disciplinary measures and/or legal proceedings.

### 29. Doubts and Queries

Collaborators may place doubts and queries in respect of the interpretation or application of the Code of Ethics and Conduct, to the Risk Management Division or to the Legal Services Division. The Navigator Group also establishes a permanent arrangement for communications, direct and confidential, through the Board of Directors, to which any Collaborator may resort, through the internal rules of procedure governing the reporting of irregularities.

### 30. Procedure

30.1. All reports received by The Navigator Company will be dealt with in accordance with the internal rules of procedure governing the reporting of irregularities.

30.2. The Executive Committee and the Audit Board will be informed of all reports received which concern a member of the Board of Directors or of the Audit Board.

### 31. Annual Report

31.1. The Ethics Committee shall draw up an annual report on compliance with the rules established in this Code of Ethics and Conduct, detailing all irregularities of which it is aware, and setting out the conclusions and follow-up proposals adopted in the different cases which it examined.

31.2. For the purposes of the preceding paragraph, the Risk Management and Legal Services Divisions shall report to the Ethics Committee all relevant facts which come to their attention.

## V. Communication

### 32. Communication of the Code of Ethics and Conduct

32.1. The Code of Ethics and Conduct of The Navigator Group shall be published on the company's website and as an appendix to the annual account reporting documents, so that they may be known by Shareholders, Clients, Suppliers,

Stakeholders, investors and other entities with whom the Group relates.

32.2. The Navigator Group shall make the Code of Ethics and Conduct available to all Collaborators and promote its disclosure and general awareness and mandatory compliance with its provisions.

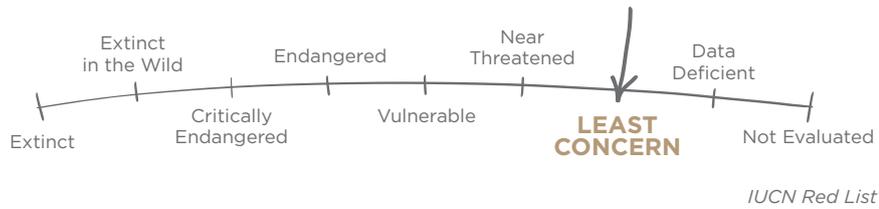
[Lisbon, 25<sup>th</sup> October 2017]

The Board of Directors

# ACCOUNTS AND NOTES TO THE ACCOUNTS

# 10

## European hedgehog (*Erinaceus europaeus*)



The hedgehog is the only mammal in Portugal whose body is covered in spines. Although an insectivore, it feeds on a little of everything - worms, snails, birds' eggs and small reptiles. It is active above all in hot weather and is nocturnal in its habits. It is frequently found in gardens, fields and woodlands.

It uses the spines that cover its back and flanks - around six thousand of them - as a means of defence, rolling up into a ball when it feels threatened.



In Portugal, the hedgehog is found throughout the mainland (and has also been introduced into the Azores), in greater numbers in the south of the country. As rule, it prefers wetlands, or else woodlands

or uplands. On properties managed by Navigator, it is found up and down the country and enjoys the protection of biodiversity conservation interest areas.

# ACCOUNTS AND NOTES TO THE ACCOUNTS

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# CONSOLIDATED INCOME STATEMENT

AMOUNTS IN EUROS

	NOTE	2019	2018
Revenue	2.1	1,687,859,963	1,691,627,494
Other operating income	2.2	39,085,720	46,909,827
Changes in the fair value of biological assets	3.7	12,155,274	(9,782,369)
Cost of goods sold and materials consumed	4.1	(716,135,341)	(700,242,350)
Variation in production	4.1	1,931,449	44,687,130
External services and supplies	2.3	(466,857,759)	(414,924,552)
Personnel costs	7.1	(145,657,670)	(161,630,782)
Other operating expenses	2.3	(40,290,592)	(41,426,865)
Net changes in provisions	10.1	36,727	(13,546,948)
Depreciation, amortisation and impairment losses in non-financial assets	3.7	(138,536,054)	(138,510,647)
<b>Operating income</b>		<b>233,591,717</b>	<b>303,159,936</b>
Other earnings and financial income	5.11	2,989,393	1,956,327
Other expenses and financial losses	5.11	(21,896,117)	(24,443,953)
<b>Financial results</b>		<b>(18,906,724)</b>	<b>(22,487,626)</b>
Gains/(losses) of associated companies and joint ventures		-	-
<b>Profit before income tax</b>		<b>214,684,993</b>	<b>280,672,310</b>
Income tax	6.1	(46,395,807)	(55,534,992)
<b>Net profit for the period</b>		<b>168,289,186</b>	<b>225,137,318</b>
Attributable to Navigator's equity holders		168,290,315	225,135,403
Attributable to non-controlling interests	5.6	(1,129)	1,915
<b>Earnings per share</b>			
Basic earnings per share, Euro	5.3	0.236	0.314
Diluted earnings per share, Euro	5.3	0.236	0.314

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN EUROS

	NOTE	2019	2018
<b>Net profit for the period</b>			
<b>before non-controlling interests</b>		<b>168,289,186</b>	<b>225,137,318</b>
<b>Items that may be reclassified to income statement</b>			
Hedge derivative financial instruments			
Changes in fair value	8.2	(1,035,764)	(3,603,439)
Tax effect	5.5	284,835	990,946
Currency translation differences	5.5	1,846,344	(6,608,395)
Tax on conventional capital remuneration		1,001,000	-
<b>Items that cannot be reclassified to income statement</b>			
Remeasurement of post-employment benefits			
Remeasurement	7.2.5	(15,166,616)	(12,617,390)
Tax effect	7.2.5	444,475	(59,870)
Comprehensive income of associated companies and joint ventures		2,151,921	-
Other comprehensive income		-	(182,788)
<b>Total other comprehensive income net of taxes</b>		<b>(10,473,805)</b>	<b>(22,080,936)</b>
<b>Total comprehensive income</b>		<b>157,815,381</b>	<b>203,056,382</b>
Attributable to:			
Navigator's equity holders		157,745,827	203,272,396
Non-controlling interests		69,554	(216,014)
		<b>157,815,381</b>	<b>203,056,382</b>

The accompanying notes form an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AMOUNTS IN EUROS

	NOTE	2019	2018
<b>ASSET</b>			
<b>Non-current assets</b>			
Goodwill	3.1	377,339,466	377,339,466
Intangible assets	3.2	4,506,689	2,886,251
Property, plant and equipment	3.3	1,249,651,599	1,239,008,735
Right of use assets	3.6	45,517,924	-
Biological assets	3.8	131,769,841	119,614,567
Investment Properties	3.4	95,882	97,527
Non-current receivables	4.2	58,778,469	63,168,912
Deferred tax assets	6.2	31,638,565	71,006,774
		<b>1,899,298,435</b>	<b>1,873,122,233</b>
<b>Current assets</b>			
Inventories	4.1	217,879,700	222,376,871
Receivables and other current assets	4.2	247,408,647	373,251,478
Income tax	6.1	25,145,169	14,250,641
Cash and cash equivalents	5.9	161,880,403	80,859,784
		<b>652,313,920</b>	<b>690,738,774</b>
<b>Total assets</b>		<b>2,551,612,355</b>	<b>2,563,861,007</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	5.2	500,000,000	500,000,000
Treasury shares	5.2	(20,189,264)	(2,317,915)
Currency translation reserve	5.5	(18,728,949)	(20,575,294)
Fair value reserves	5.5	(6,384,412)	(5,633,483)
Legal reserves	5.5	100,000,000	100,000,000
Other reserves	5.5	98,153,331	197,292,250
Retained earnings	5.5	206,004,258	192,512,197
Net profit for the period		168,290,315	225,135,403
<b>Equity attributable to Navigator's equity holders</b>		<b>1,027,145,277</b>	<b>1,186,413,158</b>
Non-controlling interests	5.6	273,817	204,263
<b>Total Equity</b>		<b>1,027,419,095</b>	<b>1,186,617,421</b>
<b>Non-current liabilities</b>			
Loans	5.7	863,936,941	652,025,122
Lease liabilities	5.8	42,450,826	-
Pensions and other post-employment benefits	7.2	6,588,076	7,324,279
Deferred tax liabilities	6.2	80,413,906	66,123,135
Provisions	10.1	19,948,347	43,065,470
Non-current payables	4.3	30,837,585	82,324,405
		<b>1,044,175,681</b>	<b>850,862,411</b>
<b>Current liabilities</b>			
Loans	5.7	13,194,444	111,805,556
Lease liabilities	5.8	4,396,971	-
Payables and other liabilities	4.3	426,197,436	370,358,719
Income tax	6.1	36,228,728	44,216,901
non-current liabilities held for sale	3.8	-	-
		<b>480,017,579</b>	<b>526,381,176</b>
<b>Total liabilities</b>		<b>1,524,193,260</b>	<b>1,377,243,586</b>
<b>Total Equity and Liabilities</b>		<b>2,551,612,355</b>	<b>2,563,861,007</b>

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AMOUNTS IN EUROS

	NOTE	SHARE CAPITAL	TREASURY SHARES	CURRENCY TRANSLATION RESERVE
Equity as at 31 December 2018		500,000,000	(2,317,915)	(20,575,293)
Net profit for the period		-	-	1,846,344
<b>Total comprehensive income for the period</b>		-	-	<b>1,846,344</b>
Application of 2018 net profit for the period:				
- Dividends paid	5.4	-	-	-
- Application of prior period's net profit		-	-	-
- Bonus to employees		-	-	-
Acquisition of own shares	5.2	-	(17,871,349)	-
<b>Total transactions with shareholders</b>		-	<b>(17,871,349)</b>	-
<b>Equity as at 31 December 2019</b>		<b>500,000,000</b>	<b>(20,189,264)</b>	<b>(18,728,949)</b>

AMOUNTS IN EUROS

	NOTE	SHARE CAPITAL	TREASURY SHARES	CURRENCY TRANSLATION RESERVE
Equity as at 1 January 2018		500,000,000	(1,002,084)	(13,966,898)
Net profit for the period		-	-	(6,608,395)
<b>Total comprehensive income for the period</b>		-	-	<b>(6,608,395)</b>
Application of 2017 net profit for the period:				
- Dividends paid	5.4	-	-	-
- Application of prior period's net profit		-	-	-
- Bonus to employees		-	-	-
Acquisition of own shares	5.2	-	(1,315,831)	-
<b>Total transactions with shareholders</b>		-	<b>(1,315,831)</b>	-
<b>Equity as at 31 December 2018</b>		<b>500,000,000</b>	<b>(2,317,915)</b>	<b>(20,575,293)</b>

The accompanying notes form an integral part of these consolidated financial statements.



FAIR VALUE RESERVES	LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE PERIOD	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
(5,633,483)	100,000,000	197,292,250	192,512,197	225,135,403	1,186,413,158	204,263	1,186,617,421
(750,929)	-	-	(11,639,903)	168,290,315	157,745,827	69,554	157,815,381
<b>(750,929)</b>	<b>-</b>	<b>-</b>	<b>(11,639,903)</b>	<b>168,290,315</b>	<b>157,745,827</b>	<b>69,554</b>	<b>157,815,381</b>
-	-	(99,138,920)	(200,003,439)	-	(299,142,359)	-	(299,142,359)
-	-	-	248,135,403	(225,135,403)	23,000,000	-	23,000,000
-	-	-	(23,000,000)	-	(23,000,000)	-	(23,000,000)
-	-	-	-	-	(17,871,349)	-	(17,871,349)
-	-	<b>(99,138,920)</b>	<b>25,131,964</b>	<b>(225,135,403)</b>	<b>(317,013,708)</b>	-	<b>(317,013,708)</b>
<b>(6,384,412)</b>	<b>100,000,000</b>	<b>98,153,331</b>	<b>206,004,258</b>	<b>168,290,315</b>	<b>1,027,145,277</b>	<b>273,817</b>	<b>1,027,419,094</b>

FAIR VALUE RESERVES	LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	NET PROFIT FOR THE PERIOD	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
(3,020,990)	109,790,475	217,500,000	167,388,264	207,770,604	1,184,459,371	420,277	1,184,879,648
(2,612,493)	-	1,475	(12,643,594)	225,135,403	203,272,396	(216,014)	203,056,382
<b>(2,612,493)</b>	<b>-</b>	<b>1,475</b>	<b>(12,643,594)</b>	<b>225,135,403</b>	<b>203,272,396</b>	<b>(216,014)</b>	<b>203,056,382</b>
-	-	(29,999,700)	(170,003,077)	-	(200,002,777)	-	(200,002,777)
-	(9,790,475)	9,790,475	214,770,604	(207,770,604)	7,000,000	-	7,000,000
-	-	-	(7,000,000)	-	(7,000,000)	-	(7,000,000)
-	-	-	-	-	(1,315,831)	-	(1,315,831)
-	<b>(9,790,475)</b>	<b>(20,209,225)</b>	<b>37,767,527</b>	<b>(207,770,604)</b>	<b>(201,318,608)</b>	-	<b>(201,318,608)</b>
<b>(5,633,483)</b>	<b>100,000,000</b>	<b>197,292,250</b>	<b>192,512,197</b>	<b>225,135,403</b>	<b>1,186,413,158</b>	<b>204,263</b>	<b>1,186,617,421</b>

# CONSOLIDATED CASH SFLOW STATEMENT

AMOUNTS IN EUROS

	Notes	2019	2018
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		1,742,224,333	1,729,662,775
Payments to suppliers		(1,167,513,489)	(1,261,605,850)
Payments to employees		(130,389,714)	(124,990,220)
<b>Cash flow from operations</b>		<b>444,321,130</b>	<b>343,066,705</b>
Income tax received/(paid)		(32,052,050)	(27,807,156)
Other (payments)/receipts relating to operating activities		(32,616,387)	44,895,841
<b>Cash flows from operating activities (1)</b>		<b>379,652,694</b>	<b>360,155,390</b>
<b>INVESTMENT ACTIVITIES</b>			
<b>Inflows:</b>			
Property, plant and equipment		1,467,448	-
Intangible assets		138,474	-
investment subsidiaries	3.4	-	-
Interest and similar income		3,968,560	-
Financial investments		412,026	-
Dividends of subsidiaries and joint ventures	10.3	-	-
Other non-current assets		-	74,410,845
		<b>5,986,508</b>	<b>74,410,845</b>
<b>Outflows:</b>			
Cash and cash equivalents from perimeter variations	10.2	-	-
Property, plant and equipment		(176,585,023)	(209,311,719)
Intangible assets		(3,506,739)	-
Other assets		-	-
		(180,091,762)	(209,311,719)
<b>Cash flows from investment activities (2)</b>		<b>(174,105,254)</b>	<b>(134,900,874)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Inflows:</b>			
Loans obtained	5.10	380,000,000	100,000,000
Other financing activities		41,359,096	-
		<b>421,359,096</b>	<b>100,000,000</b>
<b>Outflows:</b>			
Loans obtained	5.10	(301,805,556)	(150,205,591)
Amortisation of lease agreements		(5,997,170)	-
Interest and similar expense		(19,529,993)	(18,123,511)
Dividends	5.4	(200,003,439)	(200,002,777)
Acquisition of own shares	5.2	(17,871,349)	(1,315,831)
Other financing activities		(630,979)	-
		(545,838,487)	(369,647,711)
<b>Cash flows from financing activities (3)</b>		<b>(124,479,391)</b>	<b>(269,647,711)</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS (1)+(2)+(3)</b>		<b>81,068,049</b>	<b>(44,393,194)</b>
Effect of exchange rate differences		(47,430)	(78,058)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5.9</b>	<b>80,859,784</b>	<b>125,331,036</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5.9</b>	<b>161,880,403</b>	<b>80,859,784</b>

The accompanying notes form an integral part of these consolidated financial statements.

# 1. Introduction

The notes to the consolidated financial statements are grouped into sections based on their nature. The notes contain the relevant financial information, a description of accounting policy and key estimates and judgements, according to the following symbols:



## **Accounting policies**

This symbol indicates the disclosure of accounting policy applicable to the specific financial statement area.



## **Relevant accounting estimates and judgements**

This symbol indicates that the accounting area involves estimates and/or judgments which are described separately. The most significant estimates and judgments are presented in Note 1.6.



## **Reference**

This symbol indicates a reference to another note or another section of the financial statements where more information about the items disclosed is presented.

## 1.1 The Group

The Navigator group (“Group”) comprises The Navigator Company, S.A. (formerly designated as Portucel, S.A.) and its subsidiaries.

The Navigator group was created in the mid 1950’s, when a group of technicians from “Companhia Portuguesa de Celulose de Cacia” made this company the first in the world to produce bleached eucalyptus sulphate pulp.

In 1976 Portucel EP was created as a result of the nationalization of all of Portugal’s cellulose industry. As such, Portucel - Empresa de Celulose e Papel de Portugal, E.P. resulted from the merger with CPC - Companhia de Celulose, S.A.R.L. (Cacia), Socel - Sociedade Industrial de Celulose, S.A.R.L. (Setúbal), Celtejo - Celulose do Tejo, S.A.R.L. (Vila Velha de Ródão), Celnorte - Celulose do Norte, S.A.R.L. (Viana do Castelo) and Celuloses do Guadiana, S.A.R.L. (Mourão), being converted into a mainly public anonymous society by Decree-Law No. 405/90, of 21 December.

Years after, as a result of the restructuring of Portucel - Empresa de Celulose e Papel de Portugal, S.A., which was redenominated to Portucel, SGPS, S.A., towards its privatization, Portucel S.A. was created, on 31 May 1993, through Decree-law No. 39/93, of 13 February, with the former assets of the two main companies, based in Aveiro and Setúbal.

In 1995, the company was reprivatised, and became a publicly traded company.

Aiming to restructure the paper industry in Portugal, Portucel, S.A. acquired Papéis Inapa, S.A. (Setúbal), in 2000, and Soporcel - Sociedade Portuguesa de Papel, S.A. (Figueira da Foz), in 2001. Those key strategic decisions resulted in the Portucel Soporcel Group (currently Navigator Group), which is currently the largest European and one of the world’s largest producers of bleached eucalyptus pulp and uncoated wood-free paper (UWF), with a capacity of 1.5 and 1.6 millions of tons, respectively, and it sells approximately 314 thousand tons of pulp, annually, integrating the remainder in the production of UWF paper and Tissue paper.

In June 2004, the Portuguese State sold a 30% stake of Portucel’s equity, which was acquired by Semapa Group. In September 2004, Semapa launched a public acquisition offer tending to assure the Group’s control, which was accomplished by guaranteeing a 67.1% stake of Portucel’s equity.

In November 2006, the Portuguese State concluded the third and final stage of the sale of Portucel, S.A., and Párpública, SGPS, S.A. (formerly Portucel SGPS, S.A.) sold the remaining 25.72% it still held.

From 2009 to June 2015, more than 75% of the company's share capital was held directly and indirectly by Semapa – Sociedade de Investimento e Gestão SGPS, S.A. (excluding treasury shares) having the percentage of voting rights been reduced to 70% following the conclusion of the offer for the acquisition, in the form of an exchange offer, of the ordinary shares of Semapa, SGPS, S.A., in July 2015.

In February 2015, the Group started its activity in the Tissue segment with the acquisition of AMS-BR Star Paper, S.A. (currently denominated Navigator Tissue Ródão, S.A.), a company that holds and explores a tissue paper mill, located in Vila Velha de Ródão. A new industrial facility was built in Aveiro, in August 2018, being operated by Navigator Tissue Aveiro, S.A., which is currently the largest Portuguese producer and the third in the Iberian Peninsula, with a production and transformation capacity of 130 thousand tons and 120 thousand tons, respectively.

In July 2016, the Navigator group expanded its activity to the pellets business with the construction of a plant in Greenwood, state of South Carolina, United States of America, which was sold in February 2018.

The Navigator group's main business is the production and sale of writing and printing thin paper (UWF) and domestic consumption paper (Tissue), and it is present in the whole value added chain, from research and development of forestry and agricultural production, to the purchase and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialisation.

On 6 February 2016, the Portucel Group changed its corporate brand to The Navigator Company. This new corporate identity represents the union of companies with a history of more than 60 years, aiming to give the Group a more appealing and modern image.

Following this event, and after approval in the General Shareholder's Meeting, held on 19 April 2016, Portucel S.A. changed its designation to The Navigator Company, S.A.

The Navigator Company, S.A. (hereafter referred to as The Navigator Company or Company) is a publicly traded company, listed in Euronext Lisbon, with its share capital represented by nominal shares.

**Head Office:** Mitrena, 2901-861 Setúbal  
**Share Capital:** Euros 500,000,000  
**Registration No.:** 503 025 798



*A more detailed description of the activity in each business line of the Group is disclosed in Note 2.1 - Revenue and segment reporting.*

Navigator is included in the consolidation perimeter of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A., the parent company, and Sodim – SGPS, S.A., the final controlling entity.

## 1.2 Relevant Events of the Period

### 1.2.1 CORONAVIRUS (COVID-19)

The appearance and spreading of the coronavirus in early 2020 affected businesses and economic activities in China and other countries. The Navigator Group has released internally a set of measures, instructions and recommendations that are considered appropriate for the current phase of spread of COVID-19, complemented by a contingency plan based on the guidelines of National Health Authorities (Direção Geral de Saúde). The Group is evaluating the potential impacts of COVID-19 on its economic activity, on the basis of a risk assessment, which is still ongoing.

### 1.3 Subsequent Events

The following events took place between 1 January 2020 and 17 March 2020 (Note 1.4) and did not give rise to adjustments to the 2019 consolidated financial statements:

#### 1.3.1 RESERVES DISTRIBUTION

By resolution of the Extraordinary General Meeting of 20 December 2019, The Navigator Company, S.A. approved the payment of free reserves, to be distributed to the shareholders as from 9 January 2020, in the amount of Euros 99,138,919.82, equivalent to Euro 0.1394 per outstanding share.

#### 1.3.2 NEW FOREST CONTRIBUTION

As a result of the approval of the State Budget for 2020, the legislative authorisation to create a new forest contribution in 2020 was maintained. This legislative authorisation is, however, deficient, as it does not clarify the basic assumptions for its application, namely the tax assessment base, the rate, possible deductions, etc., which indicates real difficulties in its implementation and a lack of clarity on how to define the contribution and what the resulting impacts will be.

The Navigator Group expects the Government to regulate the implementation of this new contribution in order to quantify the resulting impacts.

### 1.3.3 ANTI-DUMPING DUTY

In October 2018, the Navigator Group was notified by the United States Department of Commerce that the final anti-dumping duty to be applied retroactively on sales to the US for the period from August 2015 to February 2017 (the “first period of review”) had been downgraded to 1.75%. In February 2020, following a subsequent complaint, Navigator’s counter-argument and the subsequent legal decisions, the Department of Commerce downgraded again the anti-dumping duty to 1.63%. The deadlines for a decision by the court of first instance and any appeals are still running.

Regarding the second period of review, from March 2017 to February 2018, following the audit carried out last August by the Department of Commerce, the final rate was set at 4.37%, compared to the previous 5.96%. Since the complainants did not appeal against this decision, the Group initiated in 2020 the procedures for reimbursement of the amounts corresponding to the guaranteed excess (approximately USD 100,000), as well as the monitoring of the automatic reimbursement amounts calculated by the US authorities (approximately USD 4 million).

## 1.4 Basis of Preparation

### 1.4.1 AUTHORISATION TO ISSUE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 17 March 2020. However, they are still subject to approval by the General Shareholders’ Meeting, in accordance with the Portuguese commercial legislation in force.

The Group’s senior management, which are the members of the Board of Directors who sign this report, declare that, to the best of their knowledge, the information contained herein was prepared in conformity with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial position and results of the companies included in the Group’s consolidation perimeter.

### 1.4.2 ACCOUNTING STANDARDS

The consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the International Financial Reporting Standards (IFRS), effective

1 January 2019 and as adopted by the European Union.

### 1.4.3 BASIS FOR CONSOLIDATION

#### 1.4.3.1 Subsidiaries

Subsidiaries are all entities over which the Group has control, which occurs when the Group is exposed or entitled to the variable returns resulting from its involvement with the entities and has the capacity to affect that return through the exercise of power over the entities, regardless of the percentage they hold over equity.

The existence and the effect of potential voting rights which are currently exercisable or convertible are considered when the Group assesses whether it has control over another entity.

Subsidiaries are consolidated using the full consolidation method with effect from the date on which control is transferred to the Group while they are excluded as from the date control ceases.

These companies’ equity and net earnings corresponding to the third-party investment in such companies are presented under non-controlling interests in the consolidated statement of financial position (in a separate component of equity) and in the consolidated income statement. The companies included in the consolidated financial statements are detailed in Note 4.

The purchase method is used in recording the acquisition of subsidiaries. The cost of an acquisition is measured by the fair value of the assets transferred, the equity instruments issued and liabilities incurred or assumed on acquisition date, and the best estimate of any agreed contingent payment.

The identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are initially measured at fair value on the date of acquisition, irrespective of the existence of non-controlling interests. The excess of the acquisition cost relative to the fair value of the Group’s share of the identifiable assets and liabilities acquired is recorded as goodwill, as described in Note 3.1.

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary (negative goodwill), the difference is recognized directly in the income statement in the period when it takes place.

Transaction costs directly attributable to the acquisition are immediately expensed.

Intercompany transactions, balances, unrealised gains on transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

When, at the date of the acquisition of control, The Navigator Company already holds a previously acquired interest in the subsidiary, its fair value is considered in determining the goodwill or negative goodwill.

On a step acquisition process, resulting in the acquisition of control the revaluation of any participation previously held is recognised against the income statement when Goodwill is calculated.

When subsequent transactions of disposal or acquisition of shares with non-controlling interests with no impact in control take place, no gain, loss or goodwill is determined, and the differences between the transaction cost and the book value of the share acquired are recognised in equity.

Negative results generated in each period by subsidiaries with non-controlling interests are allocated, in the percentage held, to non-controlling interests, regardless of whether they become negative.

In the case of disposals of interests, resulting in a loss of control over a subsidiary, any remaining interest is revalued to the market value at the date of sale, and the gain or loss resulting from such revaluation, is recorded against income, as well as the gain or loss resulting from such disposal.

The subsidiaries' accounting policies have been adjusted whenever necessary so as to ensure consistency with the policies adopted by the Group.

#### 1.4.3.2 Associates

Associates are all the entities in which the Group exercises significant influence but do not have control, which is generally the case with investments representing between 20% and 50% of the voting rights. Investments in associates are accounted under the equity method.

In accordance with the equity method, financial investments are recorded at their acquisition cost, adjusted by the amount

corresponding to the Group's share of changes in the associates' shareholders' equity (including net income/loss) with a corresponding gain or loss recognised for the period on earnings or on changes in capital, and by dividends received.

Differences between the acquisition cost and the fair value of the assets and liabilities attributable to the affiliated company on the acquisition date is, if positive, recognised as Goodwill and recorded as investments in affiliated companies. If negative, goodwill is recorded as income for the period under the caption "Group share of (loss) / gains of associated companies and joint ventures".

Transaction costs directly attributable to the acquisition are immediately expensed.

In the event that impairment loss indicators arise on investments in associates, an evaluation of the potential impairment is made, and if deemed necessary, a loss is recognised in the consolidated income statement.

When the Group's share of losses in associate companies exceeds its investment in that associate, the Group ceases the recognition of additional losses, unless it has incurred in liabilities or has made payments on behalf of that associate.

Unrealised gains on transactions with associates are eliminated to the extent of the Navigator Company Group's investment in the associates. Unrealised losses are also eliminated, except where the transaction displays evidence of impairment of a transferred asset.

The associates' accounting policies used in the preparation of the individual financial statements are adjusted, whenever necessary, so as to ensure consistency with the policies adopted by the Group.

#### 1.4.4 PRESENTATION CURRENCY AND FOREIGN CURRENCY TRANSACTIONS

##### i. Functional and reporting currency

The items included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates (functional currency).

These consolidated financial statements are presented in Euro, which is the Group's functional and reporting currency.

ii. Balances and transactions expressed in foreign currencies

All the Group's assets and liabilities denominated in currencies other than the reporting currency have been translated to Euros using the exchange rates prevailing at the statement of financial position date (Note 8.1.1).

Currency adjustments, favourable and unfavourable, arising from differences between the exchange rates prevailing at the date of the transaction and those at the date of collection, payment or Statement of financial position, are recorded as income and costs in the consolidated income statement for the period.

iii. Group companies

The results and the financial position of the Group's entities which have a different functional currency from the Group's reporting currency are translated into the reporting currency as follows:

(i) The assets and liabilities of each Statement of financial position are converted at the exchange rates prevailing at the date of the Consolidated Statement of financial position;

(ii) Equity balances are converted at the historical exchange rate;

(iii) The income and expenses disclosed in the Income Statement are converted at the exchange rate prevailing at the dates of the transactions. When this is not possible or when benefits do not arise from the use of this procedure, income and expenses are translated at the average exchange rate of the period.

The exchange differences resulting from the topics i) and iii) are recognised in the consolidated comprehensive income under the equity caption "Currency translation reserves", being transferred to the income statement when the disposal of the investments occur.

iv. Exchange rates used

	31/12/2019	31/12/2018	VALUATION / (DEVALUATION)
<b>GBP (Sterling pound)</b>			
Average exchange rate for the period	0.88	0.88	0.81%
Closing exchange rate for the period	0.85	0.89	4.89%
<b>USD (American dollar)</b>			
Average exchange rate for the period	1.12	1.18	5.21%
Closing exchange rate for the period	1.12	1.15	1.89%
<b>PLN (polish zloti)</b>			
Average exchange rate for the period	4.30	4.26	-0.83%
Closing exchange rate for the period	4.26	4.30	1.04%
<b>SEK (Swedish krona)</b>			
Average exchange rate for the period	10.59	10.26	-3.23%
Closing exchange rate for the period	10.45	10.25	-1.87%
<b>CZK (Czech koruna)</b>			
Average exchange rate for the period	25.67	25.65	-0.08%
Closing exchange rate for the period	25.41	25.72	1.23%
<b>CHF (swiss franc)</b>			
Average exchange rate for the period	1.11	1.15	3.67%
Closing exchange rate for the period	1.09	1.13	3.68%
<b>DKK (Danish krone)</b>			
Average exchange rate for the period	7.47	7.45	-0.17%
Closing exchange rate for the period	7.47	7.47	-0.06%
<b>HUF (Hungarian forint)</b>			
Average exchange rate for the period	325.30	318.89	-2.01%
Closing exchange rate for the period	330.53	320.98	-2.98%
<b>AUD (Australian dollar)</b>			
Average exchange rate for the period	1.61	1.58	-1.97%
Closing exchange rate for the period	1.60	1.62	1.39%
<b>MZM (Mozambican metical)</b>			
Average exchange rate for the period	70.21	71.96	2.43%
Closing exchange rate for the period	69.61	70.95	1.89%
<b>MAD (Moroccan dirham)</b>			
Average exchange rate for the period	10.77	10.88	1.03%
Closing exchange rate for the period	10.76	11.05	2.59%
<b>NOK (Norway Kroner)</b>			
Average exchange rate for the period	9.84	9.60	-2.56%
Closing exchange rate for the period	9.86	9.95	0.85%
<b>MXN (Mexican peso)</b>			
Average exchange rate for the period	21.55	22.70	5.06%
Closing exchange rate for the period	21.22	22.49	5.65%
<b>AED (Dirrā)</b>			
Average exchange rate for the period	4.11	4.33	5.18%
Closing exchange rate for the period	4.13	4.21	1.89%
<b>CAD (Canadian dollar)</b>			
Average exchange rate for the period	1.49	1.53	2.88%
Closing exchange rate for the period	1.46	1.56	6.45%
<b>ZAR (South African rand)</b>			
Average exchange rate for the period	16.17	15.62	-3.54%
Closing exchange rate for the period	15.78	16.46	4.14%
<b>RUB (Russian roubles)</b>			
Average exchange rate for the period	72.43	74.04	2.18%
Closing exchange rate for the period	69.96	79.72	12.24%
<b>BRL (Brazilian real)</b>			
Average exchange rate for the period	4.41	4.31	-2.44%
Closing exchange rate for the period	4.52	4.44	-1.61%
<b>TRY (Turkish lira)</b>			
Average exchange rate for the period	6.36	5.71	-11.45%
Closing exchange rate for the period	6.68	6.06	-10.32%

#### 1.4.5 BASIS FOR MEASUREMENT

The accompanying consolidated financial statements have been prepared on the going concern basis from the accounting books and records of the companies included in the consolidation perimeter (Note 10.1), and under the historical cost convention, except for biological assets (Note 3.8), and for financial instruments measured at fair value through profit or loss or at fair value through equity (Note 8.3), in which derivative financial instruments are included (Note 8.2).

#### 1.4.6 COMPARABILITY

##### i. Review of the presentation of financial statements

During 2019, and as recommended in IAS 1 - Presentation of Financial Statements, the Navigator Group reviewed the presentation of its financial statements, aiming at a more relevant structure and disclosure level and focusing on the main elements that determine

the Group's performance, supported by the guidelines published by the International Accounting Standards Board (IASB) within the scope of the projects it has in progress regarding disclosures.

Accordingly, the Notes to the financial statements are currently organised in 10 blocks, aggregated according to the relevance of their joint reading for the understanding of the Group's performance, financial position and movements in cash flows for the periods presented. The relevant accounting policies and main judgments and estimates for each item of the financial statements are disclosed at the beginning of the respective Note.

Both the terminology and the presentation of some items amounts in different captions of the financial statements have also been updated. The following table systematises the main updates of terminology and reallocation of amounts between captions in the financial statements for the comparative period (2018):

### RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED INCOME STATEMENT

AMOUNTS IN EUROS

	AMOUNTS PRESENTED IN 2018	REVENUE  NOTE 2.1	OTHER OPERATING INCOME  NOTE 2.2	COST OF GOODS SOLD AND MATERIALS CONSUMED  NOTE 4.1	EXTERNAL SERVICES AND SUPPLIES  NOTE 2.3
<b>Captions originally presented in 2018</b>					
Sales	1,687,173,462	1,687,173,462			
Services Rendered	4,454,032	4,454,032			
Gains on the sale of non-current assets	18,397,088		18,397,088		
Other operating income	28,512,739		28,512,739		
Inventories sold and consumed	(700,242,350)			(700,242,350)	
Services and materials consumed	(414,924,552)				(414,924,552)
<b>Captions presented in 2018 as a comparative period:</b>		<b>1,691,627,494</b>	<b>46,909,827</b>	<b>(700,242,350)</b>	<b>(414,924,552)</b>

### RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS

AMOUNTS IN EUROS

	AMOUNTS PRESENTED IN 2018	OTHER FINANCIAL INVESTMENTS  NOTE 8.3	NON-CURRENT RECEIVABLES  NOTE 4.2	CURRENT RECEIVABLES  NOTE 4.2	INCOME TAX  NOTE 6.1
<b>Captions originally presented in 2018</b>					
Other financial assets	63,168,912	-	63,168,912	-	-
Current receivables	307,750,689	-	-	307,750,689	-
State and other public entities	79,751,430	-	-	65,500,789	14,250,641
<b>Captions presented in 2018 as a comparative period</b>		<b>-</b>	<b>63,168,912</b>	<b>373,251,478</b>	<b>14,250,641</b>

# RECLASSIFICATION OF ITEMS INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - EQUITY AND LIABILITIES

AMOUNTS IN EUROS

	AMOUNTS PRESENTED IN 2018	PROVISIONS NOTE 9.1	LOANS OBTAINED (NON-CURRENT) NOTE 5.7	NON-CURRENT PAYABLES NOTE 4.3	LOANS OBTAINED (CURRENT) NOTE 5.7	CURRENT PAYABLES NOTE 4.3	INCOME TAX NOTE 6.1
<b>Captions originally presented in 2018</b>							
Provisions	43,065,470	43,065,470	-	-	-	-	-
Interest-bearing liabilities (non-current)	652,025,122	-	652,025,122	-	-	-	-
Other liabilities	82,324,405	-	-	82,324,405	-	-	-
Interest-bearing liabilities (current)	111,805,556	-	-	-	111,805,556	-	-
Payables and other current liabilities	323,800,570	-	-	-	-	323,800,570	-
State and other public entities	90,775,049	-	-	-	-	46,558,148	44,216,901
<b>Captions presented in 2018 as a comparative a period</b>		<b>43,065,470</b>	<b>652,025,122</b>	<b>82,324,405</b>	<b>111,805,556</b>	<b>370,358,718</b>	<b>44,216,901</b>

As at 31 December 2018, State and other public entities was broken down into Current payables and Income tax. With this change, and in line with the clarifications published by the IASB about IFRIC 23, this revised presentation provides the financial statements users with more relevant information, as recommended in IAS 1 - Presentation of Financial Statements.

## ii. Adoption of IFRS 16 and IFRIC 23

As at 1 January 2019, the accounting standards IFRS 16 - Financial Instruments and IFRS 23 - Uncertainty over Income Tax Treatments were adopted by the Group in the preparation of the 2019 consolidated financial statements. Changes in accounting policies and the impact on the financial statements are described in Note 1.5.

## 1.5 IFRS Adopted and to be Adopted

### 1.5.1 ADOPTION OF IFRS 16

The Group adopted IFRS 16 - Leases on 1 January 2019 in accordance with the simplified transition approach provided for in the paragraphs of IFRS 16: C3(b), C7 and C8 for the transition period, which translates into application on 1 January 2019 without the restatement of comparative amounts.

IFRS 16 defines the principles for recognising, measuring and presenting leases, replacing IAS 17 - Leases and its interpretative guidance.

Under this standard, assets under right of use (Note 3.6) in the amount of Euro 48 million were measured by the amount of the lease liability (Note 5.8) calculated on the date of adoption of the standard.

In measuring lease liabilities, the Group discounted lease payments using the rate implied in the lease agreements and, where lease agreements do not have an implicit rate, the incremental financing rate on 1 January 2019 was used. The weighted average rate applied is in the range of 1% to 3%, taking into account the characteristics of the contracts (underlying asset and term).

In applying IFRS 16 for the first time, the Group applied a set of practical expedients for the leases previously considered as operating in accordance with IAS 17, as follows:

- > the asset under right of use was measured at the same amount of the lease liability (thus excluding initial direct costs) and a discount rate was applied on the transition date;
- > applying a single discount rate to a set of leases with reasonably similar characteristics (such as leases with a similar remaining maturity, for a similar underlying class of asset and in a similar economic context); and
- > do not apply IFRS 16 to short-term (less than 12 months) and low-value (less than USD 5,000) leases.

The impact of the adoption of the new standard IFRS 16, on opening balances on 1 January 2019, was as follows:

	TRANSITION ADJUSTMENTS		
	31/12/2018	IFRS 16	1/1/2019
<b>ASSET</b>			
<b>Non-current assets</b>			
Goodwill	377,339,466	-	377,339,466
Intangible assets	2,886,251	-	2,886,251
Property, plant and equipment	1,239,008,735	-	1,239,008,735
Assets Under Right of Use	-	48,385,806	48,385,806
Biological assets	119,614,567	-	119,614,567
Investment Properties	97,527	-	97,527
Non-current receivables	63,168,912	-	63,168,912
Deferred tax assets	71,006,775	-	71,006,775
	<b>1,873,122,233</b>	<b>48,385,806</b>	<b>1,921,508,040</b>
<b>Current assets</b>			
Inventories	222,376,871	-	222,376,871
Current receivables	373,251,478	-	373,251,478
Income tax	14,250,641	-	14,250,641
Cash and cash equivalents	80,859,784	-	80,859,784
	<b>690,738,774</b>	<b>-</b>	<b>690,738,774</b>
<b>Total assets</b>	<b>2,563,861,007</b>	<b>48,385,806</b>	<b>2,612,246,813</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	500,000,000	-	500,000,000
Treasury shares	(2,317,915)	-	(2,317,915)
Currency translation reserve	(20,575,294)	-	(20,575,294)
Fair value reserves	(5,633,483)	-	(5,633,483)
Legal reserves	100,000,000	-	100,000,000
Other reserves	197,292,250	-	197,292,250
Retained earnings	192,512,197	-	192,512,197
Net profit for the period	225,135,403	-	225,135,403
<b>Equity attributable to Navigator's equity holders</b>	<b>1,186,413,158</b>	<b>-</b>	<b>1,186,413,158</b>
Non-controlling interests	204,263	-	204,263
<b>Total Equity</b>	<b>1,186,617,421</b>	<b>-</b>	<b>1,186,617,421</b>
<b>Non-current liabilities</b>			
Loans obtained	652,025,122	-	652,025,122
Lease liabilities	-	41,679,772	41,679,772
Pensions and other post-employment benefits	7,324,279	-	7,324,279
Deferred tax liabilities	66,123,135	-	66,123,135
Provisions	43,065,470	-	43,065,470
Non-current payables	82,324,405	-	82,324,405
	<b>850,862,411</b>	<b>41,679,772</b>	<b>892,542,183</b>
<b>Current liabilities</b>			
Loans obtained	111,805,556	-	111,805,556
Lease liabilities	-	6,706,034	6,706,034
Current payables	370,358,719	-	370,358,719
Income tax	44,216,901	-	44,216,901
	<b>526,381,176</b>	<b>6,706,034</b>	<b>533,087,210</b>
<b>Total liabilities</b>	<b>1,377,243,586</b>	<b>48,385,806</b>	<b>1,425,629,393</b>
<b>Total Equity and Liabilities</b>	<b>2,563,861,007</b>	<b>48,385,806</b>	<b>2,612,246,813</b>

The reconciliation of the opening balance of lease liabilities on 1 January 2019 is based

on commitments regarding operating lease agreements on 31 December 2018, as follows:

AMOUNTS IN EUROS

<b>Liabilities with operating leases disclosed as at 31 December 2018</b>	<b>66,005,819</b>
<b>Recognition exceptions</b>	
Short-term leases recognised on a straight-line basis as an expense	(1,263,432)
Low-value leases recognised on a straight-line basis as an expense	(7,920)
<b>Undiscounted lease liabilities recognised as at 1 January 2019</b>	<b>64,734,467</b>
Effect of financial discount at the incremental rate as at 1 January 2019	(16,362,786)
Liabilities with financial leases recognised as at 31 December 2018	14,125
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>48,385,806</b>

The impact of the adoption of the new IFRS 16 standard on the consolidated statement of financial position, consolidated income

statement and other comprehensive income and on the consolidated statement of cash flows as of 31 December 2019 is as follows:

## BALANCE SHEET

AMOUNTS IN EUROS

	31/12/2019 (WITHOUT IFRS 16)	IFRS 16	31/12/2019
<b>Asset</b>			
Assets Under Right of Use	-	45,517,924	45,517,924
<b>Liability</b>			
Lease liabilities	14,125	46,833,672	46,847,797
Income tax	18,503,354	(221,709)	18,281,645

## INCOME STATEMENT

	31/12/2019 (WITHOUT IFRS 16)	IFRS 16	31/12/2019
External services and supplies	(473,177,033)	6,319,275	(466,857,759)
Depreciation, amortisation and impairment losses	(132,978,781)	(5,557,273)	(138,536,054)
Net financing cost	(17,136,953)	(1,769,771)	(18,906,724)
<b>Profit before tax</b>	<b>213,677,224</b>	<b>1,007,769</b>	<b>214,684,993</b>
Income tax	(46,174,098)	(221,709)	(46,395,807)
<b>Net profit for the period</b>	<b>167,503,126</b>	<b>786,060</b>	<b>168,289,186</b>

## STATEMENT OF CASH FLOWS

	31/12/2019 (WITHOUT IFRS 16)	IFRS 16	31/12/2019
Cash flows from operating activities	373,655,522	5,997,170	379,652,693
Cash flows from investment activities	(174,105,254)	-	(174,105,254)
Cash flows from financing activities	(118,482,220)	(5,997,170)	(124,479,390)
<b>Changes in cash and cash equivalents</b>	<b>81,068,049</b>	<b>-</b>	<b>81,068,049</b>

The Group's activities as lessor are not material and, therefore, there were no significant impacts on its financial statements.

### 1.5.2 ADOPTION OF IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS

On 7 June 2017, the International Accounting Standards Board (IASB) issued Interpretation 23 Uncertainty over income tax treatments of the International Financial Reporting Interpretations Committee (IFRIC 23).

This Interpretation clarifies how recognition and measurement requirements of IAS 12 should be applied, when there is uncertainty over income tax treatments. Under such circumstances, an entity shall recognise and measure its current or deferred tax asset or liability by applying the requirements of IAS 12 based on taxable profit (tax loss), tax base, unused tax losses, unused tax credits and at the tax rates determined pursuant to this Interpretation.

On the transition, the Group chose to adopt this interpretation retrospectively, and the cumulative effect of the initial application is recognised on 1 January 2019. Thus, this approach to transition, does not require the restatement of comparative information.

Pursuant to the adoption of IFRIC 23, the balances of uncertain tax positions were reclassified from Provisions to Income Tax in the Statement of Financial Position for the comparative period, in the amount of Euro 12,277,050.

### 1.5.3 OTHER STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED OR TO BE ADOPTED

## STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN 2019

	AMENDMENT
<b>Standards and amendments</b>	
IFRS 9 - Financial Instruments - Characteristics of prepayment with negative compensation (amendment to IFRS 9)	Financial assets that contain negative offsetting prepayment features can now be measured at amortised cost or fair value through comprehensive income (OCI) if they meet the relevant criteria of IFRS 9. The IASB also clarified that IFRS 9 requires preparers to recalculate the amortised cost of modifying financial liabilities by discounting the contractual cash flows using the original effective interest rate (EIR) and recognising any adjustment through profit or loss for the period (aligning the procedure already required for financial assets). This amendment was adopted by Commission Regulation EU 2018/498 and is of mandatory implementation for fiscal years beginning on or after 1 January 2019, with early adoption allowed.
IAS 28 - Investments in Associates and Joint Ventures (amendment)	In October 2017, IASB issued amendments to IAS 28 regarding the long-term investments in associates and joint ventures.  The amendments clarify that IFRS 9 applies to financial instruments in associates or joint ventures to which the equity method is not applied, including long-term interests.  The changes shall be applied retrospectively for annual periods beginning on or after 1 January 2019.
IAS 19 - Employee Benefits (amendment)	In February 2018, the IASB issued amendments to IAS 19. Changes clarify the accounting when an amendment, reduction or settlement occurs in the assigned benefit plan.  The changes now specify that an entity should use the updated assumptions of remeasuring its net defined benefit liability (asset) to determine the current service cost and net interest for the remainder of the reporting period after the plan change.  The changes result in a different allocation of total comprehensive income between service cost, interest and other comprehensive income.  The changes apply prospectively to amendments, curtailments, or settlements of assigned benefit plans that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.
Improvements to standards 2015 - 2017	The improvements of the 2015-2017 cycle, issued by the IASB on 12 December 2017 introduce amendments, with effective date for periods beginning on or after 1 January 2019, to IFRS 3 (re-measurement of previously held participation as a joint operation when obtaining control over the business), IFRS 11 (non remeasurement of the investment previously held in the joint operation when obtaining joint control over the business), IAS 12 (accounting for all tax consequences of paying dividends consistently), IAS 23 (treatment as general loans any loan originally made to develop an asset when it becomes fit for use or sale).

## STANDARDS, AMENDMENTS AND INTERPRETATIONS OF MANDATORY APPLICATION ON OR AFTER 1 JANUARY 2020

*No expected impacts on the financial statements*

STANDARDS AND AMENDMENTS NOT ENDORSED BY THE EUROPEAN UNION	AMENDMENT	DATE OF APPLICATION
IFRS 3 – Business Combinations (amendment)	<p>On 22 October 2018, IASB issued the amendments to its business definition.</p> <p>The amendments clarify that, to be considered a business, an acquired set of activities and assets must include at least one input and one substantive process that, together, contribute significantly to the ability to create outputs. The amendments also clarify that a set of activities and assets can qualify as a business without including all the inputs and processes necessary to create outputs, or including the outputs themselves, by replacing the term “ability to create outputs” with “ability to contribute to the creation of outputs”.</p> <p>It is no longer necessary to evaluate if the market players are capable of replacing inputs or missing proceedings (for example, by integrating activities and assets acquired) and continue to create outputs. The amendments focus on whether the acquired inputs and substantive processes together contribute significantly to the ability to create outputs.</p> <p>The amendments shall be applied to transactions for which the acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020, with early application permitted. If entities implement the amendments in advance, they shall disclose this fact.</p>	01 January 2020
Clarification of requirements for classifying liabilities as current or non-current (amendments to IAS 1 - Presentation of Financial Statements)	<p>The IASB issued on 23 January 2020 an amendment to IAS 1 Presentation of Financial Statements to clarify how to classify debt and other liabilities as current and non-current.</p> <p>The amendments are intended to promote consistency in the application of requirements to help companies determine whether, in the statement of financial position, debt or other liabilities with an uncertain settlement date should be classified as current (to be settled or potentially settled within one year) or non-current. Changes include explanations on the debt classification requirements that a company can settle by converting into equity.</p> <p>This amendment is effective for periods after 1 January 2022.</p>	01 January 2022

### 1.6 Main Estimates and Judgments

The preparation of consolidated financial statements requires Management to use judgments and estimates that affect income, expenses, assets, liabilities and disclosures at the date of the consolidated statement of financial position. To that purpose, the Group’s management is based on:

- (i) the best information and knowledge of current events and in certain cases on the reports of independent experts; and
- (ii) the actions that the Group expects to take in the future.

On the date on which the operations are realised, the outcome may differ from those estimates.

More significant estimates and judgements are presented below:

ESTIMATES AND JUDGEMENTS	NOTES
Recoverability of Goodwill	3.1 – Goodwill
Uncertainty over Income Tax Treatments	6.1 - Income tax for the period 6.2 - Deferred taxes
Actuarial assumptions	7.2 - Employee Benefits
Fair value of biological Assets	3.8 – Biological assets
Recognition of provisions	10.1 – Provisions
Recoverability, useful life and depreciation of property, plant and equipment	3.3 – Property, plant and equipment

## 2 Operational Performance

### 2.1 Revenue and Segment Reporting



#### Accounting policies

##### Navigator Group business areas

The Navigator Group's main business is the production and sale of writing and printing thin paper (UWF) and domestic consumption paper (Tissue), and it is present in the whole value added chain, from research and development of forestry and agricultural production, to the purchase and sale of wood and the production and sale of bleached eucalyptus kraft pulp – BEKP and electric and thermal energy, as well as its commercialisation.

The Navigator Group has four industrial plants. BEKP, energy and UWF paper are produced in two plants located in Figueira da Foz and Setúbal. BEKP energy and tissue paper are also produced in a plant located in Aveiro and the fourth plant, located in Vila Velha de Ródão, only produces tissue paper.

Wood and cork are produced from woodlands owned or leased by the Group in Portugal and Spain, and also from granted lands in Mozambique. The production of cork and pinewood are sold to third parties while the eucalyptus wood is mainly consumed in the production of BEKP.

A significant portion of the Group's own BEKP production is consumed in the production of UWF and tissue paper. Sales of BEKP, UWF and tissue paper are made to more than 130 countries around the world.

Energy, heat and electricity are mainly produced from bio fuels in 3 cogeneration plants, integrated in the production of pulp. Heat production is used for internal consumption while electricity is sold to the national energy grid. The Navigator Group

also owns another two cogeneration units using natural gas, integrated in the production of paper in Figueira da Foz and in Setúbal, and two separate units using biofuel. The entire production of cogeneration and biofuel units is sold to the national power network.

##### Segment reporting

Navigator's Executive Committee is primarily responsible for the Group's operational decisions, periodically and consistently analysing the reports on the financial and operational information of each segment. The reports are used to monitor the operational performance of its business and to decide on the best allocation of resources to the segment, as well as the evaluation of its performance and strategic decision-making.

The information used in segment reporting corresponds to the financial information prepared by the Group and there are no adjustments to be considered. All the inter-segment sales and services correspond to market prices and are eliminated on consolidation.

When aggregating the Group's operating segments, the Board of Directors defined as reportable segments those that correspond to each of the business areas developed by the Group:

- i. Market pulp (bleached eucalyptus kraft pulp – BEKP for sale);
- ii. UWF paper – production and sale of UWF uncoated writing and printing thin paper;
- iii. Tissue Paper – production and sale of domestic consumption paper; and
- iv. Others – segment which includes the forest, the production of electricity from biofuel and the Pellets business until its sale in February 2018.

## Revenue

Revenue is presented by operating segment and by geographic area, based on the country of destination of the goods and services sold by the Group.

Commercial contracts with customers refer essentially to the sale of goods such as paper,

pulp, tissue and energy, and to an extent, to the transportation inherent to those goods, when applicable.

Revenue recognition in each operating segment is described as follows:

<b>Market pulp</b>	Pulp revenue results from sales to international paper producers. Revenue is recognised at a specific time, by the amount of the performance obligation satisfied, the price of the transaction corresponding to a fixed amount invoiced on the basis of quantities sold, less cash discounts and quantity discounts, which are reliably determinable. On the export side, the transfer of control of the products occurs in general when there is a transfer of control to the customer, according to the Incoterms negotiated.
<b>UWF</b>	Paper revenue refers to sales made through Retail Stores (B2C) or Commercial Distributors (B2B) which include large distributors, wholesalers or commercial operators. Revenue is recognised at a specific time, on the date of delivery of the product to the customer when the transfer of control occurs, by the amount of the performance obligation satisfied, and the price of the transaction corresponds to a fixed amount invoiced according to the quantities sold, less cash discounts and quantity discounts, which are reliably determinable.
<b>Tissue</b>	Tissue revenue results from sales of tissue paper produced for the private label of modern national and international retail chains. Revenue is recognised at a specific time by the amount of the performance obligation satisfied, and the price of the transaction corresponds to a fixed amount invoiced according to the quantities sold. Revenue is recognised against the delivery of the product, at which time the transfer of control over the product is deemed to take place.
<b>Other</b>	The revenue from the sale of cork and pine wood to third parties is recognised on the date of delivery of the product to the customer by the amount of the performance obligation satisfied.

## Energy sales by segment

The energy revenue results from the valuation of the energy delivered to the National Energy Network, as metered, valued at the tariff defined in the agreement for a period of 25 years in progress.

The Group's energy sales are reported under different business segments. Energy sales coming from the cogeneration process are recorded under the "Market Pulp" and "UWF Paper" segments. Sales of electricity exclusively produced in units dedicated to the production of electricity from biofuel are reported under the segment "Other".

# FINANCIAL INFORMATION BY OPERATING SEGMENT IN 2019 AND 2018

AMOUNTS IN EUROS

	31/12/2019					
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS / UNALLOCATED	TOTAL
<b>REVENUE</b>						
Sales and Services - external	182,808,627	1,319,791,964	131,984,244	53,275,128	-	1,687,859,963
Sales and Services - intersegment	176,946,490	-	-	630,741,301	(807,687,791)	-
<b>Total revenue</b>	<b>359,755,117</b>	<b>1,319,791,964</b>	<b>131,984,244</b>	<b>684,016,429</b>	<b>(807,687,791)</b>	<b>1,687,859,963</b>
<b>PROFIT / (LOSS)</b>						
Segmental profit	38,958,492	256,956,521	(8,500,946)	(53,822,350)	-	<b>233,591,717</b>
Operating profit	-	-	-	-	-	<b>233,591,717</b>
Financial results	-	-	-	-	(18,906,724)	(18,906,724)
Income tax	-	-	-	-	(46,395,807)	(46,395,807)
<b>Profit after income tax</b>	-	-	-	-	-	<b>168,289,186</b>
Non-controlling interests	-	-	-	-	1,129	1,129
<b>Net profit</b>	-	-	-	-	-	<b>168,290,315</b>
<b>OTHER INFORMATION</b>						
Capital expenditure	28,077,462	101,180,206	18,727,962	9,966,693	-	157,952,323
Depreciations and impairment	(13,105,620)	(89,895,685)	(18,712,983)	(16,821,766)	-	(138,536,054)
Provisions ((increases) / reversal)	58,890	-	12,000	(34,163)	-	36,727
<b>OTHER INFORMATION</b>						
<b>SEGMENT ASSETS</b>						
Goodwill	-	376,756,383	583,083	-	-	377,339,466
Property, plant and equipment	140,362,906	688,789,746	168,279,270	252,219,677	-	1,249,651,599
Assets Under Right of Use	-	156,636	-	45,361,288	-	45,517,924
Biological assets	-	-	-	131,769,841	-	131,769,841
Non-current receivables	-	25,680,258	-	33,098,211	-	58,778,469
Inventories	22,273,034	155,109,486	21,851,129	18,646,051	-	217,879,700
Trade receivables	18,526,291	103,951,968	26,918,268	7,157,207	-	156,553,734
Other receivables	1,526,914	4,055,993	689,836	84,582,170	-	90,854,913
Other assets	1,760,827	30,069,461	1,018,623	172,470,714	-	205,319,625
<b>Total assets</b>	<b>184,449,972</b>	<b>1,384,569,931</b>	<b>219,340,209</b>	<b>745,305,159</b>	-	<b>2,533,665,271</b>
<b>SEGMENT LIABILITIES</b>						
Loans obtained	-	-	38,056,238	839,075,147	-	877,131,386
Lease liabilities	-	157,724	-	46,690,073	-	46,847,797
Suppliers	42,457,050	89,622,185	6,696,912	52,198,965	-	190,975,111
Other payables	5,301,075	58,168,678	7,771,805	163,980,765	-	235,222,324
Other liabilities	19,507,059	70,628,960	22,434,810	43,498,731	-	156,069,561
<b>Total liabilities</b>	<b>67,265,185</b>	<b>218,577,548</b>	<b>74,959,765</b>	<b>1,145,443,681</b>	-	<b>1,506,246,177</b>

The Group's energy sales are reported under different business segments. The amount corresponding to the total energy sales was Euro 160,777,744 in 2019 and Euro 172,502,382 in 2018. This decrease essentially results from various stoppages throughout the year, strikes and some technical and operating problems verified in the industrial sites of Setúbal and Figueira da Foz.

Energy sales originated in the cogeneration process, in the amount of Euro 139,770,960 (2018: Euro 150,131,681) are reported under the "Market Pulp" (2019: Euro 17,658,683; 2018: Euro 17,411,211) and "UWF Paper" (2019: Euro 122,112,277; 2018: Euro 132,720,470). Sales of electricity exclusively produced in units dedicated to the production of electricity

from biofuel are reported under the segment "Other", in the amount of Euro 21,006,784 (2018: Euro 22,370,701).

The fixed capital expenditure for the year includes development projects already announced, in particular those relating to the increase in pulp production capacity at the Figueira da Foz mill (Euro 3,729,366), the construction of the new Tissue plant in Aveiro (Euro 8,832,452), high weight project (Euro 3,170,364), as well as other investments in regular pulp, paper and tissue operations (Euro 118,162,852). The amount of the investment also includes Euro 24,057,289 related to environmental and regulatory investments, of which the construction of a new biofuel boiler at the Figueira da Foz mill,

which will replace the existing natural gas boiler and combined cycle power plant and will allow the reduction of fossil CO<sub>2</sub> emissions from that facility, is a highlight.

Property, plant and equipment reported under the segment "Other" include:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Forestry lands	74,788,747	73,910,838
Real estate - manufacturing site of Setúbal	55,262,909	57,823,999
Real estate - manufacturing site of Aveiro	12,824,553	11,651,760
Real estate - manufacturing site of Figueira da Foz	42,872,458	46,427,845
Biomass thermoelectric plants	46,549,748	28,098,931
Other	19,921,262	13,374,083
	<b>252,219,677</b>	<b>231,287,457</b>

Forest land and industrial real estate in a total amount of Euro 113,996,017, consolidated amounts, are reported in the individual financial statements as investment properties. The real estate property of Vila Velha de Ródão, in the amount of Euro

11,238,815, is included in the segment "Tissue Paper".

The majority of the assets allocated to each of the individual segments, with the exception of receivables, is located in Portugal.

AMOUNTS IN EUROS

	31/12/2018					TOTAL
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	ELIMINATIONS / UNALLOCATED	
<b>REVENUE</b>						
Sales and Services - external	184,437,505	1,380,370,745	91,139,602	35,679,642	-	1,691,627,494
Sales and Services - intersegment	193,494,823	-	-	655,070,530	(848,565,353)	-
<b>Total revenue</b>	<b>377,932,328</b>	<b>1,380,370,745</b>	<b>91,139,602</b>	<b>690,750,172</b>	<b>(848,565,353)</b>	<b>1,691,627,494</b>
<b>PROFIT / (LOSS)</b>						
<b>Segmental profit</b>	<b>55,035,913</b>	<b>281,763,979</b>	<b>(12,204,636)</b>	<b>(21,435,320)</b>	-	<b>303,159,935</b>
<b>Operating profit</b>	-	-	-	-	-	<b>303,159,935</b>
Financial results	-	-	-	-	(22,487,626)	(22,487,626)
Income tax	-	-	-	-	(55,534,992)	(55,534,992)
<b>Profit after income tax</b>	-	-	-	-	-	<b>225,137,318</b>
Non-controlling interests	-	-	-	-	(1,915)	(1,915)
<b>Net profit</b>	-	-	-	-	-	<b>225,135,403</b>
<b>OTHER INFORMATION</b>						
Capital expenditure	16,367,108	93,484,407	94,474,968	12,132,880	-	216,459,363
Depreciations and impairment	(11,800,576)	(94,727,574)	(14,430,732)	(17,551,766)	-	(138,510,647)
Provisions ((increases) / reversal)		(2,557,159)	498,217	(11,488,006)	-	(13,546,948)
<b>OTHER INFORMATION</b>						
<b>SEGMENT ASSETS</b>						
Goodwill	-	376,756,383	583,083	-	-	377,339,466
Property, plant and equipment	129,678,430	708,143,228	169,899,620	231,287,457	-	1,239,008,735
Biological assets	-	-	-	119,614,567	-	119,614,567
Non-current receivables	29,670	29,434,120	48,087	33,657,035	-	63,168,912
Inventories	20,395,852	114,920,430	25,214,053	61,846,536	-	222,376,871
Trade receivables	26,873,048	162,041,043	27,257,253	9,847,839	-	226,019,183
Other receivables	441,479	3,542,378	42,166,636	101,081,802	-	147,232,295
Other assets	-	39,971,210	10,932,787	118,196,982	-	169,100,979
<b>Total assets</b>	<b>177,418,479</b>	<b>1,434,808,792</b>	<b>276,101,520</b>	<b>675,532,216</b>	-	<b>2,563,861,007</b>
<b>SEGMENT LIABILITIES</b>						
Loans obtained	-	-	-	763,830,678	-	763,830,678
Suppliers	47,409,487	73,164,938	17,654,845	47,216,533	-	185,445,803
Other payables	6,918,463	49,242,932	7,566,146	121,185,375	-	184,912,916
Other liabilities	21,169,784	65,948,732	78,222,387	77,713,285	-	243,054,188
<b>Total liabilities</b>	<b>75,497,734</b>	<b>188,356,602</b>	<b>103,443,378</b>	<b>1,009,945,872</b>	-	<b>1,377,243,586</b>

## REVENUE BY BUSINESS SEGMENT, BY GEOGRAPHIC AREA AND BY RECOGNITION PATTERN

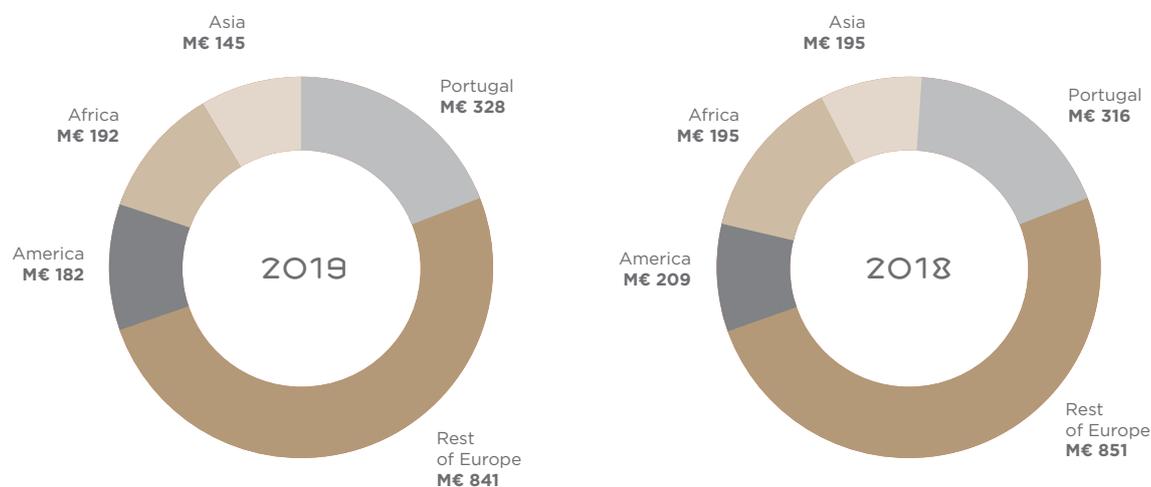
AMOUNTS IN EUROS

2019	PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL AMOUNT	TOTAL %
Portugal	25,417,212	197,338,477	51,798,460	53,275,128	327,829,277	19%
Rest of Europe	107,726,194	657,661,624	75,210,845	-	840,598,663	50%
America	-	181,614,079	513,038	-	182,127,117	11%
Africa	18,167,729	169,275,293	4,397,735	-	191,840,757	11%
Asia	31,497,492	113,609,178	64,166	-	145,170,836	9%
Oceania	-	293,314	-	-	293,314	0%
	<b>182,808,627</b>	<b>1,319,791,964</b>	<b>131,984,244</b>	<b>53,275,128</b>	<b>1,687,859,963</b>	<b>100%</b>
<b>Recognition pattern</b>						
At a certain moment in time	182,808,627	1,319,791,964	131,984,244	53,275,128	1,687,859,963	100%
Over time	-	-	-	-	-	0%

AMOUNTS IN EUROS

2018	PULP	UWF PAPER	TISSUE PAPER	OTHER	TOTAL AMOUNT	TOTAL %
Portugal	28,033,379	206,800,097	46,348,456	34,962,043	316,143,975	19%
Rest of Europe	138,985,944	669,051,867	43,063,645	717,599	851,819,056	50%
America	-	209,462,181	21,993	-	209,484,174	12%
Africa	14,250,465	178,544,337	1,670,879	-	194,465,681	11%
Asia	3,167,717	115,736,251	34,630	-	118,938,598	7%
Oceania	-	776,011	-	-	776,011	0%
	<b>184,437,505</b>	<b>1,380,370,745</b>	<b>91,139,603</b>	<b>35,679,642</b>	<b>1,691,627,494</b>	<b>100%</b>
<b>Recognition pattern</b>						
At a certain moment in time	184,437,505	1,380,370,745	91,139,603	35,679,642	1,691,627,494	100%
Over time	-	-	-	-	-	0%

## GROUP'S REVENUE DISTRIBUTION BY GEOGRAPHIC AREA



In 2019 and 2018, no single customer represented 10% or more of the Group's total revenue.

## 2.2 Other Operating Income

For the periods ended 31 December 2019 and 2018, Other operating income is detailed as follows:

AMOUNTS IN EUROS

	2019	2018
Gains on disposals of non-current assets	1,370,775	18,407,588
Grants - CO <sub>2</sub> emission licenses	10,360,687	3,984,112
Disposal of CO <sub>2</sub> emission licenses	97,706	-
Supplementary gains	1,025,776	4,541,822
Operating grants	2,654,904	2,570,090
Impairment reversal on receivables (Note 8.1.4)	12,737	157,292
Impairment reversal on inventories (Note 4.1.4)	877,157	1,221
Sale of scrap metal	-	1,144,730
Gains on inventories	649,893	614,117
Own work capitalised	625,930	655,727
Insurance compensation	10,520,369	263,013
Other operating income	10,889,786	14,570,115
	<b>39,085,720</b>	<b>46,909,826</b>

Gains with CO<sub>2</sub> licenses correspond to the recognition of the free allocation of licenses for 442,145 tons of CO<sub>2</sub>, at the average price of Euro 22.16 (477,139 tons in 31 December 2018, at the average price of Euro 8.35).

In 2019, Gains on disposals of non-current assets includes the sale of forest lands. In 2018, this caption included Euro 15,765,258 regarding the gain generated with the sale of the pellets business concluded in February 2018, as well as Euro 2,617,093 regarding the sale of forest lands with reduced suitability for forestry.

Insurance compensation in 2019 includes compensation associated with the losses at the Figueira da Foz mill resulting from Hurricane Leslie and compensation associated with the failure of the biofuel boiler and the turbine alternator in Setúbal.



### Accounting policies

#### Operating subsidies and subsidies related to biological assets

Government grants are recognised at their fair value and only when there is a reasonable assurance that the grant will be received and the group will comply with all required conditions. Government grants related to operating costs are deferred and recognised in the income statement over the period that matches the costs with the compensating grants.

Grants related to biological assets (Note 3.8) carried at fair value, in accordance with IAS 41, are recognised in the income statement when the terms and conditions of the grant are met.

## 2.3 Other Operating Expenses

AMOUNTS IN EUROS

	2019	2018
<b>Cost of goods sold and materials consumed (Note 4.1.2)</b>	<b>716,135,341</b>	<b>700,242,350</b>
<b>External services and supplies</b>		
Energy and fluids	144,554,772	122,325,381
Transportation of goods	119,375,159	115,407,871
Specialised work	99,603,225	75,122,123
Maintenance and repair	36,075,761	29,454,299
Rentals	10,266,431	16,620,413
Advertising and marketing	15,641,866	15,333,989
Insurance	12,671,481	11,897,504
Travel and accommodation	5,491,136	6,404,384
Fees	5,960,882	6,382,149
Subcontracts	2,992,579	3,376,898
Materials	3,545,438	3,131,147
Communications	1,565,574	2,092,919
Other	9,113,455	7,375,475
	<b>466,857,759</b>	<b>414,924,552</b>
<b>Variation in production (Note 4.1.3)</b>	<b>(1,931,449)</b>	<b>(44,687,130)</b>
<b>Personnel costs (Note 7.1)</b>	<b>145,657,670</b>	<b>161,630,782</b>
<b>Other operating expenses</b>		
CO <sub>2</sub> emission expenses (Note 3.2)	16,860,993	11,623,353
Impairment losses on receivables	43,457	562,765
Impairment losses on inventories (Note 4.1.4)	6,764,519	5,118,983
Other inventory losses (Note 4.1)	3,161,105	3,807,016
Indirect taxes and fees	3,613,325	12,732,474
Other operating expenses	9,847,193	7,582,274
	<b>40,290,592</b>	<b>41,426,865</b>
<b>Net provisions (Note 10.1)</b>	<b>(36,727)</b>	<b>13,546,948</b>
	-	-
<b>Total operating expenses</b>	<b>1,367,009,913</b>	<b>1,287,084,368</b>

The increase in External services and supplies in 2019 is essentially related with the increase in costs with Energy and fluids (as a result of the increase in the acquisition price of electricity and natural gas), Transportation of goods and Specialised services.

In 2019 and 2018, the costs incurred with investigation and research activities amounted to Euro 4,354,638 and Euro 5,605,36, respectively.

The decrease in Indirect taxes is due to the recognition, in 2018, of Euro 9,240,720 related to costs associated with the anti-dumping process in the United States of America, from which Euro 3,565,971 are related to the retroactive application of the 1.75% rate in sales for the first review period from August 2015 to February 2017. The remainder concerned the application of a new estimated rate for the second review period, in initiated in March 2017 and ended in February 2018, which the Group prudently decided to reflect on its 2018 results.

## AUDIT FEES

AMOUNTS IN EUROS

KPMG & ASSOCIADOS SROC OTHER ENTITIES BELONGING TO THE SAME NETWORK

<b>The Navigator Company, S.A.</b>			
Audit fees	89,083		-
Other reliability assurance services	23,750		-
Other services	-		-
	<b>112,833</b>		-
<b>To entities belonging to Navigator Group</b>			
Audit fees	184,741		19,262
Other reliability assurance services	13,500		-
Other services	3,000		-
	<b>201,241</b>		<b>19,262</b>
	<b>314,074</b>		<b>19,262</b>

AMOUNTS IN EUROS

	2019		2018	
	EXPENSES IN THE PERIOD	FEES INVOICED	EXPENSES IN THE PERIOD	FEES INVOICED
<b>KPMG (SROC) and other entities belonging to the same network</b>				
Audit fees	322,095	293,086	186,765	95,760
Permissible tax assurance services	-	-	-	-
Other reliability assurance services	37,250	37,250	4,500	4,500
Other services	3,000	3,000	17,800	17,800
	<b>362,345</b>	<b>333,336</b>	<b>209,065</b>	<b>118,060</b>

Following the resolution of the General Extraordinary Meeting, dated 22 September 2017, the Navigator Group appointed KPMG & Associados Sociedade de Revisores Oficiais de Contas, S.A. as its Statutory Auditor, with effects from 1 January 2018.

The services indicated as “Other reliability assurance services” relate to the issuance of financial information reports. Other services refers to validation services of the statement of expenditure relating to the investment project for the new tissue paper machine in Aveiro and to reports produced regarding merger operations between group companies.

The Board of Directors believes there are adequate procedures safeguarding the independence of auditors, through the Supervisory Board process analysis of the work proposed and careful definition of the work to be performed by the auditors and procurement process.

The amount of fees related to the statutory audit of annual accounts of entities that are part of the Navigator Group includes Euro 19,262 (2018: Euro 12,116) invoiced by other entities belonging to the same network.

## 3 Investments

### 3.1 Goodwill

#### Goodwill – net amount

Goodwill is attributed to the Group's cash generating units (CGU's), as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
CGU of UWF paper production on Figueira da Foz site (goodwill resulting from the acquisition of Navigator Brands, S.A.)	376,756,383	376,756,383
CGU of Tissue paper production on Vila Velha de Ródão (goodwill resulting from the acquisition of Navigator Tissue Ródão, S.A.)	583,083	583,083
	<b>377,339,466</b>	<b>377,339,466</b>

#### NAVIGATOR BRANDS, S.A.

Following the acquisition of 100% of the former Soporcel – Sociedade Portuguesa de Papel, S.A. (now Navigator Brands, S.A.), for Euro 1,154,842,000, Goodwill amounting to Euro 428,132,254 was determined.

The goodwill generated on the acquisition of Navigator Paper Figueira was deemed to be allocable to the integrated paper production in Figueira da Foz Industrial Complex cash generating unit.

The book value of goodwill amounts to Euro 376,756,383 as it was amortised up to 31 December 2003 (date of transition to IFRS: 1 January 2004), and amortisation as from that date, the accumulated amount of which was Euro 51,375,871, has ceased. From that date on, depreciation ceased and was replaced by annual impairment tests. If this amortisation had not been interrupted, the net book value of the Goodwill as at 31 December 2019 would amount to Euro 102,751,733 (31 December 2018: Euro 119,877,025).

#### NAVIGATOR TISSUE RÓDÃO, S.A.

On 6 February 2015 the procedures and agreements for the acquisition of AMS-BR Star Paper, S.A. (Later incorporated into what is now Navigator Tissue Ródão, S.A.) were concluded, and the approval by the competition authorities for the acquisition was obtained on 17 April 2015.

To the initial acquisition difference, of Euro 21,337,916, was deducted the AICEP's investment subsidy and the fair value of the acquired tangible assets, with a goodwill amounting to Euro 583,083.

#### Goodwill Recoverability Analysis

Every year, the Navigator Company Group calculates the recoverable amount of each business, based on value-in-use calculations, in accordance with the Discounted Cash Flow method. The calculations are based on past performance and business expectations with the actual production structure, using the budget for the following year and projected cash flows for the following 4 years. As a result of the calculations, up to this date no impairment losses relating to Goodwill have been identified.

The main assumptions for the above-mentioned calculation were as follows:

## ASSUMPTIONS ON THE BASIS OF THE BUSINESS PLAN

ASSUMPTIONS	2019 (CAGR 2020-2024)	2018 (CAGR 2019-2023)
<b>Amount of sales (kt)</b>		
Reference	UWF Paper	UWF Paper
CAGR Amount of sales (kt)	1.5%	0.4%
Reference	Tissue Paper	Tissue Paper
CAGR Amount of sales (kt)	5.2%	5.2%
<b>Average Price of Sale ML/t</b>		
Reference	UWF Paper	UWF Paper
CAGR Average Price of Sale ML/t	(0.80%)	(0.80%)
Reference	Tissue Paper	Tissue Paper
CAGR Average Price of Sale ML/t	0.33%	0.33%
Perpetuity growth rate	(1.00%)	(1.00%)

### Macroeconomic and financial assumptions

The main assumptions considered at the macroeconomic level are projections of GDP growth rate and inflation in Portugal. The sources of forecasts are the IMF and the Bank of Portugal (Banco de Portugal).

The perpetuity growth rate reflects the Boards of Directors' vision of the medium and long term for the different CGUs, bearing in mind the macroeconomic assumptions.

FINANCIAL ASSUMPTIONS	31/12/2019	31/12/2018
Inflation rate	1.2%	2.0%
WACC rate - explicit period	5.4%	6.6%
WACC rate - perpetuity	7.3%	n/a
Tax rate	27.5%	27.5%



### Accounting policies

#### Goodwill

Goodwill represents the difference between the fair value of the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries included in the consolidation on the acquisition date and is allocated to each Cash Generating Unit (CGU) or to the lower group of CGUs to which it belongs.

#### AMORTISATION AND IMPAIRMENT

Goodwill is not amortised. The Group annually carries out impairment tests to the goodwill, or where there are signs of impairment. The recoverable amounts of cash-generating units are determined as the higher of value in use and fair value less cost of sale. Impairment losses on goodwill cannot be reversed.

#### DISPOSAL AND LOSS OF CONTROL

Gains or losses arising from the sale or loss of control over an entity or business to which

Goodwill is allocated include the amount of the corresponding goodwill.

#### TAX DEDUCTIBILITY

Derived from the current tax legislation in Portugal, it is not expected that Goodwill generated or to be recognized will be tax deductible.



### Estimates and judgements

#### Recoverability of Goodwill

The Group tests Goodwill recorded in its Statement of Financial Position for impairment on an annual basis. For impairment tests of CGUs, the recoverable amount was determined based on the value in use, according to the discounted cash flow method. The recoverable amount of CGUs is derived from assumptions related to the activity, namely sales volumes, average selling prices and variable costs, that in the projection periods result from a combination of economic forecasts for the regions and

markets where the Group operates, industry forecasts, including changes in the markets derived from changes in installed capacity for each operational activity, internal management projections and historical performance. These calculations require the use of estimates.

#### SENSITIVITY ANALYSIS

As of 31 December 2019, a possible increase of 0.5% in the discount rate used in the

impairment test of Goodwill allocated to the cash-generating unit in Figueira da Foz integrated Paper, would imply a decrease in the assessment in the amount of Euro 119,751,181 (31 December 2018: Euro 184,312,770), which is still substantially above the book value of this cash-generating unit.

### 3.2 Intangible Assets

#### MOVEMENTS IN INTANGIBLE ASSETS

AMOUNTS IN EUROS

	INDUSTRIAL PROPERTY AND OTHER RIGHTS	CO <sub>2</sub> EMISSION ALLOWANCES	OTHER INTANGIBLE ASSETS IN PROGRESS	TOTAL
<b>Acquisition cost</b>				
<b>Balance as of 1 January 2018</b>	<b>6,270</b>	<b>3,875,825</b>	-	<b>3,882,095</b>
Acquisitions/Attributions	165	3,984,111	-	3,984,276
Adjustments, transfers and write-offs	(3,300)	(4,975,303)	-	(4,978,603)
<b>Balance as of 31 December 2018</b>	<b>3,135</b>	<b>2,884,633</b>	-	<b>2,887,768</b>
Acquisitions/Attributions	-	13,858,196	9,194	13,867,390
Disposals	-	(40,766)	-	(40,766)
Adjustments, transfers and write-offs	9,194	(12,205,576)	(9,194)	(12,205,576)
<b>Balance as of 31 December 2019</b>	<b>12,329</b>	<b>4,496,487</b>	-	<b>4,508,816</b>
<b>Accumulated amortisations and impairment losses</b>				
<b>Balance as of 1 January 2018</b>	<b>(3,850)</b>	-	-	<b>(3,850)</b>
Depreciation and amortisation for the period (Note 3.6)	(765)	-	-	(765)
Impairment losses for the period (Note 3.6)	-	-	-	-
Adjustments, transfers and write-offs	3,098	-	-	3,098
<b>Balance as of 31 December 2018</b>	<b>(1,517)</b>	-	-	<b>(1,517)</b>
Depreciation and amortisation for the period (Note 3.6)	(644)	-	-	(644)
Impairment losses (Note 3.6)	-	-	-	-
Disposals	-	-	-	-
Adjustments, transfers and write-offs	34	-	-	34
<b>Balance as of 31 December 2019</b>	<b>(2,127)</b>	-	-	<b>(2,127)</b>
<b>Net book value as of 1 January 2018</b>	<b>2,420</b>	<b>3,875,825</b>	-	<b>3,878,245</b>
<b>Net book value as of 31 December 2018</b>	<b>1,618</b>	<b>2,884,633</b>	-	<b>2,886,251</b>
<b>Net book value as of 31 December 2019</b>	<b>10,202</b>	<b>4,496,487</b>	-	<b>4,506,689</b>

#### CO<sub>2</sub> EMISSION ALLOWANCES

	31/12/2019	31/12/2018
CO <sub>2</sub> emission allowances (units)	267,222	442,145
Average unit value (Euro)	16.83	6.52
Market quotation (Euro)	24.52	23.74

The balance as at 31 December 2019 includes *forwards* related to 100,000 emission allowances (31 December 2018: 250 000),

acquired in 2016 and 2017, amounting to Euro 550,000 as at 31 December 2019 (31 December 2018: Euro 1,397,500).

## CO<sub>2</sub> EMISSION ALLOWANCES – MOVEMENTS OF THE PERIOD

AMOUNTS IN EUROS

	2019		2018	
	TONS	AMOUNT	TONS	AMOUNT
<b>Opening balance</b>	<b>301,644</b>	<b>2,884,633</b>	<b>561,148</b>	<b>3,875,825</b>
CO <sub>2</sub> allowances awarded free of charge (Notes 2.2 and 4.3)	467,540	10,360,686	477,139	3,984,111
CO <sub>2</sub> allowances acquired	137,142	3,497,510	-	-
CO <sub>2</sub> allowances sold (Note 2.2)	(5,142)	(40,766)	-	-
CO <sub>2</sub> allowances returned to the Licensing Coordinating Entity	(774,463)	(12,205,576)	(736,643)	(4,975,303)
<b>Closing balance</b>	<b>126,721</b>	<b>4,496,487</b>	<b>301,644</b>	<b>2,884,633</b>



### Accounting policies

Intangible assets are recorded at acquisition cost less depreciation and impairment losses.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the recoverable amount, and the difference, if any, is recognised in the income statement.

### CO<sub>2</sub> Emission Rights

CO<sub>2</sub> emission allowances attributed to the Group within the European Union Emissions Trading Scheme (EU ETS) for the assignment of CO<sub>2</sub> emission licenses at no cost, gives rise to an intangible asset for the allowances, a government grant and a liability for the obligation to deliver allowances equal to the emissions that have been made during the compliance period.

Emission allowances are only recorded as intangible assets when the Group is able to exercise control. In such circumstances these are initially measured at fair value (Level 1). When the market value of the emission allowances falls significantly below its carrying amount and such decrease is considered permanent, an impairment charge is booked for allowances which the group will not use internally.

The liability to deliver allowances is recognised based on actual emissions. This liability will be settled using allowances on hand, measured at the carrying amount of those allowances. Any additional emissions are valued at market value as at the reporting date.

In the Consolidated Income Statement, the Group expenses, under Other expenses and losses, actual emissions at fair value at the grant date, except for acquired allowances, where the expense is measured at their purchase price.

Such costs will offset other operating income resulting from the recognition of the original government grant (also recognised at fair value at grant date) as well as any disposal of excess allowances.

The effect on the income statement will, therefore, be neutral regarding the consumption of granted allowances. Any net effect on the income statement will result from the purchase of additional licenses to cover excess emissions, from the sale of effective consumption or from impairment losses booked to licenses that are not used at operational level.

### Brands

Whenever brands are identified in a business combination, the Group records them separately in the consolidated financial statements as an asset at historical cost, which represents their fair value on the acquisition date.

On subsequent valuation, brands are recognised in the Navigator Company Group's consolidated financial statements at cost. They are not subject to annual amortisation, but instead tested for impairment at each reporting date.

Own brands are not recognised in the Group's financial statements, as they represent internally generated intangible assets.

### Intangible assets developed internally

Development expenses are only recognised as intangible assets to the extent that the technical capacity to complete the development of the asset is demonstrated and that it is available for own use or commercialization. Expenses that do not meet these requirements, namely research expenses, are recorded as expenses when incurred.

### 3.3 Property, Plant and Equipment

#### MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

AMOUNTS IN EUROS

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	EQUIPMENT AND OTHER TANIBLES	ASSETS UNDER CONSTRUCTION	TOTAL
<b>Aquisition cost</b>					
<b>Balance as of 1 January 2018</b>	<b>116,037,739</b>	<b>506,988,256</b>	<b>3,199,209,772</b>	<b>104,136,754</b>	<b>3,926,372,520</b>
Acquisitions	-	-	11,616,791	204,842,572	216,459,363
Disposals	(3,182,445)	(7,359)	(93,489)	-	(3,283,293)
Adjustments, transfers and write-offs	1,190,712	26,943,506	217,910,213	(247,390,579)	(1,346,148)
<b>Balance as of 31 December 2018</b>	<b>114,046,006</b>	<b>533,924,403</b>	<b>3,428,643,288</b>	<b>61,588,747</b>	<b>4,138,202,442</b>
Changes in perimeter	-	-	-	-	-
Acquisitions	-	-	13,847,721	144,095,408	157,943,129
Disposals	(484,402)	-	(192,604)	-	(677,006)
Adjustments, transfers and write-offs	1,467,260	5,433,944	79,861,458	(97,885,168)	(11,122,506)
<b>Balance as of 31 December 2019</b>	<b>115,028,864</b>	<b>539,358,347</b>	<b>3,522,159,863</b>	<b>107,798,987</b>	<b>4,284,346,061</b>
<b>Accumulated depreciations and impairment losses</b>					
<b>Balance as of 1 January 2018</b>	<b>(170,652)</b>	<b>(318,000,353)</b>	<b>(2,437,076,464)</b>	<b>-</b>	<b>(2,755,247,469)</b>
Depreciation for the period (Note 3.6)	-	(11,251,641)	(132,875,693)	-	(144,127,334)
Disposals	-	5,838	4,605	-	10,443
Adjustments, transfers and write-offs	170,652	-	-	-	170,652
<b>Balance as of 31 December 2018</b>	<b>-</b>	<b>(329,246,156)</b>	<b>(2,569,947,552)</b>	<b>-</b>	<b>(2,899,193,708)</b>
Depreciation for the period (Note 3.6)	-	(12,018,721)	(134,894,141)	-	(146,912,862)
Disposals	-	-	191,187	-	191,187
Impairment losses (Note 3.6)	-	-	-	-	-
Adjustments, transfers and write-offs	-	387,053	10,833,868	-	11,220,921
<b>Balance as of 31 December 2019</b>	<b>-</b>	<b>(340,877,824)</b>	<b>(2,693,816,638)</b>	<b>-</b>	<b>(3,034,694,462)</b>
<b>Net book value as of 1 January 2018</b>	<b>115,867,087</b>	<b>188,987,903</b>	<b>762,133,308</b>	<b>104,136,754</b>	<b>1,171,125,051</b>
<b>Net book value as of 31 December 2018</b>	<b>114,046,006</b>	<b>204,678,247</b>	<b>858,695,736</b>	<b>61,588,747</b>	<b>1,239,008,734</b>
<b>Net book value as of 31 December 2019</b>	<b>115,028,864</b>	<b>198,480,523</b>	<b>828,343,225</b>	<b>107,798,987</b>	<b>1,249,651,599</b>

As of 31 December 2019, assets under construction include investments associated with ongoing development projects, in particular those related to the paper business segment, where the construction of the new biofuel boiler at the Figueira da Foz mill (Euros 25,522,586) and several improvements in the production process (Euros 43,983,254) are noteworthy.

In the pulp business segment, assets under construction amount to Euro 27,364,142, which include the acquisition of a new pulp washer (Euro 5,215,767), the environmental plans of Aveiro and Setúbal (Euro 6,790,199), as well as improvements in the productive process.

Assets under construction in the tissue segment amount to Euro 9,080,189 and essentially comprise several investments to improve production processes.

In “Others” segment are included investments under development in the amount of Euro 1,848,816 which are expected to be fulfilled shortly.

Lands includes Euro 113,996,017 (2018: Euro 113,118,109) classified in the individual financial statements as investment properties, from which Euro 74,788,747 (2018: Euro 73,910,838) relate to forest land and Euro 39,207,271 (2018: Euro 39,207,271) to land allocated to industrial sites leased to the Group.



*The commitments assumed by the Group for the acquisition of property, plant and equipment are detailed in Note 10.2 - Commitments.*



## Accounting policies

### Property, plant and equipment

#### RECOGNITION AND INITIAL MEASUREMENT

Property, plant and equipment acquired up to 1 January 2004 (date of transition to IFRS) are recorded at acquisition cost, or acquisition cost revaluated in accordance with accounting principles generally accepted in Portugal, up to that date, less depreciation and accumulated impairment losses.

Property, plant and equipment acquired after transition date are recorded at acquisition cost, less depreciation and impairment losses.

#### DEPRECIATION AND IMPAIRMENT

We use the straight-line method from the moment the asset is available for use and using the rates that best reflect their estimated useful life.

	AVERAGE USEFUL LIFE
Land (cost of preparation to forestry)	50
Buildings and other constructions	12 - 30
Basic Equipment	6 - 25
Transportation equipment	4 - 9
Tools	2 - 8
Administrative equipment	4 - 8
Other tangible assets	4 - 10

The residual values of the assets and respective useful lives are reviewed and adjusted when necessary at the statement of financial position date. When the carrying amount of the asset exceeds its realisable value, the asset is written down to the estimated recoverable amount, and an impairment charge is booked (Note 3.7).

the nature of the equipment, where they are expected to be integrated, not exceeding the remaining useful life of these.

#### SUBSEQUENT EXPENSES

Scheduled maintenance expenses are considered a component of the acquisition cost of property, plant and equipment and are fully depreciated by the next forecasted maintenance date.

#### BORROWING COSTS

Borrowing costs directly related to the acquisition or construction of fixed assets are capitalised when their construction period exceeds one year, and form part of the asset's cost.

Other expenses with repairs and maintenance are recognised as an expense in the period in which they are incurred.

During the years presented, no financial charges for loans directly related to the acquisition or construction of property, plant and equipment were capitalised.

#### SPARE AND MAINTENANCE PARTS

Spare parts are considered strategic as they are directly related to production equipment and their use is expected to last for more than two economic years. Maintenance parts considered as "critical spare parts" are recognised in non-current assets, as Property, plant and equipment. Respecting this classification, spare parts are depreciated from the moment they become available for use and are assigned a useful life that follows

#### WRITE-OFFS AND DISPOSALS

Gains or losses arising from the write off or disposal represent the difference between the proceeds received on disposal less costs to sell and the asset's carrying amount, and are recognised in the income statement as Other operating income (Note 2.2) or Other operating expenses (Note 2.3).



## Estimates and judgements

### Recoverability of Property, plant and equipment

The recoverability of property, plant and equipment requires the Board of Directors to use estimates and assumptions, namely, whenever applicable, regarding the determination of the value in use for impairment tests to the Group's cash-generating units.

### Useful life and depreciation

Property, plant and equipment present the most significant component of the Group's total assets. These assets are subject to systematic depreciation for the period that is determined to be their economic useful life.

The determination of assets useful lives and the depreciation method to be applied is essential to determine the amount of depreciation to be recognised in the consolidated income statement of each period.

These two parameters are defined according to the best judgment of the Board of Directors for the assets and businesses in question, also considering the practices adopted by companies of the sector at the international level and the evolution of the economic conditions in which the Group operates.

Given the relevance of this estimate, the Group makes regular use of external and independent experts to assess the adequacy of the estimates used.

## 3.4 Investment Properties

### MOVEMENT IN INVESTMENT PROPERTIES

AMOUNTS IN EUROS

	LAND	BUILDINGS AND OTHER CONSTRUCTIONS	TOTAL
<b>Acquisition cost</b>			
<b>Balance as of 1 January 2018</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
Acquisitions	-	-	-
Impairment losses	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 31 December 2018</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
Impairment losses	-	-	-
Acquisitions	-	-	-
Disposals	-	-	-
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 31 December 2019</b>	<b>424,744</b>	<b>82,307</b>	<b>507,051</b>
<b>Accumulated depreciations and impairment losses</b>			
<b>Balance as of 1 January 2018</b>	<b>(399,372)</b>	<b>(8,505)</b>	<b>(407,877)</b>
Depreciation and amortisation for the period (Note 3.7)	-	-	-
Disposals	-	-	-
Impairment losses (Note 3.7)	-	(1,646)	(1,646)
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 31 December 2018</b>	<b>(399,372)</b>	<b>(10,151)</b>	<b>(409,523)</b>
Depreciation and amortisation for the period (Note 3.7)	-	-	-
Disposals	-	-	-
Impairment losses (Note 3.7)	-	(1,646)	(1,646)
Adjustments, transfers and write-offs	-	-	-
<b>Balance as of 31 December 2019</b>	<b>(399,372)</b>	<b>(11,797)</b>	<b>(411,169)</b>
<b>Net book value as of 1 January 2018</b>	<b>25,372</b>	<b>73,802</b>	<b>99,174</b>
<b>Net book value as of 31 December 2018</b>	<b>25,372</b>	<b>72,156</b>	<b>97,528</b>
<b>Net book value as of 31 December 2019</b>	<b>25,372</b>	<b>70,510</b>	<b>95,882</b>

These assets are not allocated to the Group's operating activity, nor do they have any future use determined.



## Accounting policies

The Group classifies the assets held for the purpose of capital appreciation and/or the generation of rental income as investment properties in the consolidated financial statements.

An investment property is initially measured by its acquisition or production cost,

including the transaction costs that are directly attributable to it. After initial recognition, investment properties are measured at cost less amortisation and impairment losses.

Subsequent expenditure is capitalised only when it is probable that it will result in future economic benefits to the entity comparing to those considered in initial recognition.

### 3.5 Government Grants

## GOVERNMENT GRANTS - MOVEMENTS

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	FINANCIAL	TAX	TOTAL	FINANCIAL	TAX	TOTAL
<b>Opening balance</b>	<b>26,341,878</b>	<b>30,249,610</b>	<b>56,591,488</b>	<b>27,036,892</b>	<b>4,289,080</b>	<b>31,325,972</b>
Granting	-	-	-	4,924,216	26,502,330	31,426,546
Charge-off (Note 3.7)	(7,900,774)	(6,035,597)	(13,936,371)	(5,077,298)	(541,800)	(5,619,098)
Other movements	121,454	-	121,454	(541,932)	-	(541,932)
<b>Closing balance (Note 4.3)</b>	<b>18,562,558</b>	<b>24,214,013</b>	<b>42,776,571</b>	<b>26,341,878</b>	<b>30,249,610</b>	<b>56,591,488</b>

As of 31 December 2019 and 2018, government grants, by company, were detailed as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>AICEP investment contracts</b>		
The Navigator Company, S.A.	-	-
Enerpulp, S.A.	7,127,883	11,609,639
Navigator Pulp Cacia, S.A.	7,092,668	10,499,052
Navigator Pulp Setúbal, S.A.	333,319	513,978
Navigator Pulp Figueira, S.A.	11,843,100	15,182,598
Navigator Parques Industriais, S.A.	1,988,353	2,047,709
Navigator Paper Figueira, S.A.	463,950	663,059
Navigator Tissue Cacia, S.A.	13,291,073	15,263,870
	<b>42,140,346</b>	<b>55,779,905</b>
<b>Other</b>		
Raiz	476,550	527,776
Viveiros Aliança, SA	159,675	283,807
	<b>636,225</b>	<b>811,583</b>
	<b>42,776,571</b>	<b>56,591,488</b>

The Group expects to recognise subsidies in the income statement as follows:

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	FINANCIAL	TAX	TOTAL	FINANCIAL	TAX	TOTAL
2019	-	-	-	7,301,401	3,642,379	10,943,780
2020	7,136,008	4,802,979	11,938,987	7,168,881	3,601,231	10,770,112
2021	3,475,620	4,802,979	8,278,599	2,789,222	3,560,084	6,349,306
2022	2,057,473	4,739,806	6,797,279	1,455,613	3,560,084	5,015,697
2023	1,698,883	4,483,097	6,181,979	1,434,306	3,560,084	4,994,390
2024	1,511,224	4,033,821	5,545,045	1,434,306	3,560,084	4,994,390
After 2024	2,683,350	1,351,332	4,034,682	4,758,148	8,765,665	13,523,813
	<b>18,562,558</b>	<b>24,214,014</b>	<b>42,776,571</b>	<b>26,341,878</b>	<b>30,249,610</b>	<b>56,591,488</b>



#### INCENTIVE TO INCREASE PULP PRODUCTION CAPACITY IN FIGUEIRA DA FOZ

On 27 December 2018, Navigator Pulp Figueira, S.A signed a tax investment agreement with AICEP, related to the investment associated with the increase of pulp production capacity in Figueira da Foz, which includes a tax incentive up to the maximum amount of Euro 17,278,657, corresponding to 19.5% of the investment made, through the fulfilment of the contractually defined objectives until 31 December 2025.

#### INCENTIVES FOR THE EXPANSION PROJECT OF THE CACIA PULP MILL

On 18 June 2014, the Group's subsidiary, Navigator Pulp Aveiro, S.A., signed two financial and tax incentive agreements with the AICEP - Agência para o Investimento e Comércio Externo de Portugal (Agency for Investment and Foreign Trade of Portugal) to support the investment to be promoted by that company in the capacity increase project of Cacia pulp mill, with a total amount of Euro 49.3 million.

The incentives already approved amount to Euro 9.264 million, as a repayable financial incentive, and Euro 5.644 million, as a tax incentive, to use until 2024, in the limit, being however totally used since the end of 2016. The contract includes an achievement bonus, which corresponds to the conversion of the repayable grant in a non-repayable grant, up to a limit of 75% (Euro 6,947,450), subject to compliance with the objectives established in the contract up to 31 December 2023.

In 2019, Euro 3,406,384 related to these incentives were recognised in the income statement (2018: Euro 2,299,547).

#### **Government grants repayable**

As at 13 December 2017, the subsidiary Navigator Tissue Cacia, S.A. entered into

an investment agreement with AICEP, for the construction of the new Tissue plant in Cacia. This agreement comprises a financial incentive in the form of a repayable incentive, which includes a grace period of two years, without payment of interest, up to a maximum amount of Euro 42,166,636, corresponding to 35% on the amount of expenses considered eligible, which were estimated at Euro 120,476 million. On 20 April 2018, the same entity was also awarded with a tax incentive granted through the compliance of contractually defined requirements until 31 December 2028, whose maximum amount will be Euro 11,515,870, corresponding to 10% of the expenses associated with the project investment.



### *Accounting policies*

#### **Government grants**

Government grants received to compensate the Group for investments made in Property, plant and equipment, including those attributed as tax credits, are classified as deferred income (Note 4.3 - Payables and other current liabilities) and are recognised in income over the estimated useful life of the respective subsidised assets, and are associated with the depreciation of the period (Note 3.7), for presentation purposes.

#### **Government grants repayable**

Government grants, in the form of loans repayable at a subsidised rate, are discounted on the date of initial recognition based on the market interest rate at the date of grant, the value of the discount constituting the value of the grant to be amortised over the period of the loan or asset whose acquisition it is intended to finance, depending on the activities financed. These liabilities are included in Payables and other current liabilities (Note 4.3).

## 3.6 Right of Use Assets

### MOVEMENTS IN RIGHT OF USE ASSETS

AMOUNTS IN EUROS

	FORESTRY LANDS	BUILDINGS	VEHICLES	OTHER LEASE ASSETS	TOTAL
<b>Acquisition cost</b>					
<b>Balance as of 1 January 2019 - adoption of IFRS 16 (Note 1.5.1)</b>	<b>38,817,386</b>	<b>4,547,372</b>	<b>4,285,373</b>	<b>735,675</b>	<b>48,385,806</b>
Acquisitions	3,123,918	-	229,937	3,758,625	7,112,480
Disposals	(478,296)	-	(6,445)	-	(484,741)
Adjustments, transfers and write-offs	-	-	-	(3,946,051)	(3,946,051)
<b>Balance as of 31 December 2019</b>	<b>41,463,008</b>	<b>4,547,372</b>	<b>4,508,865</b>	<b>548,249</b>	<b>51,067,494</b>
<b>Accumulated depreciations and impairment losses</b>					
<b>Balance as of 01 January 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	(3,014,615)	(702,301)	(1,612,924)	(227,433)	(5,557,273)
Disposals	7,703	-	-	-	7,703
Impairment losses (Note 3.6)	-	-	-	-	-
Adjustments, transfers and write-offs	-	-	-	-	-
<b>Balance as of 31 December 2019</b>	<b>(3,006,912)</b>	<b>(702,301)</b>	<b>(1,612,924)</b>	<b>(227,433)</b>	<b>(5,549,570)</b>
<b>Net book value as of 31 December 2019</b>	<b>38,456,096</b>	<b>3,845,071</b>	<b>2,895,941</b>	<b>(320,816)</b>	<b>45,517,924</b>

The item Lands essentially refers to rights to use land for forestry exploitation, whose agreements usually have a duration of 24 years, and may be cancelled in advance if the 2<sup>nd</sup> harvest occurs before the 24<sup>th</sup> year of the agreement term.



*The impact of the adoption of IFRS 16 "Leases" on 1 January 2019 is presented in Note 1.5.1 - Adoption of IFRS 16.*



#### **Accounting policies**

At the date the lease enters into force, the Group recognises an asset under right of use at its cost, which corresponds to the initial amount of the lease liability adjusted for: i) any prepayments; ii) lease incentives received; and iii) initial direct costs incurred.

To the asset under right of use, the estimate of removing and/or restoring the underlying asset and/or the location where it is located may be added, when required by the lease agreement.

The asset under right of use is subsequently depreciated using the straight-line method, from the start date until the lower between the end of the asset's useful life and the lease term. Additionally, the asset under right of use reduced of impairment losses, if any, and adjusted for any remeasurement of the lease liability. The useful life considered for each class of assets under right of use is equal to the useful life of Property, plant and equipment (Note 3.3) in the same class when there is a call option and the Group expects to exercise it.

#### **SHORT-TERM LEASES AND LOW-VALUE ASSET LEASES**

The Group recognises payments for leases of 12 months or less and for leases of assets whose individual acquisition value is less than USD 5,000 directly as operating expenses of the year (Note 2.3), on a straight-line basis.

### 3.7 Depreciation, Amortisation and Impairment Losses

AMOUNTS IN EUROS

	2019	2018
Depreciation of property, plant and equipment for the period (Note 3.3)	146,912,862	144,127,334
Charge-off of investment grants (Note 3.5)	(13,936,371)	(5,619,098)
<b>Depreciation of property, plant and equipment, net of grants charged-off</b>	<b>132,976,491</b>	<b>138,508,236</b>
Impairment of property, plant and equipment - losses (Note 3.3)	-	-
Impairment of property, plant and equipment - reversals (Note 3.3)	-	-
<b>Impairment of property, plant and equipment for the period</b>	<b>-</b>	<b>-</b>
<b>Amortisation of intangible assets for the period (Note 3.2)</b>	<b>644</b>	<b>765</b>
<b>Depreciation of assets under right of use for the period (Note 3.6)</b>	<b>5,557,273</b>	<b>-</b>
Impairment of investment properties (Note 3.4)	1,646	1,646
	<b>138,536,054</b>	<b>138,510,647</b>

### 3.8 Biological Assets

#### MOVEMENTS IN BIOLOGICAL ASSETS

AMOUNTS IN EUROS

	2019	2018
<b>Opening balance</b>	<b>119,614,567</b>	<b>129,396,936</b>
Logging in the period	(24,291,586)	(20,580,687)
Growth	11,271,156	14,030,666
New planted areas and replanting (at cost)	3,449,682	2,948,334
Other changes in fair value	21,726,022	(6,180,682)
<b>Total changes</b>	<b>12,155,274</b>	<b>(9,782,369)</b>
<b>Closing balance</b>	<b>131,769,841</b>	<b>119,614,567</b>

The amounts shown as “Other changes in fair value” correspond to actual costs of forest asset management foreseen and incurred in the period, changes in the general

assessment assumptions (price of wood and cost of capital) and changes in expectations in relation to the annual model:

AMOUNTS IN EUROS

	2019	2018
<b>Costs of assets management</b>		
Forestry	3,056,784	3,648,331
Structure	4,393,318	4,431,804
Fixed and variable rents	9,798,942	10,765,078
Impairment in Mozambique project	-	(6,969,492)
	<b>17,249,044</b>	<b>11,875,721</b>
<b>Changes in expectations</b>		
Price of wood	267,700	(4,849,200)
Cost-of-capital rate	13,619,600	3,568,300
Variations in other species	1,776,343	(850,935)
Impact of forest fires	(69,105)	(1,793,848)
Other changes in expectations	(11,117,560)	(14,130,720)
	<b>4,476,978</b>	<b>(18,056,403)</b>
	<b>21,726,022</b>	<b>(6,180,682)</b>

As of 31 December 2018, given that there is no active market for eucalyptus wood in Mozambique and the conditions for the beginning of construction of a chip factory have not yet been created, the Group decided to record an impairment related to the fair value of the biological assets

implanted in Zambezia, in the amount of Euros 6,969,492.

As at 31 December 2019 and 2018, biological assets, by species, were detailed as follows:

#### AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Eucalyptus (Portugal)	123,314,343	112,935,412
Pine (Portugal)	4,201,000	4,590,452
Cork oak (Portugal)	3,883,727	1,848,841
Other species (Portugal)	370,771	239,861
	<b>131,769,841</b>	<b>119,614,567</b>

These amounts correspond to Board of Directors' expectation of the volumes to be

extracted from its woodlands in the future, as follows:

#### AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Eucalyptus (Portugal) - Potential future of wood extractions k m <sup>3</sup> ssc	9,330	9,571
Pine (Portugal) - Potential future of wood extractions k ton	325	389
Pine (Portugal) - Potential future of pine extractions k ton	n/a	n/a
Cork Oak (Portugal) - Potential future of cork extractions k @	591	611

Concerning Eucalyptus, the most relevant biological asset in the financial statements, the Group extracted, in 2019, 650.593 m<sup>3</sup>ssc of wood from its owned and explored forests (2018: 596,777 m<sup>3</sup>ssc).

As at 31 December 2019 and 2018 (i), there are no amounts of biological assets whose property is restricted and/or pledged as guarantee for liabilities, nor there are non-reversible commitments related to the acquisition of biological assets, and (ii) there are no government grants related to biological assets recognized in the Group's consolidated financial statements.



#### Accounting policies

The Group's biological assets comprise the forests held for the production of timber, suitable for incorporating in the production of BEKP, mainly eucalyptus, but also include other species like pine or cork oak.

#### FAIR VALUE (LEVEL 3 OF THE IFRS 13 FAIR VALUE HIERARCHY)

When calculating the fair value of forests, the Group used the discounted cash flows method, based on a model developed in house, regularly tested by independent external assessments.

In the model developed, assumptions are considered corresponding to the nature of the assets under evaluation, namely, the development cycle of the different species, the productivity of the forests, the wood sales price (when there is an active market) less the cost of harvesting, the rents of own, leased land, replanting and transport, the costs of planting and maintenance, the cost inherent in leasing the forest land; and the discount rate.

The discount rate corresponds to a market rate without inflation, in a manner consistent with the structure of projections, determined on the basis of the Navigator Company Group's expected rate of return on its forests, which are intended to be sold within the group.

## CONCESSION AREAS

The costs incurred with the site preparation before the first forestation are recorded as property, plant and equipment and depreciated in line with its expected useful lives corresponding to the concession period.

## CHANGE OF ESTIMATES

Changes in estimates of growth, growth period, price, cost and other assumptions are recognised in the income statement as fair value adjustments of biological assets.

## HARVESTING

At the time of harvesting, wood is recognised at fair value less estimated costs since that point until the point of sale, which is the initial cost of the inventory.



## Estimates and judgements

### Assumptions

Assumptions corresponding to the nature of the assets being valued were considered:

- > productivity of forests;
- > wood sales price (when there is an active market) less the cost of harvesting, rents for own and leased land, replanting and transport, planting and maintenance costs, the cost inherent in leasing forest land;
- > discount rate, 2019: 3.73% (2018: 5.01%).  
Note that the group incorporates the fire risk into the model's cash flows. If this risk were incorporated into the discount rate, it would be of 5.24%.

### Sensitivity analysis

The Group takes into account the discount rate used in Portugal and the forward price of wood as the most significant variables.

Changes in the assumptions may imply the appreciation/depreciation of these assets:

## AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>1) Increase of 0.5% in the discount rate in Portugal</b>		
Devaluation of Portugal's forest assets	5,936,000	4,545,000
<b>2) 3% decrease in the forward price</b>		
Devaluation of Portugal's forest assets	9,854,000	8,885,000

## 4 Working Capital

### 4.1 Inventories

#### 4.1.1 INVENTORIES - DETAIL BY NATURE

##### AMOUNTS NET OF ACCUMULATED IMPAIRMENT LOSSES

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Raw Materials	109,028,273	109,522,231
Goods	262,995	304,005
<b>Subtotal (Note 4.1.2)</b>	<b>109,291,268</b>	<b>109,826,236</b>
Finished and semi-finished products	104,159,967	104,746,298
Goods and work in progress	3,507,709	3,378,298
By-products and waste	920,756	4,426,039
<b>Subtotal (Note 4.1.3)</b>	<b>108,588,432</b>	<b>112,550,635</b>
<b>Total</b>	<b>217,879,700</b>	<b>222,376,871</b>

##### INVENTORIES OF FINISHED AND SEMI-FINISHED PRODUCTS - DISTRIBUTION BY GEOGRAPHICAL AREA

AMOUNTS IN EUROS

	31/12/2019	%	31/12/2018	%
Portugal	80,357,520	77.1%	84,546,576	80.7%
Rest of Europe	10,068,303	9.7%	10,123,044	9.7%
USA	13,734,144	13.2%	10,076,678	9.6%
	<b>104,159,967</b>	<b>100.0%</b>	<b>104,746,298</b>	<b>100.0%</b>

The amounts for Portugal include Euro 14,808,269 (2018: Euro 14,857,665) relating to inventories for which invoices have already been issued but whose control has not been transferred to customers.

As at 31 December 2019 and 2018, there are no inventories in which ownership is restricted and/or pledged as collateral for liabilities.

#### 4.1.2 COST OF GOODS SOLD AND MATERIALS CONSUMED IN THE PERIOD

AMOUNTS IN EUROS

	2019	2018
Opening balance	109,826,236	119,979,424
Purchases	715,887,373	811,112,328
Inventory losses (Note 2.3)	(743,290)	(313,778)
Impairment losses (Note 2.3)	456,290	(729,964)
Closing balance	(109,291,268)	(109,826,236)
<b>Cost of goods sold and materials consumed (Note 2.3)</b>	<b>716,135,341</b>	<b>700,242,350</b>

## COSTS OF GOODS AND MATERIALS CONSUMED - DETAIL BY PRODUCT

AMOUNTS IN EUROS

	2019	2018
Wood / Biomass (external acquisitions)	275,127,882	269,642,711
Natural Gas	60,560,257	53,019,167
Other fuels	12,608,301	13,963,208
Water	1,957,186	2,007,219
Chemicals	152,538,773	157,004,037
BEKP Pulp	31,195,631	18,130,167
Pine Pulp	55,787,433	55,395,333
Paper (heavyweight)	6,087,786	7,336,412
Tissue paper - subcontracts	2,098,372	339,307
Consumables / Warehouse material	45,620,112	49,934,597
Packaging material	70,911,987	71,159,411
Other materials	1,641,623	2,310,782
	<b>716,135,341</b>	<b>700,242,350</b>

The cost of wood / biofuel only relates to wood purchases to entities outside the Group, either domestic or foreign. In 2019, there was an increase in the unit cost for acquisition of wood compared to 2018, as a result of the increase in the weight of certified wood (better remunerated) in domestic wood purchased

on the market and the increase in the factory price from the international market, due to the higher cost of transportation and the appreciation of the dollar.

### 4.1.3 VARIATION IN PRODUCTION IN THE PERIOD

AMOUNTS IN EUROS

	2019	2018
Opening balance	(112,550,635)	(67,816,171)
Settlements	(2,217,921)	(7,314,255)
Inventory losses (Note 2.3)	1,767,922	2,879,121
Impairment losses (Note 2.3)	6,343,652	4,387,799
Closing balance	108,588,432	112,550,635
<b>Change in production (Note 2.3)</b>	<b>1,931,449</b>	<b>44,687,130</b>

### 4.1.4 MOVEMENTS IN IMPAIRMENT LOSSES IN INVENTORIES

AMOUNTS IN EUROS

	2019	2018
Opening balance	(5,234,487)	(126,315)
Increases (Note 2.3)	(6,764,519)	(5,118,983)
Reversals (Note 2.2)	877,157	1,221
<b>Impact in profit and loss for the period</b>	<b>(5,887,362)</b>	<b>(5,117,763)</b>
Charge-off	-	9,591
<b>Closing balance</b>	<b>(11,121,848)</b>	<b>(5,234,487)</b>

The impairment losses in inventories registered in 2019 and 2018 are related to adjustments in the stock of UWF and Tissue paper.



## Accounting policies

Inventories are valued in accordance with the following criteria:

### i. Goods and raw materials

Goods and raw, subsidiary and consumable materials are valued at the lower of their purchase cost or their net realisable value. The purchase cost includes ancillary costs and it is determined using the weighted average cost as the valuation method.

### ii. Finished and semi-finished products and work in progress

Finished and intermediate products and work in progress are valued at the lower of their production cost (which includes incorporated raw materials, labour and general manufacturing costs, based on a normal production capacity level) or their net realisable value.

The net realisable value corresponds to the estimated selling price, after deducting estimated completion and selling costs. The difference between production cost and net realisable value, if lower, are recorded as an operational cost.

## 4.2 Receivables and other Assets

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	NON-CURRENT	CURRENT	TOTAL	NON-CURRENT	CURRENT	TOTAL
Trade receivables	-	156,031,342	156,031,342	-	225,803,124	225,803,124
Other receivables - related companies (Note 11.3)	-	522,391	522,391	-	216,059	216,059
State and other public entities	i)	42,175,250	42,175,250	-	65,500,789	65,500,789
Financial incentives receivable	ii)	-	-	-	51,271,101	51,271,101
Department of Commerce (USA)	iii)	25,680,258	4,055,993	29,736,251	-	25,597,410
Enviva <i>Pellets</i> Greenwood, LLC (USA)	iv)	32,489,823	-	32,489,823	33,448,788	-
Accrued income	v)	-	20,047,064	20,047,064	-	19,229,947
Deferred expenses	v)	-	6,706,922	6,706,922	-	5,701,813
Derivative financial instruments (Note 8.2)	-	2,954,495	2,954,495	-	465,825	465,825
Other		608,389	14,915,189	15,523,577	4,122,714	5,062,820
		<b>58,778,469</b>	<b>247,408,647</b>	<b>306,187,116</b>	<b>63,168,912</b>	<b>373,251,478</b>
					<b>373,251,478</b>	<b>436,420,389</b>



The amounts above are net of accumulated impairment losses. Analysis of impairment for receivables is presented in Note 8.1.4 - Credit risk.

i) State and other public entities is detailed as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Value added tax - to recover	10,827,982	14,119,222
Value added tax - reimbursement requests	29,062,417	49,093,762
Amounts pending reimbursement (tax proceedings decided in favour of the group)	2,284,851	2,287,805
	<b>42,175,250</b>	<b>65,500,789</b>

As at 31 December 2019 and 2018, the amount of reimbursement requests comprised the following, by month and by company:

AMOUNTS IN EUROS

	NOV/2019	DEC/2019	TOTAL
The Navigator Company, S.A.	9,422,420	16,371,963	25,794,383
Bosques do Atlântico, S.L.	-	3,268,034	3,268,034
	<b>9,422,420</b>	<b>19,639,997</b>	<b>29,062,417</b>

Up to the date of issuing this report, Euro 9,422,420 of the outstanding amounts as of 31 December 2019, had already been received.

As at 31 December 2018, the amount of reimbursement requests comprised the following, by month and by company:

AMOUNTS IN EUROS

	NOV/2018	DEC/2018	TOTAL
The Navigator Company, S.A.	-	20,408,801	20,408,801
About The Future, S.A.	-	12,301,663	12,301,663
Enerpulp, S.A.	-	10,000,000	10,000,000
Bosques do Atlântico, S.L.	-	5,256,623	5,256,623
Navigator Forest Portugal, S.A.	400,000	-	400,000
Navigator Paper Setúbal, S.A.	-	200,000	200,000
Gavião - Sociedade de Caça e Turismo, S.A.	-	189,272	189,272
Eucaliptusland, S.A.	-	195,612	195,612
Sociedade de Vinhos da Herdade de Espirra, S.A.	-	77,718	77,718
Arboser, S.A.	-	64,073	64,073
	<b>400,000</b>	<b>48,693,762</b>	<b>49,093,762</b>

All these amounts were received during the first semester of 2019.

ii) As of 31 December 2018, the balance included receivables related to the refundable investment subsidy negotiated with AICEP - Euro 42,166,636 (Note 3.5) and financial incentives within the scope of several research and development projects, namely the Inpactus project (Euro 5,585,300) and others (Euro 3,519,165), being expected by the Group that all conditions precedent to its receipt are guaranteed.

iii) As at 31 December 2019 and 2018, the balance corresponds to the amount receivable from the Department of Commerce (USA) following the investigation started in 2005 of alleged dumping of UWF paper exports to the United States of America by the subsidiary Navigator and a definitive rate of 1.75% has been applied in October last for the review period between August 2015 and February 2017. The Group is entitled to this amount because higher rates of 29.53% and 7.8% were applied for the same period. Once the complainants took action over the

settling of the 1.75% rate, it is expected that the reimbursement will occur more than 12 months after the balance sheet date, which is the reason why this amount was reclassified, to non-current assets.

The current balance corresponds to the amount to be reimbursed for the second period of review, from March 2018 to February 2019. Following the audit performed last August by the Department of Commerce, the rate was set at 4.37%. The complainants did not appeal against this decision and it is expected that the corresponding amount of Euro 4,055,993 will be reimbursed shortly.

iv) Reflects the present value of the amount still to be received from the sale of the pellet business (Note 2.2). The nominal receivable shall bear interest at the rate of 2.5% (Note 5.11).

v) Accrued income and deferred costs are detailed as follows:

	31/12/2019	31/12/2018
<b>Accrued income</b>		
Interest receivable	766,223	2,139,566
Energy sales	13,286,097	15,981,121
Insurance compensation	5,750,000	-
Other	244,744	1,109,260
	<b>20,047,064</b>	<b>19,229,947</b>
<b>Deferred expenses</b>		
Insurance	962,664	1,396,919
Rentals	5,647,010	4,127,809
Other	97,249	177,085
	<b>6,706,922</b>	<b>5,701,813</b>
	<b>26,753,987</b>	<b>24,931,760</b>



## Accounting policies

### Trade receivables and other debtors

#### CLASSIFICATION

Trade receivables balances result from the Group's main activities and the business model followed is the collection of contractual cash flows.

Balances from other debtors generally assume the business model of collecting contractual cash flows.

#### INITIAL MEASUREMENT

At fair value.

#### SUBSEQUENT MEASUREMENT

At amortised cost, net of impairment losses.

#### IMPAIRMENT FROM TRADE RECEIVABLES

Impairment losses are recorded based on the simplified model established in IFRS 9, recognizing the expected losses up to maturity. The expected losses are determined on the basis of the experience of historical actual losses over a statistically significant period and representative of the specific characteristics of the underlying credit risk (Note 8.14).

#### IMPAIRMENT FROM OTHER DEBTORS

Impairment losses are recorded on the basis of the general estimated credit loss model of IFRS 9.

## 4.3 Payables and Other Liabilities

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Suppliers	190,975,113	182,788,815
Fixed assets suppliers	5,311,674	6,185,960
State and other public entities	19,928,405	46,558,148
Related Parties (Note 11.3)	4,573,854	2,656,988
Other creditors - CO <sub>2</sub> emission allowances	15,785,183	11,283,965
Fiscal consolidation (Semapa) (Note 10.4 and 11.3)	6,586,968	8,992,798
Shareholders	99,138,920	-
Other creditors (Note 5.4)	3,217,199	9,930,930
Derivative financial instruments (Note 8.2)	6,734,952	4,826,363
Payroll accrued expenses	24,605,696	42,353,077
Accrued expenses - interest payable	5,118,502	3,241,812
Wood suppliers bonus	5,846,301	8,340,388
Water resources rate	2,456,998	2,414,504
Rents liabilities	10,912,663	8,624,589
Other accrued expenses	8,514,362	6,424,535
Non-reimbursable grants	16,490,647	21,811,041
Other deferred income - ISP	-	3,924,802
<b>Payables and other current liabilities</b>	<b>426,197,436</b>	<b>370,358,719</b>
Non-reimbursable grants	30,837,585	41,997,203
Refundable grants	-	40,327,202
Other amounts payable	-	-
<b>Payables and other non-current liabilities</b>	<b>30,837,585</b>	<b>82,324,405</b>
	<b>457,035,019</b>	<b>452,683,124</b>

At the General Extraordinary Meeting of 20 December 2019, The Navigator Company S.A. decided on the payment of free reserves to be distributed to shareholders, as from 9 January 2020, depending on the shares held, see Note 5.2., in the amount of Euro 99,138,920.

The decrease in Payroll accrued expenses is due to the fact that in 2019 no accrual for employee bonuses was made because the EBITDA target for 2019 was not achieved.

## STATE AND OTHER PUBLIC ENTITIES - DETAILS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Personal Income Tax withhold (IRS)	1,881,895	2,332,455
Value added tax	15,062,932	41,832,900
Social security contributions	2,319,890	2,271,807
Other	663,688	120,986
	<b>19,928,405</b>	<b>46,558,148</b>

As at 31 December 2019 and 2018, there were no overdue debts to the State.

## NON-REIMBURSABLE GRANTS - DETAILS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Investment grants (Note 3.5)	11,938,987	14,594,285
Grants - CO <sub>2</sub> emission allowances (Note 3.2)	-	-
Other grants	4,551,660	7,216,756
<b>Non-reimbursable grants - current</b>	<b>16,490,647</b>	<b>21,811,041</b>
Investment grants (Note 3.5)	30,837,585	41,997,203
<b>Non-reimbursable grants - non-current</b>	<b>30,837,585</b>	<b>41,997,203</b>
	<b>47,328,232</b>	<b>63,808,244</b>



### Accounting policies

Trade payables and other current liabilities are initially recorded at their fair value and subsequently at amortised cost.

## 5 Capital Structure

### 5.1 Capital Management

#### CAPITAL MANAGEMENT POLICY

For capital management purposes, the Group defines capital as including equity and net debt.

The Group's objectives in relation to capital management are:

- i. To safeguard its ability to continue in business and thus provide returns for shareholders and benefits for its remaining stakeholders;
- ii. To keep a solid capital structure to support the growth of its business; and
- iii. To maintain an optimal capital structure that enables it to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Group can adjust the amount of dividends payable to its shareholders, return capital to its shareholders, issue new shares or sell assets to lower its borrowings.

In line with the sector, the Group monitors its capital based on the gearing ratio, defined as the proportion between net debt and total capital.

Net interest-bearing debt is calculated by adding the total amount of loans (including the current and non-current portions

as disclosed in the Statement of financial position) and deducting all cash and cash equivalents. Total equity is calculated by adding shareholders' equity (as shown in the Statement of financial position), to interest-bearing net debt, and excluding treasury shares and non-controlling interests.

The Group calculates the gearing ratio as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Loans obtained (Note 5.7)	877 131 386	763 830 678
Cash and cash equivalents (Note 5.9)	(161 880 403)	(80 859 784)
<b>Net debt</b>	<b>715 250 983</b>	<b>682 970 895</b>
Equity	1 027 419 095	1 186 617 421
Treasury shares (Note 5.2)	20 189 264	2 317 915
Non-controlling interests (Note 5.6)	(273 817)	(204 263)
<b>Equity, except for treasury shares and non-controlling interests</b>	<b>1 047 334 542</b>	<b>1 188 731 073</b>
<b>Total Equity</b>	<b>1 762 585 525</b>	<b>1 871 701 967</b>
<b>Gearing</b>	<b>40,58%</b>	<b>36,49%</b>

## 5.2 Share Capital and Treasury Shares

### Navigator's shareholders

The Navigator Company is a public company with its shares quoted on the Euronext Lisbon.

As of 31 December 2019, The Navigator Company's share capital of Euro 500,000,000 was fully subscribed and paid for being represented by 717,500,000 shares without nominal value.

At the General Meeting held on 22 September 2017, a reduction of the Company's share capital from Euro 717,500,000 to Euro 500,000,000 was approved, maintaining the number of shares representing the company's share capital and for the purpose of releasing excess capital, transferring to free reserves the amount of the capital released.

As at 31 December 2019 and 2018, the shareholders with qualified shareholdings in the Company's capital were as follows:

AMOUNTS IN EUROS

DESIGNATION	31/12/2019		31/12/2018	
	NO. OF SHARES	%	NO. OF SHARES	%
Shares without nominal value				
Seinpar Investments, BV	241,583,015	33.67%	241,583,015	33.67%
Semapa, SGPS, S.A.	256,034,284	35.68%	256,033,284	35.68%
Other entities Semapa Group	-	0.00%	1,000	0.00%
Treasury shares	6,316,931	0.88%	864,049	0.12%
Remaining shareholders	213,565,770	29.77%	219,018,652	30.53%
	<b>717,500,000</b>	<b>100%</b>	<b>717,500,000</b>	<b>100%</b>

## TREASURY SHARES - MOVEMENTS

	31/12/2019		31/12/2018	
	NO. OF SHARES	BOOK VALUE (EURO)	NO. OF SHARES	BOOK VALUE (EURO)
Treasury shares held at the beginning of the period	864,049	2,317,915	489,973	1,002,084
Acquisition of treasury shares	5,452,882	17,871,349	374,076	1,315,831
Disposals for the period	-	-	-	-
<b>Treasury shares at the end of the period</b>	<b>6,316,931</b>	<b>20,189,264</b>	<b>864,049</b>	<b>2,317,915</b>

These shares were mainly acquired during 2008 and 2012 as well as in 2018 and 2019, and the changes in the period were as follows:

AMOUNTS IN EUROS

	2019		2018	
	QUANTITY	AMOUNT	QUANTITY	AMOUNT
<b>Treasury shares held in January</b>	<b>864,049</b>	<b>2,317,915</b>	<b>489,973</b>	<b>1,002,084</b>
Acquisitions				
January	880,882	3,311,967	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	2,523,835	8,460,107	-	-
June	586,677	1,887,454	-	-
July	-	-	-	-
August	1,441,488	4,090,544	-	-
September	20,000	121,277	-	-
October	-	-	-	-
November	-	-	-	-
December	-	-	374,076	1,315,831
	<b>5,452,882</b>	<b>17,871,349</b>	<b>374,076</b>	<b>1,315,831</b>
<b>Treasury shares held in December</b>	<b>6,316,931</b>	<b>20,189,264</b>	<b>864,049</b>	<b>2,317,915</b>

Treasury shares are stated at acquisition cost.

The market value of the treasury shares held on 31 December 2019 amounted to Euro 22,665,148 (31 December 2018: Euro 3,110,576), corresponding to a unit value of Euro 3.588 (31 December 2018: Euro 3.60) and the market capitalisation of the Company at this date amounted to Euro 2,574,390,000 (2018: Euro 2,583,000,000) compared to an equity, net of non-controlling interests, of Euro 1,027,145,277 (2018: 1,186,413,158).



### Accounting policies

Ordinary shares are classified in shareholders' equity.

Costs directly attributable to the issue of new shares or other equity instruments are reported as a deduction, net of taxes, from the proceeds of the issue.

Costs directly attributable to the issue of new shares or options for the acquisition of a new business are deducted from the amount issued.

When any Group company acquires shares of the parent company (treasury shares), the payment, which includes directly-attributable incremental costs (net of taxes), is deducted from the shareholders' equity attributable to the holders of the parent company's capital until such time the shares are cancelled, reissued or sold.

When such shares are subsequently disposed or reissued, any proceeds, net of the directly attributable transaction costs and taxes, is directly reflected in the shareholders' equity and not in profit and loss for the period.

## 5.3 Earnings per Share

	2019	2018
Profit attributable to Navigator shareholders (Euro)	168,290,315	225,135,403
Total number of shares issued	717,500,000	717,500,000
Average treasury shares held for the period	(4,375,336)	(521,146)
<b>Weighted average number of shares</b>	<b>713,124,664</b>	<b>716,978,854</b>
<b>Basic earnings per share (Euro)</b>	<b>0.236</b>	<b>0.314</b>
<b>Diluted earnings per share (Euro)</b>	<b>0.236</b>	<b>0.314</b>



### Accounting policies

The basic earnings per share are determined based on the division of profits or losses attributable to the ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the Company adjusts the profits or losses attributable to ordinary equity holders, as well as the weighted average number of outstanding shares for the purposes of all potential dilutive common shares.

## 5.4 Dividends

### DIVIDENDS DISTRIBUTED IN THE PERIOD

AMOUNTS IN EUROS

	AMOUNT APPROVED	DIVIDENDS PER SHARE (EURO)
<b>Distributions in 2018</b>		
Dividends paid regarding 2017 profits	170,003,077	0.237
<b>Distributions in 2019</b>		
Dividends paid regarding 2018 profits	200,003,439	0.279
Distribution of free reserves	99,138,920	0.139



### Accounting policies

The distribution of dividends to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the

shareholders at the General Meeting and up until the time of their payment or, in the case of anticipated distributions, when approved by the Board of Directors.

## 5.5 Reserves and Retained Earnings

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Currency translation reserve	(18,728,949)	(20,575,294)
Fair value reserves	(6,384,412)	(5,633,483)
Legal reserve	100,000,000	100,000,000
Other reserves	98,153,331	197,292,250
Retained earnings	206,004,258	192,512,197
<b>Reserves and retained earnings</b>	<b>379,044,228</b>	<b>463,595,670</b>

## CURRENCY TRANSLATION RESERVE - DETAILS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Navigator North America (USD)	(2,145,684)	(2,218,047)
Navigator Switzerland (CHF)	-	(497,240)
Navigator Paper Mexico (MXN)	(33,265)	(30,964)
Navigator Rus Company, LLC (RUB)	(12,161)	(21,425)
Navigator Middle East Trading DMCC (AED)	(11,304)	(11,729)
Navigator Paper Company UK (GBP)	(398,253)	5,528
Navigator Eurasia (TYR)	799	799
Navigator Afrique du Nord (MAD)	395	395
Navigator Paper Poland (PLN)	(2,863)	(2,863)
Portucel Moçambique (MZM)	(16,126,613)	(17,799,748)
	<b>(18,728,949)</b>	<b>(20,575,294)</b>

## FAIR VALUE RESERVES - DETAILS

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	GROSS AMOUNT	TAX	NET AMOUNT	GROSS AMOUNT	TAX	NET AMOUNT
Interest rate risk hedging	(5,920,276)	1,628,076	(4,292,200)	(4,840,967)	1,331,266	(3,509,701)
Foreign exchange hedging	26,013	(7,153)	18,860	(17,532)	4,822	(12,710)
Foreign exchange hedging - Navigator North America	(2,911,823)	800,751	(2,111,072)	(2,911,823)	800,751	(2,111,072)
	<b>(8,806,086)</b>	<b>2,421,674</b>	<b>(6,384,412)</b>	<b>(7,770,322)</b>	<b>2,136,839</b>	<b>(5,633,483)</b>

## FAIR VALUE RESERVES - MOVEMENTS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Opening balance</b>	<b>(5,633,483)</b>	<b>(3,020,990)</b>
Change in fair value of derivative financial instruments (Note 8.2)	(1,035,764)	3,603,439
Deferred tax	284,835	(887,000)
Reclassification to the income statement of derivative financial instruments due to maturity (Note 5.11)	-	(5,328,932)
<b>Closing balance</b>	<b>(6,384,412)</b>	<b>(5,633,483)</b>



### Accounting policies

#### Fair value reserves

It corresponds to the accumulated change in fair value of derivative financial instruments classified as hedging instruments (Note 8.2), net of deferred taxes.

Changes relating to derivatives are reclassified to profit or loss for the period (Note 5.11) as the hedged instruments affect profit or loss for the period. The change in fair value of financial investments recorded under this item is not recycled to profit and loss.

#### Currency exchange reserve

The currency translation reserve corresponds to the accumulated amount related to the settlement by the Group of the exchange rate differences resulting from the translation of the financial statements of the subsidiaries operating outside the Euro zone.

#### Legal reserve

The Portuguese Commercial Companies Code (Código das Sociedades Comerciais) establishes that at least 5% of the annual net profit must be used to increase the legal reserve until it represents at least 20% of the capital. This reserve cannot be distributed unless Navigator is liquidated but can be drawn on to absorb losses, after other reserves are exhausted, or incorporated in the share capital.

The legal reserve is constituted by its maximum amount in the periods presented.

#### Other reserves and retained earnings

This balance corresponds to reserves available for distribution to shareholders that were constituted through the appropriation of prior period's profits and other movements. The portion of the balance corresponding to the acquisition value of treasury shares held is not available for distribution (Note 5.2).

## 5.6 Non-Controlling Interests

### NON-CONTROLLING INTERESTS BY SUBSIDIARY

AMOUNTS IN EUROS

	% HELD	EQUITY		NET PROFIT	
		31/12/2019	31/12/2018	2019	2018
RAIZ - INSTITUTO DE INVESTIGAÇÃO DA FLORESTA E PAPEL	3.00%	273,817	204,263	(1,129)	1,915
Portucel Moçambique	90.02%	-	-	-	-
		<b>273,817</b>	<b>204,263</b>	<b>(1,129)</b>	<b>1,915</b>

Non-controlling interests are related to RAÍZ - Instituto de Investigação da Florestal e Papel, where the Group owns 97% of the capital and voting rights. The remaining 3% are owned by external shareholders.

In 2014, the Group signed agreements with the International Finance Corporation (IFC) for the entry of this institution into the share capital of the subsidiary Portucel Moçambique, S.A., thus ensuring the construction phase of the Group's forestry project in Mozambique. In 2015, this company performed a capital increase from MZM 1 000 million to MZM 1,680,798 million subscribing MZM 332,798 million corresponding to 19.98% of the share capital at that date.

As at February 2019 occurred a reduction of the subscribed, underwritten and paid-up capital of the shareholder The Navigator Company, S.A. to 456,596,000

meticais, which reflect 90.02% of the Company's share capital, and the participation of the IFC was reviewed to 50,620,000 meticais, which reflect 9.98% of the Portucel Moçambique's share capital.

The surplus of the share capital reduction previously owned by The Navigator Company, S.A., of 891,404,000 meticais was used to offset negative retained earnings. The differential between the 332,798,000 meticais previously subscribed by IFC and the 50,620,000 meticais which were paid in February 2019 were included in the share capital of Portucel Moçambique, as share premium.

As at the reporting date, there are no protection rights of non-controlling interests that significantly restrict the entity's ability to access or use assets and settle liabilities of the Group.

### MOVEMENTS IN NON-CONTROLLING INTERESTS

AMOUNTS IN EUROS

	2019	2018
<b>Opening balance</b>	<b>204,263</b>	<b>420,277</b>
Net profit for the period	(1,129)	1,915
Other comprehensive income	70,683	(217,929)
<b>Closing balance</b>	<b>273,817</b>	<b>204,263</b>

## 5.7 Loans

AMOUNTS IN EUROS

	31/12/19			31/12/18		
	NON CURRENT	CURRENT	TOTAL	NON CURRENT	CURRENT	TOTAL
Bond loans	445,000,000	-	445,000,000	345,000,000	-	345,000,000
Commercial paper	295,000,000	-	295,000,000	245,000,000	100,000,000	345,000,000
Bank loans	90,833,334	13,194,444	104,027,778	64,027,778	11,805,556	75,833,334
Charges with bond issuances	(3,052,386)	-	(3,052,386)	(2,002,656)	-	(2,002,656)
Refundable grants	39,331,496	-	39,331,496	-	-	-
Deferrals	(3,175,502)	-	(3,175,502)	-	-	-
<b>Debt securities and bank debt</b>	<b>863,936,941</b>	<b>13,194,444</b>	<b>877,131,386</b>	<b>652,025,122</b>	<b>111,805,556</b>	<b>763,830,678</b>
Average interest rate (Note 5.11), considering charges for annual fees and hedging operations			1.7%			1.6%

During 2019, loans were renegotiated, resulting in two commercial paper programmes of Euro 75,000,000 with underwriting in 2026 and of Euro 175,000,000 with underwriting in 2026 and a bond loan of Euro 50,000,000 with maturity in 2026. Additionally, a new bond loan of Euro 50 000 000 with maturity in 2025 was contracted. In addition to the contracting of those loans, the EIB's financing for the Figueira da Foz project was disbursed in the amount of Euro 40,000,000 maturing in 2029.

The refundable grants include incentives from AICEP - Agência para o Investimento e Comércio Externo de Portugal, within the scope of several research and development projects, which includes the

incentive under the investment agreement signed with Navigator Tissue Aveiro, S.A. Group's subsidiary, for the construction of the new tissue plant in Aveiro. This agreement comprises a financial incentive in the form of a refundable incentive, up to a maximum amount of Euro 42,166,636, without interest payment, with a grace period of two years and with the last repayment happening in 2027.



*Analysis of loans obtained by maturity is presented in Note 8.1.3 - Liquidity risk.*

## LOANS OBTAINED - DETAILS

AMOUNTS IN EUROS

	31/12/2019						
	AMOUNT	OUTSTANDING AMOUNT	DUE DATE	INTEREST RATE	CURRENT	NON CURRENT	
<b>Bond loans</b>							
Navigator 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000	
Navigator 2016-2021	100,000,000	100,000,000	April 2021	Fixed rate	-	100,000,000	
Navigator 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	-	45,000,000	
Navigator 2019-2026	50,000,000	50,000,000	January 2026	Fixed rate	-	50,000,000	
Navigator 2019-2025	50,000,000	50,000,000	March 2025	Variable rate indexed to Euribor	-	50,000,000	
Fees	-	(3,052,386)			-	(3,052,386)	
<b>European Investment Bank</b>							
Loan BEI Ambiente B	5,000,000	5,000,000	June 2021	Variable rate indexed to Euribor	3,333,333	1,666,667	
Loan BEI Energia	35,416,667	35,416,667	December 2024	Variable rate indexed to Euribor	7,083,333	28,333,333	
Loan BEI Cacia	23,611,111	23,611,111	May 2028	Fixed rate	2,777,778	20,833,333	
Loan BEI Figueira	40,000,000	40,000,000	February 2029	-	-	40,000,000	
<b>Commercial Paper Program</b>							
Commercial Paper Program 175M	175,000,000	175,000,000	February 2026	Fixed rate	-	175,000,000	
Commercial Paper Program 70M	70,000,000	70,000,000	April 2021	Fixed rate	-	70,000,000	
Commercial Paper Program 65M	65,000,000	50,000,000	February 2026	Variable rate indexed to Euribor	-	50,000,000	
Commercial Paper Program 75M	75,000,000	-	July 2026	Variable rate indexed to Euribor	-	-	
<b>Refundable grants</b>							
AICEP	39,331,496	39,331,496	November 2027	Fixed rate	-	39,331,496	
Deferrals	-	(3,175,502)			-	(3,175,502)	
<b>Bank credit lines</b>							
Short-term line 20M	20,450,714	-			-	-	
		<b>877,131,386</b>			<b>13,194,444</b>	<b>863,936,941</b>	

AMOUNTS IN EUROS

	31/12/2018						
	AMOUNT	OUTSTANDING AMOUNT	DUE DATE	INTEREST RATE	CURRENT	NON CURRENT	
<b>Bond loans</b>							
Navigator 2015-2023	200,000,000	200,000,000	September 2023	Variable rate indexed to Euribor	-	200,000,000	
Navigator 2016-2021	100,000,000	100,000,000	April 2021	Fixed rate	-	100,000,000	
Navigator 2016-2021	45,000,000	45,000,000	August 2021	Variable rate indexed to Euribor	-	45,000,000	
Fees	-	(1,495,701)			-	(1,495,701)	
<b>European Investment Bank</b>							
Loan BEI Ambiente B	-	-	-	-	-	-	
Loan BEI Ambiente B	8,333,334	8,333,334	June 2021	Variable rate indexed to Euribor	3,333,334	5,000,000	
Loan BEI Energia	42,500,000	42,500,000	December 2024	Variable rate indexed to Euribor	7,083,333	35,416,667	
Loan BEI Cacia	25,000,000	25,000,000	May 2028	Fixed rate	1,388,889	23,611,111	
Loan BEI Figueira	40,000,000	-	February 2029	-	-	-	
<b>Commercial Paper Program</b>							
Commercial Paper Program 125M	125,000,000	125,000,000	May 2020	Variable rate indexed to Euribor	-	125,000,000	
Commercial Paper Program 70M	70,000,000	70,000,000	April 2021	Fixed rate	-	70,000,000	
Commercial Paper Program 50M	50,000,000	50,000,000	July 2020	Variable rate indexed to Euribor	-	50,000,000	
Commercial Paper Program 75M	75,000,000	-	July 2020	Variable rate indexed to Euribor	-	-	
Commercial Paper Program 100M	100,000,000	-	March 2020	Variable rate indexed to Euribor	-	-	
Commercial Paper Program 35M	35,000,000	35,000,000	January 2019	Variable rate indexed to Euribor	35,000,000	-	
Commercial Paper Program 35M	35,000,000	35,000,000	January 2019	Variable rate indexed to Euribor	35,000,000	-	
Commercial Paper Program 30M	30,000,000	30,000,000	January 2019	Variable rate indexed to Euribor	30,000,000	-	
Fees	-	(506,955)			-	(506,955)	
<b>Bank credit lines</b>							
Short-term line 20M	20,450,714	-			-	-	
		<b>763,830,678</b>			<b>111,805,556</b>	<b>652,025,122</b>	

Like 2018, in 2019 The Navigator Company has continued to place short-term commercial paper issues on an auction basis.

The reimbursement terms for the loans recorded as non-current are detailed as follows:

As of 31 December 2019, the average cost of debt, considering interest rate, the annual fees and hedging operations, was 1.7% (31 December 2018: 1.6%).

#### AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Non-current		
1 to 2 years	226,527,778	188,194,445
2 to 3 years	51,679,254	226,527,778
3 to 4 years	295,294,397	9,861,111
4 to 5 years	95,294,397	209,861,111
More than 5 years	201,369,003	19,583,333
	<b>870,164,829</b>	<b>654,027,778</b>
Fees	(6,227,888)	(2,002,656)
	<b>863,936,941</b>	<b>652,025,122</b>

As of 31 December 2019, the Group had Commercial Paper programmes and credit lines available, but not used, in the amount of Euro 110,450,714 (31 December 2018: Euro 195,450,714).

The fair value of the bond loans, considering the date and respective contractual conditions, determined according to level 2 of the fair value hierarchy, does not differ substantially from the reported book value.

## FINANCIAL COVENANTS IN FORCE

RATIO	DEFINITION	LOANS	LIMIT
Interest coverage	EBITDA 12M / Annual net interest	Bank	$\geq 4.5 - 5.5$
Indebtedness	Interest-bearing debt / EBITDA 12M	Bank	$\leq 4.5$
Shareholder's equity ratio			
Net Debt / EBITDA	(Interest-bearing debt - Cash) / EBITDA 12M	Bank Commercial Paper Bonds	$\leq 4.0$ $\leq 4.0 - 5.0$ $\leq 4.0$

Based on the financial statements presented in this report, these ratios were as follows as at 31 December 2019 and 2018:

RATIO	31/12/2019	31/12/2018
Interest coverage	46.49	64.98
Indebtedness	2.36	1.68
Net Debt / EBITDA	1.92	1.50

Given the contractual limits, in 2019 and 2018 the Group is in compliance with the covenants negotiated. As at 31 December 2019 and 31 December 2018, the Navigator Company presents a minimum safety margin above 100% on the fulfilment of its covenants.

In calculating the above ratios the effect of IFRS 16 was excluded.



## Accounting policies

Loans granted include Bonds, Commercial Paper, bank loans and other financing.

### INITIAL MEASUREMENT

At fair value, net of transaction costs incurred.

### SUBSEQUENT MEASUREMENT

At amortised cost, using the effective interest rate.

The difference between the reimbursement amount and the initial measurement amount is recorded in the Income statement over the debt period under "Interest paid on borrowings" under Note 5.11 - Net Financial Results.

### FAIR VALUE

The carrying amount of short-term or contracted loans at variable interest rates approximates their fair value.

The fair value of fixed interest granted loans is disclosed in Note 8.3 - Financial assets and liabilities.

### PRESENTATION

As a current liability, except when the Navigator Company Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.



## Estimates and judgements

### Commercial paper

The Group has several commercial paper programmes negotiated, with which it is frequent to make issues with contractual maturity of less than one year but with a revolving nature. Where the Group expects to roll over these loans, it presents them as non-current liabilities.

## 5.8 Lease Liabilities

## LEASE LIABILITIES - DETAIL AS OF 31 DECEMBER 2019

AMOUNTS IN EUROS

	31/12/2019		
	MATURING RENTS	INTEREST ON LIABILITIES	PRESENT VALUE OF LIABILITIES
Less than 1 year	2,734,225	1,662,746	4,396,971
1 to 2 years	2,156,930	1,541,515	3,698,445
2 to 3 years	1,626,218	1,431,399	3,057,617
3 to 4 years	1,341,681	1,329,742	2,671,423
4 to 5 years	1,336,559	1,232,720	2,569,279
More than 5 years	21,823,025	8,631,036	30,454,062
<b>Present value of liabilities</b>	<b>31,018,639</b>	<b>15,829,158</b>	<b>46,847,797</b>



The analysis of maturity for lease liabilities is presented in Note 8.1.3 - Liquidity risk.



## Accounting policies

At the start date of the lease, the Group recognises lease liabilities measured at the present value of future lease payments, which include fixed payments less lease incentives, variable lease payments, and amounts expected to be paid as residual value. Lease payments also include the exercise price of call or renewal options reasonably certain to be exercised by the Group or lease termination penalty payments if the lease term reflects the Group's option to terminate the agreement.

In calculating the present value of future lease payments, the Group uses an incremental financing rate if the implied interest rate on the lease transaction is not easily determinable.

Subsequently, the value of the lease liabilities is increased by the interest amount (Note 5.11 Net Financial Results) and decreased by the lease payments.

## 5.9 Cash and Cash Equivalents

### AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Cash	39,818	49,393
Short-term bank deposits	120,620,841	38,273,375
Other short-term investments	41,219,744	42,537,016
	<b>161,880,403</b>	<b>80,859,784</b>

In 2019 and 2018, the amount presented under Other short terms investments corresponds to amounts invested by Navigator in a portfolio of short-term, highly liquid financial assets and issuers with adequate ratings.

As at 31 December 2019 and 2018, there are no significant balances of cash and cash equivalents that are subject to restrictions on use by the Group.



## Accounting policies

Cash and cash equivalents includes cash, bank accounts and other short-term investments with an initial maturity of up to 3 months, which can be mobilised immediately without any significant risk in value fluctuations.

For cash flow statement purposes, this caption also includes bank overdrafts, which are presented in the consolidated statement of financial position as a current liability, under the caption Loans obtained (Note 5.7).

## 5.10 Cash Flows from Financing Activities

### CHANGES IN LIABILITIES FROM GROUP FINANCING ACTIVITIES

#### AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Balance as at 1 January	<b>763,830,678</b>	<b>818,057,471</b>
Payment of loans	(301,805,556)	(150,205,591)
Receipt of loans received	380,000,000	100,000,000
Reimbursable grants	39,331,496	(4,237,694)
Change in charge with the issuance of loans	(4,225,233)	216,493
<b>Movements in interest-bearing debt</b>	<b>113,300,708</b>	<b>(54,226,793)</b>
<b>Interest-bearing gross debt</b>	<b>877,131,386</b>	<b>763,830,678</b>

## 5.11 Net Financial Results

AMOUNTS IN EUROS

	2019	2018
Interest paid on debt securities and bank debts (Note 5.7)	(10,599,644)	(7,871,768)
Commissions on loans and expenses with credit openings	(3,379,256)	(3,376,407)
<b>Interest paid using the effective interest method</b>	<b>(13,978,900)</b>	<b>(11,248,175)</b>
Interest paid on lease liabilities (Note 5.8)	(1,769,771)	-
<b>Financial expenses related to the Group's capital structure</b>	<b>(15,748,671)</b>	<b>(11,248,175)</b>
Favourable exchange rate differences	(692,844)	-
Losses on foreign exchange hedging derivatives (Note 8.2)	(751,368)	(3,057,893)
Losses on financial instruments - interest rate hedging (Note 8.2)	(1,909,921)	(2,271,039)
Losses on financial instruments - trading (Note 8.2)	-	(983,693)
Accrual for option premiums	(2,265,571)	(2,072,320)
Losses on compensatory interest	(527,743)	(779,762)
Other expenses and financial losses	-	(4,031,070)
<b>Financial expenses and losses</b>	<b>(21,896,117)</b>	<b>(24,443,953)</b>
Interest earned on financial assets at amortised cost (Note 4.2)	2,595,218	866,218
Favourable exchange rate differences	-	139,957
Gains on financial instruments - hedging (Note 8.2)	-	875,067
Gains on financial instruments - trading (Note 8.2)	394,175	-
Gains on compensatory interest	-	46,286
Other income and financial gains	-	28,799
<b>Financial income and gains</b>	<b>2,989,393</b>	<b>1,956,327</b>
<b>Net financial results</b>	<b>(18,906,724)</b>	<b>(22,487,626)</b>

Financial results show an improvement of Euro 3.6 million to a negative Euro 18.9 million (vs. negative Euro 22.5 million), having been positively impacted by the change in results of surplus liquidity investments (which in 2018 were negative) and by the change in interests over the amount of \$ 42.5 million still to be received from the sale of the pellet business in 2018.

In addition to the interest received on this debt, this amount also includes the variation in the calculation of the present value of receivables. The result of foreign exchange operations, although negative, recorded a positive variation of Euro 1.5 million during the period.

In the opposite direction, the result of financing operations recorded an increase essentially due to a higher average debt in the period and the implementation of IFRS 16, which had a negative impact of Euro 1.8 million.

Other financial expenses and losses included, in 2018, Euro 2,404,116 regarding the recognition of the difference between the nominal amount and the present amount to be received in respect of the sale of the pellets business (currently USD 42.5 million). The nominal receivable shall bear interest at the rate of 2.5%.



### Accounting policies

The Group classifies as “Financial income” the income and gains arising from treasury management activities such as: i) interest income from excess treasury; and ii) changes in the fair value of derivative financial instruments negotiated to hedge interest and exchange rate risks on loans, regardless of the formal designation of the hedge.

## 6 Income Tax

### 6.1 Income Tax for The Period

#### 6.1.1 TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

AMOUNTS IN EUROS

	2019	2018
Current tax	21,955,869	(72,039,659)
Change in uncertain tax positions in the period	(31,099,933)	827,004
Deferred tax (Note 6.2)	55,539,871	15,677,663
	<b>46,395,807</b>	<b>(55,534,992)</b>

As of 31 December 2019, current tax includes Euro 18,146,979 (31 December 2018: Euro 67,611,049) regarding the liability generated under the aggregated income tax of The Navigator Company, S.A..

In 2019 the item “Change in uncertain tax positions in the period” reflects the favourable outcome of some proceedings regarding matters with high uncertainty.

#### Nominal tax rate

In the periods presented, the Group considers a nominal tax rate in Portugal of 27.5%, resulting from the tax legislation as follows:

	2019	2018
Portugal		
Nominal income tax rate	21.0%	21.0%
Municipal surcharge	1.5%	1.5%
	<b>22.5%</b>	<b>22.5%</b>
Municipal surcharge - on the share of taxable profits between Euro 1,500,000 and Euro 7,500,000	3.0%	3.0%
Municipal surcharge - on the share of taxable profits between Euro 7,500,000 and Euro 35,000,000	5.0%	5.0%
Municipal surcharge - on the share of taxable profits above Euro 35,000,000	9.0%	9.0%

## RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE FOR THE PERIOD

AMOUNTS IN EUROS

	2019	2018
Profit before income tax	214,684,993	280,672,310
Expected tax at nominal rate (21%)	45,083,849	58,941,186
Municipal surcharge (2019: 0.66%; 2018: 1.38%)	1,416,969	3,879,385
State surcharge ( 2019: 1.30%; 2018: 4.88%)	2,784,608	13,683,036
<b>Income tax resulting from the applicable tax rate</b>	<b>49,285,426</b>	<b>76,503,607</b>
<b>Nominal tax rate for the period</b>	<b>22.96%</b>	<b>27.26%</b>
Differences (a)	8,347,264	(11,155,691)
Excess of income tax estimate	(8,107,208)	(9,812,925)
Tax benefits	(3,129,675)	-
	<b>46,395,807</b>	<b>55,534,992</b>
<b>Effective tax rate</b>	<b>21.61%</b>	<b>19.79%</b>

(a) This amount concerns mainly :

	2019	2018
Gains / (losses) for tax purposes	(35,263)	51,493,486
Gains / (losses) for accounting purposes	(122,516)	(122,241,014)
Taxable provisions and impairment	41,549,256	44,288,058
Tax benefits	(6,412,215)	(5,936,644)
Post-employment benefits	(15,987,145)	(12,493,829)
Other	11,361,569	4,323,793
	<b>30,353,686</b>	<b>(40,566,150)</b>
<b>Tax effect (27,5%)</b>	<b>8,347,264</b>	<b>(11,155,691)</b>

### 6.1.2 INCOME TAX RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Asset</b>		
Corporate Income tax	17,947,083	-
Amounts pending reimbursement (tax proceedings decided in favour of the group)	7,198,086	14,250,641
	<b>25,145,169</b>	<b>14,250,641</b>
<b>Liability</b>		
Corporate Income tax	-	31,939,851
Additional tax liabilities	36,228,728	12,277,050
	<b>36,228,728</b>	<b>44,216,901</b>

### BREAKDOWN OF CORPORATE INCOME TAX - CIT (NET)

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Income tax for the period	21,955,869	72,039,659
Payments on account, special and additional on account	(39,772,213)	(39,807,135)
Withholding tax to be recovered	(674,207)	(22,886)
Other receivables / payables	543,468	(269,786)
	<b>(17,947,083)</b>	<b>31,939,851</b>

## AMOUNTS PENDING REIMBURSEMENT

AMOUNTS IN EUROS

	2019	2018
2013 corporate income tax (RETGS)	1,273,038	8,715,786
2012 corporate income tax - Proceeding 727/2016	4,422,958	4,422,958
Other	1,502,090	1,111,897
	<b>7,198,086</b>	<b>14,250,641</b>

## UNCERTAIN TAX POSITIONS - LIABILITIES

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Balance at the beginning of the period</b>	<b>12,277,050</b>	<b>1,463,127</b>
Increases	-	10,813,923
Transfers (IFRIC 23)	34,765,601	-
Reversals	(10,813,923)	-
<b>Amount recognised in profit or loss for the period - (gain) / loss</b>	<b>23,951,678</b>	<b>10,813,923</b>
	<b>36,228,728</b>	<b>12,277,050</b>

### Taxes Paid in Litigation

As at 31 December 2019 and 2018, the additional tax assessments that are paid and

contested, not recognised in assets, refer to the Navigator Group and are summarized as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Aggregated income tax 2005 (Note 10.3)	10,394,386	10,394,386
Aggregated income tax 2006 (Note 10.3)	8,150,146	8,150,146
Informal review NVG Paper Figueira 2013	-	8,621,705
State surcharge 2016	3,761,397	-
State surcharge 2017	8,462,724	-
State surcharge 2018	12,223,705	-
	<b>42,992,358</b>	<b>27,166,237</b>



### Accounting policies

Current income tax is calculated based on net profit, adjusted in conformity with tax legislation in force at the statement of financial position date.

### Taxation group

In Portugal, the Navigator Group is subject to the special tax regime for groups of companies, comprising companies in which the shareholding is equal to or more than 75% and which meet the conditions laid down in articles 69, and following of the Corporate Income Tax Code (CIT Code).

Companies included within the tax group, calculate and recognise corporate income tax (CIT) as though they were taxed on an individual basis. Liabilities are recognised as due to the dominant entity of the tax

business Group, currently The Navigator Company, S.A. which is responsible for the Group's overall calculation and payment of the corporate income tax. Where there are gains on the use of this regime, these are recorded in the dominant entity financial statements.

In 2018, a tax group was also established in Spain, which includes the three group subsidiaries based in that country, held by more than 90%, Bosques do Atlântico, S.L. being the parent company in the tax group.



### Estimates and judgements

The Group recognises liabilities for additional settlements that may result from tax authorities' revisions of the different countries where the Group operates. When the final result of these situations is different from the amounts initially recorded, the differences will

have an impact on income tax in the period in which they occur.

In Portugal, annual income statements are subject to review and possible adjustment by the tax authorities for a period of 4 years. However, if tax losses are presented they may be subject to review by the tax authorities for a period of 6 years. In other countries in which the Group operates, these periods are different, usually higher.

The Board of Directors considers that any corrections to those declarations as a result of reviews/inspections by the tax authorities will not have a significant impact in the consolidated financial statements as of 31 December 2019, although the periods up to and including 2015 have already been reviewed.

As of 31 December 2019, if the effective tax rate corresponded to the nominal rate of 27.5%, there would be an increase in expenses with income taxes in the amount of Euro 12,642,566 (31 December 2018: Euro 21,649,894).

## **Uncertain tax positions**

The amount of assets and liabilities recorded for tax proceedings arises from an assessment made by the Group, with reference to the date of the Statement of Financial Position, regarding potential differences of understanding with the Tax Authorities, considering the developments in tax matters.

The Group, in relation to the measurement of uncertain tax positions, considers the provisions of IFRIC 23 - "Uncertainty over Income Tax Treatments", namely the measurement of risks and uncertainties in the definition of the best estimate of the expense required to settle the obligation, by weighing all the possible results that are controlled by them and their associated probabilities.

## 6.2 Deferred Taxes

### MOVEMENTS IN DEFERRED TAXES

AMOUNTS IN EUROS

	AS OF 1 JANUARY 2019	INCOME STATEMENT		EQUITY	AS OF 31 DECEMBER 2019
		INCREASES	DECREASES		
<b>Temporary differences originating deferred tax assets</b>					
Taxed provisions	1,439,796	5,354,052	-	-	6,793,848
Adjustment of property, plant and equipment	104,175,669	-	(35,170,963)	-	69,004,705
Pensions and post-employment benefits	-	-	-	-	-
Financial instruments	7,489,391	-	-	1,035,764	8,525,155
Deferred accounting gains on inter-group transactions	39,285,900	-	(20,421,049)	-	18,864,851
Investment grants	203,588	-	-	-	203,588
Conventional capital remuneration	9,240,000	-	(3,220,000)	3,640,000	9,660,000
	<b>161,834,345</b>	<b>5,354,052</b>	<b>(58,812,012)</b>	<b>4,675,764</b>	<b>113,052,148</b>
<b>Temporary differences originating deferred tax liabilities</b>					
Pensions and post-employment benefits	(16,445)	(2,408,246)	-	1,914,651	(510,040)
Financial instruments	(144,728)	-	144,728	-	-
Deferred accounting losses on inter-group transactions	(9,994,509)	-	-	-	(9,994,509)
Valuation of biological assets	(13,969,979)	(12,029,495)	-	-	(25,999,474)
Extension of the useful life of property, plant and equipment	(208,882,941)	(40,950,197)	-	-	(249,833,138)
Investment grants	(7,439,159)	-	1,112,930	249,185	(6,077,044)
	<b>(240,447,761)</b>	<b>(55,387,938)</b>	<b>1,257,658</b>	<b>2,163,836</b>	<b>(292,414,206)</b>
Deferred tax assets	44,504,444	1,472,364	(16,173,302)	1,285,835	31,089,341
Government grants (Note 3.5)	26,502,330	-	(25,953,106)	-	549,224
<b>Deferred tax assets</b>	<b>71,006,774</b>	<b>1,472,364</b>	<b>(42,126,408)</b>	<b>1,285,835</b>	<b>31,638,565</b>
<b>Deferred tax liabilities</b>	<b>(66,123,135)</b>	<b>(15,231,683)</b>	<b>345,857</b>	<b>595,055</b>	<b>(80,413,906)</b>

AMOUNTS IN EUROS

	AS OF 1 JANUARY 2018	INCOME STATEMENT		EQUITY	OTHER LIABILITIES	AS OF 31 DECEMBER 2018
		INCREASES	DECREASES			
<b>Temporary differences originating deferred tax assets</b>						
Taxed provisions	1,336,534	114,470	(11,208)	-	-	1,439,796
Adjustment of property, plant and equipment	100,829,491	21,310,027	(17,963,850)	-	-	104,175,669
Pensions and post-employment benefits	-	-	-	-	-	-
Financial instruments	3,885,952	-	-	3,603,439	-	7,489,391
Deferred accounting gains on inter-group transactions	36,424,408	7,805,659	(4,944,168)	-	-	39,285,900
Investment grants	7,849,328	-	(7,645,740)	-	-	203,588
Fair value from business combinations	-	-	-	-	-	-
Conventional capital remuneration	12,320,000	-	(3,080,000)	-	-	9,240,000
	<b>162,645,714</b>	<b>29,230,156</b>	<b>(33,644,965)</b>	<b>3,603,439</b>	<b>-</b>	<b>161,834,345</b>
<b>Temporary differences originating deferred tax liabilities</b>						
Pensions and post-employment benefits	(117,966)	319,261	-	(217,740)	-	(16,445)
Financial instruments	(144,728)	-	-	-	-	(144,728)
Deferred accounting losses on inter-group transactions	(49,497,874)	(10,191,596)	49,694,961	-	-	(9,994,509)
Valuation of biological assets	(10,246,504)	(6,996,837)	3,273,362	-	-	(13,969,979)
Extension of the useful life of property, plant and equipment	(232,993,493)	(2,319,688)	26,430,239	-	-	(208,882,941)
Investment grants	(8,903,132)	-	1,214,788	249,185	-	(7,439,159)
	<b>(301,903,697)</b>	<b>(19,188,860)</b>	<b>80,613,351</b>	<b>31,444</b>	<b>-</b>	<b>(240,447,761)</b>
Deferred tax assets	44,727,571	8,038,293	(9,252,365)	990,946	-	44,504,444
Government grants (Note 3.5)	-	-	-	-	26,502,330	26,502,330
<b>Deferred tax assets</b>	<b>44,727,571</b>	<b>8,038,293</b>	<b>(9,252,365)</b>	<b>990,946</b>	<b>26,502,330</b>	<b>71,006,774</b>
<b>Deferred tax liabilities</b>	<b>(83,023,517)</b>	<b>(5,276,936)</b>	<b>22,168,671</b>	<b>8,647</b>	<b>-</b>	<b>(66,123,135)</b>



In the measurement of the deferred taxes as at 31 December 2019 and 2018, the corporate income tax rate used was 27.50%.



### Accounting policies

Deferred tax is calculated using the liability method, based on the temporary differences between the book values of the assets and liabilities and their respective tax base. The income tax rate expected to be in force in the period in which the temporary differences will reverse is used in calculating deferred tax.

Deferred tax assets are recognised whenever there is a reasonable likelihood that future taxable profits will be generated against which they can be offset. Deferred tax assets are revised periodically and decreased, whenever it is likely that tax losses will not be used.

Deferred taxes are recorded as an income or expense for the period, except where they result from amounts recorded directly under shareholders' equity, situation in which deferred tax is also recorded under the same caption. Tax benefits attributed to the Group regarding its investment projects are recognised through the income statement as there is sufficient taxable income to allow its use.

## 7 Payroll

### 7.1 Payroll Costs

#### AMOUNTS IN EUROS

	2019	2018
Remuneration of Corporate bodies - fixed (Note 7.3)	2,995,727	3,932,113
Remuneration of Corporate bodies - variable	-	3,687,783
Other remunerations	100,994,120	117,556,502
Social security contributions	22,690,388	22,386,393
Post-employment benefits (Note 7.2.4)	3,514,720	3,318,385
Other payroll costs	15,462,715	10,749,606
<b>Payroll costs</b>	<b>145,657,670</b>	<b>161,630,782</b>

The decrease in Other remunerations in 2019 is essentially explained by the decrease in the bonus estimate to be paid to employees.

#### NUMBER OF EMPLOYEES BY SEGMENT AT THE END OF THE PERIOD

	31/12/2019	31/12/2018	VAR. 19/2018
Market pulp	269	277	(8)
UWF	1,869	1,880	(11)
Tissue	376	372	4
Other	766	753	13
	<b>3,280</b>	<b>3,282</b>	<b>(2)</b>

Other Payroll costs are detailed as follows for the periods ended 31 December 2019 and 2018:

AMOUNTS IN EUROS

	2019	2018
Training	1,858,554	2,469,521
Social action	1,134,758	1,038,381
Insurance	3,298,258	4,180,574
Compensations	8,211,749	2,675,772
Other	959,396	385,358
	<b>15,462,715</b>	<b>10,749,606</b>



## Accounting policies

### Short-term employee benefits

#### ACQUIRED RIGHTS - HOLIDAY AND HOLIDAY ALLOWANCE

In accordance with the collective labour agreement applicable to The Navigator Company, S.A. as well as under the agreement celebrated with the Labour Unions, most of the companies' employees are entitled to a 25 working days leave (except for Raíz and Viveiros Aliança employees with 22 days) as well as to a month's holiday allowance.

#### BONUSES

According to the current Performance Management System (Sistema de Gestão de Desempenho), Employees have the right to a bonus, based on annually defined objectives. The entitlement of this bonus is usually acquired in the year preceding its payment.

These liabilities are recorded in the year in which the Employees acquire the respective right, irrespective of the date of payment, whilst the balance payable at the date of the consolidated statement of financial position is shown under the caption Payables and other current liabilities.

### Termination benefits

The benefits arising from termination of employment are recognised when the Group can no longer withdraw the offer of such benefits or in which the Group recognises the cost of restructuring under the provisions recording. Benefits due over 12 months after the end of the reporting period are discounted to their present value.

## 7.2 Employee Benefits

### 7.2.1 INTRODUCTION

Some Group companies grant their employees post-retirement benefits, either in the form of defined benefit plans or in the form of defined contribution plans.

The plans are funded through a closed Pension Fund, managed by an external entity, which subcontracts the management of its assets to external asset management entities.

#### A. PENSION PLAN - DEFINED BENEFIT

The Group has responsibilities with post-employment benefit plans for a reduced group of Employees who have chosen to maintain the defined benefit plan or who have chosen to maintain a safeguard clause, the latter following the conversion of their plan into a Defined Contribution Plan. In effect, the safeguard clause gives the employee the option, at the time of retirement, to pay a pension in accordance with the provisions laid down on the Defined Benefit Plan. For those who choose to activate the Safeguard Clause, the accumulated balance in the Defined Contribution Plan (Conta 1) will be used to finance the liability of the Defined Benefit Plan.

#### B. PENSION PLAN - DEFINED CONTRIBUTION

As at 31 December 2019, three Defined Contribution plans were in force, which covered 2,790 employees, excluding employees who chose to maintain a benefit safeguard clause.

## 7.2.2 DEFINED BENEFIT PLAN

### RISK MANAGEMENT POLICY ASSOCIATED WITH DEFINED BENEFIT PLANS

The Group's exposure to risk is limited to the number of existing beneficiaries and will tend to decrease, since there are no defined benefit plans open to new employees in the Group. The most significant risks to which the Group is exposed through defined benefit plans include:

i) Risk of change in longevity of participants

ii) Risk of variation in market rates – rate variation impacts the rate used to discount liabilities (technical interest rate) which is based on yield curves of highly rated bonds with maturities similar to the maturity dates of the liabilities and the fixed rate of return on assets.

iii) Risk of change in salary and pension growth rate

The level of funding of the fund may vary depending not only on the risks

listed but also on the profitability of the fund's financial assets. Despite the fund's conservative profile (composed mostly of fixed income assets), the verification of the aforementioned risks may lead to the need for additional contributions to the fund considering the defined benefit nature.

The Group's objective is to maintain a 90% level of liability coverage.

### Net Liabilities

of beneficiaries of the defined benefit plans in force in the Group are detailed as follows:

Net liabilities reflected in the consolidated statement of financial position and the number

	31/12/2019		31/12/2018	
	NO. BENEFICIARIES	AMOUNT	NO. BENEFICIARIES	AMOUNT
Past service liabilities				
Active employees, including individual accounts	481	75,583,410	506	57,373,503
Alumni	130	23,358,802	125	21,042,206
Retired employees	522	80,938,541	506	76,040,531
Market value of the pension funds		(173,292,676)	-	(147,131,961)
<b>Total net liabilities</b>	<b>1,133</b>	<b>6,588,076</b>	<b>1,137</b>	<b>7,324,279</b>

### HISTORICAL INFORMATION - LAST 5 YEARS

AMOUNTS IN EUROS

	2014	2015	2016	2017	2018	2019
Current value of liabilities	70,188,472	139,312,363	148,877,898	151,199,735	154,456,240	179,880,752
Fair value of assets and Reserves	71,666,181	143,067,688	142,420,782	146,109,493	147,131,961	173,292,676
<b>Surplus / (deficit)</b>	<b>1,477,709</b>	<b>3,755,326</b>	<b>(6,457,116)</b>	<b>(5,090,242)</b>	<b>(7,324,279)</b>	<b>(6,588,076)</b>

### EVOLUTION OF THE DEFINED BENEFIT PLAN LIABILITIES

AMOUNTS IN EUROS

	2019						
	OPENING BALANCE	REMEASUREMENT	CURRENT SERVICES COST	INTEREST EXPENSES	ACTUARIAL DEVIATIONS (7.2.5)	PAYMENTS PERFORMED	CLOSING BALANCE
Pensions with Autonomous fund	154,456,240	17,318,638	1,758,359	3,054,413	8,682,165	(5,389,063)	179,880,752
	<b>154,456,240</b>	<b>17,318,638</b>	<b>1,758,359</b>	<b>3,054,413</b>	<b>8,682,165</b>	<b>(5,389,063)</b>	<b>179,880,752</b>

AMOUNTS IN EUROS

	2018						
	OPENING BALANCE	REMEASUREMENT	CURRENT SERVICES COST	INTEREST EXPENSES	ACTUARIAL DEVIATIONS (7.2.5)	PAYMENTS PERFORMED	CLOSING BALANCE
Pensions with Autonomous fund	151,199,735	-	1,958,545	2,832,020	3,551,788	(5,085,848)	154,456,240
	<b>151,199,735</b>	<b>-</b>	<b>1,958,545</b>	<b>2,832,020</b>	<b>3,551,788</b>	<b>(5,085,848)</b>	<b>154,456,240</b>

In 2019, the methodology for recognising liabilities was changed, with the total liabilities now being reported, based on the understanding that the benefit to be attributed under the plans is fully formed.

## Funds

### FUNDS LINKED TO DEFINED BENEFIT PENSION PLANS - EVOLUTION

AMOUNTS IN EUROS

	2019	2018
<b>Opening balance</b>	<b>147,131,961</b>	<b>146,109,493</b>
Charge for the period	18,000,000	12,000,000
Expected income for the year	2,797,645	2,926,308
Remeasurement	10,598,760	(9,065,603)
Pensions paid	(5,389,063)	(5,085,848)
Other	153,372	247,611
<b>Closing balance</b>	<b>173,292,676</b>	<b>147,131,961</b>

During the 2019 and 2018, the contributions to the defined benefit plans, presented above were fully realised by the Group's companies and no contributions were made by the participants.

The impact of Euro 10,598,760 is due to the higher profitability of assets when compared with the profitability rates considered in the assumptions.

The assets of the pension fund related to the defined benefit plan are under the management of Schroders, BlackRock and Credit Suisse, as detailed below:

AMOUNTS IN EUROS

	2019	2018
Defined benefit and Conta 1:		
Occidental - Pensions	684,412	10,279,422
Schroders	65,053,133	47,959,790
BlackRock	64,042,229	46,386,780
Account 1 - Credit Suisse	43,512,903	42,505,969
<b>Total defined benefit and Conta 1</b>	<b>173,292,676</b>	<b>147,131,961</b>

### FUNDS ALLOCATED TO DEFINED BENEFIT PLANS - ASSETS

AMOUNTS IN EUROS

	31/12/19	%	31/12/18	%
<b>Securities listed in the market</b>				
Bonds	100,758,787	58.1%	84,119,099	57.2%
Shares	44,766,233	25.8%	34,189,195	23.2%
Public debt	13,724,039	7.9%	13,760,972	9.4%
Liquidity	14,043,617	8.1%	5,052,752	3.4%
Real estate	-	0.0%	9,943	0.0%
Other short-term investments	-	0.0%	10,000,000	6.8%
	<b>173,292,676</b>	<b>100%</b>	<b>147,131,961</b>	<b>100%</b>

### 7.2.3 DEFINED CONTRIBUTION PLAN

As of 31 December 2019, two defined contribution plans were in force for most of employees.

The assets of the pension fund that finance the defined contribution plans are under the management of the BMO, as detailed below:

### DEFINED CONTRIBUTION PLAN

AMOUNTS IN EUROS

	NO. OF BENEFICIARIES	PROFITABILITY %	2019	NO. OF BENEFICIARIES	PROFITABILITY %	2018
Defined contribution (BMO):						
Defensive sub-fund	127	7.76%	8,879,084	116	(1.81%)	8,983,980
Conventional sub-fund	398	10.05%	21,313,529	336	(2.51%)	20,884,122
Dynamic sub-fund	686	13.83%	14,619,829	480	(3.79%)	13,649,515
Aggressive sub-fund	1,579	18.64%	5,645,957	184	(5.51%)	4,416,753
<b>Total Defined Contribution</b>	<b>2,790</b>		<b>50,458,399</b>	<b>1,116</b>		<b>47,934,370</b>

### 7.2.4 EXPENDITURE WITH POST-EMPLOYMENT BENEFITS

The effect of these plans in the income statement for the periods ended 30 June 2019 and 2018 was as follows:

AMOUNTS IN EUROS

	2019				2018			
	CURRENT SERVICES COST	NET INTEREST CONTRIBUTION - CONTRIBUTIONS FOR THE PERIOD	DEFINED CONTRIBUTION - CONTRIBUTIONS FOR THE PERIOD	IMPACT ON NET RESULT (NOTE 7.1)	CURRENT SERVICES COST	NET INTEREST CONTRIBUTION - CONTRIBUTIONS FOR THE PERIOD	DEFINED CONTRIBUTION - CONTRIBUTIONS FOR THE PERIOD	IMPACT ON NET RESULT (NOTE 7.1)
Pensions with Autonomous fund	1,758,359	256,767	-	2,015,126	1,958,545	(94,288)	-	1,864,257
Defined Contribution Plans	-	-	1,499,594	1,499,594	-	-	1,454,128	1,454,128
	<b>1,758,359</b>	<b>256,767</b>	<b>1,499,594</b>	<b>3,514,720</b>	<b>1,958,545</b>	<b>(94,288)</b>	<b>1,454,128</b>	<b>3,318,385</b>

### 7.2.5 REMEASUREMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME

AMOUNTS IN EUROS

	2019		
	GROSS AMOUNT	DEFERRED TAX	IMPACT ON EQUITY (NOTE 5.5)
Pensions with Autonomous fund	(15,166,616)	444,475	(14,722,141)
	<b>(15,166,616)</b>	<b>444,475</b>	<b>(14,722,141)</b>

AMOUNTS IN EUROS

	2018		
	GROSS AMOUNT	DEFERRED TAX	IMPACT ON EQUITY (NOTE 5.5)
Pensions with Autonomous fund	(12,617,390)	59,870	(12,677,260)
	<b>(12,617,390)</b>	<b>59,870</b>	<b>(12,677,260)</b>

During the year ended 31 December 2019, the Company reviewed the estimated benefit allocation for the periods in which the obligation to provide post-employment benefits arises based on the projected unit credit method. The bonds increase only up to the date when further service by the

employee has ceased to give rise to a material amount of future benefits. Thus, this change in estimate was treated as a re-measurement recognised in the OCI.



## Accounting policies

### Post-employment benefits – defined benefit plan

Some of the Group's subsidiaries have assumed the commitment to make payments to their Employees in the form of complementary retirement pensions, disability, early retirement and survivors' pensions, having constituted defined-benefit plans.

The Group set up autonomous Pension Funds as a means of funding most of the commitments. Based on the projected unit credit method, the Group recognises the costs with the attribution of these benefits as the services are provided by the employees. In this manner, the Group's total liability is estimated at least every six months at the date of the interim and annual financial statements, for each plan separately by an independent and specialised entity.

The liability thus determined is stated in the statement of financial position, less the fair value of the funds set up, as a liability, under Post-employment benefit liabilities.

Actuarial deviations that result from changes in the value of estimated liabilities, as a consequence of changes in the financial and demographic assumptions used and experience gains, plus the difference between the actual return on fund assets and the estimated share of net interest, are designated as remeasurements and recorded directly in the Statement of comprehensive income, under retained earnings.

The net interest corresponds to the application of the discount rate to the value of net

responsibilities (value of the responsibilities deducted of fund asset's fair value) and is recognised under the caption Payroll costs.

The gains and losses generated by a curtailment or settlement of a defined-benefit plan are recognised in the income statement for the period when the curtailment or settlement occurs. A curtailment occurs when there is a material reduction in the number of employees.

The costs relating to past liabilities, which result from the implementation of a new plan or additional benefits granted, are recognised immediately in the income statement.

### Post-employment benefits – defined contribution plan

Most of the Group companies assumed commitments regarding payments to a defined contribution plan in a percentage of the beneficiaries' salary, in order to provide retirement, disability, early retirement and survivors' pensions.

For this purpose, Pension Funds were set up to capitalise those contributions, to which employees can still make voluntary contributions, but for which the Group does not assume any additional contribution liabilities or a pre-fixed return. This way, the contributions made are recorded as expenses of the period in which they are recognised, regardless of the date of the settlement of the liability.



## Estimates and judgements

### Actuarial assumptions

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Social benefits formula	Decree-Law No. 187/2007 of 10 May	
Disability table	EKV 80	EKV 80
Mortality table	88.90sim	88.90sim
Wage growth rate	1.00%	1.00%
Technical interest rate	1.75%	2.00%
Return rate on plan assets	1.75%	2.00%
Pensions growth rate	0.75%	0.75%

## Sensitivity analysis

The Group considers the technical interest rate and the expected salary growth rate as the most significant variables in the calculation of liabilities for defined benefit plans.

As of 31 December 2019, a decrease of 0.25 percentage points in the discount rate used (1.75%) to calculate pension

liabilities would result in an increase in liabilities of approximately Euro 7,095,944 (31 December 2018: a decrease of 0.5 percentage points in the discount rate used (2.0%) would result in an increase in liabilities of approximately Euro 11,248,165).

## 7.3 Remuneration of Corporate Bodies

AMOUNTS IN EUROS

	2019	2018
<b>Navigator Corporate Bodies</b>		
Board of Directors	2,049,154	3,042,625
Statutory Auditor	411,236	314,425
Supervisory board	46,284	46,284
Environmental Impact Council	39,500	36,750
General Meeting	4,000	4,000
	<b>2,550,174</b>	<b>3,444,084</b>
Corporate bodies from other Group companies	445,553	488,029
<b>Total (Note 7.1)</b>	<b>2,995,727</b>	<b>3,932,113</b>

## Remuneration of the Members of the Board of Directors

With respect to post-employment benefits, as of 31 December 2019, the amount of liabilities related to post-employment benefit plans, related to one Board Member

of the Group, amounted to Euro 995,369 (31 December 2018: Euro 1,025,289).

Additionally, three of the current directors are participants in pension plans of Navigator Brands, S.A., a subsidiary of the Company, as Employees of that company, before joining management positions.

# 8 Financial Instruments

## 8.1 Financial Risk Management

The Navigator group has a risk-management programme, which focuses its analysis in the activity and performance of the financial markets with a view to mitigate the potential adverse effects on the Group's financial performance. Risk management is undertaken by Financial Management, in accordance with the policies approved by the Board of Directors and monitored by the Risks and

Control Commission.

The Group adopts a proactive approach to risk management, as a way to mitigate the potential adverse effects associated with those risks, namely the foreign exchange rate risk and interest rate risk.

## 8.1.1 CURRENCY RISK

### FOREIGN EXCHANGE RISK MANAGEMENT POLICY

A significant part of the Navigator Group's sales is priced in currencies other than the Euro, therefore its evolution can have a significant impact on the Company's future sales, with the currency with the greatest impact being the USD. In addition, sales in Sterling Pound (GBP), Polish Zloty (PLN) and Swiss Franc (CHF) have some expression, as sales in other currencies are less significant.

Purchases of certain raw materials are made in USD, particularly the share of imports of wood pulp and softwood; therefore, variations in this currency may have an impact on acquisition values. Furthermore, once a sale is made

in a currency other than in Euro, the Group takes on an exchange risk up to the time it receives the proceeds of that sale, if no hedging instruments are in place. Therefore, the Group is permanently exposed to currency risk through a significant amount of receivables and albeit with lesser significance payables.

#### Use of derivative financial instruments

The Group manages foreign exchange risks through the use of derivative financial instruments, in accordance with a policy that is subject to periodic review, the prime purpose of which is to limit the exchange risk associated

with future sales and purchases and accounts receivable and payables, which are denominated in currencies other than the Euro. In the periods presented, the Group holds derivatives that are hedging the foreign exchange risk of future operations in currencies other than the reporting currency (see Note 8.2 – Derivative financial instruments).

### EXPOSURE OF FINANCIAL ASSETS AND LIABILITIES TO EXCHANGE RATE RISK AND SENSITIVITY ANALYSIS

CURRENCY AMMOUNTS

	US DOLLAR	STERLING POUND	POLISH ZLOTI
Cash and cash equivalents	2,385,453	278,152	484,197
Receivables	66,370,285	7,691,503	3,616,256
<b>Total financial assets</b>	<b>68,755,738</b>	<b>7,969,655</b>	<b>4,100,453</b>
Loans			
Payables	(4,342,103)	(177,133)	(40,081)
<b>Total financial liabilities</b>	<b>(4,342,103)</b>	<b>(177,133)</b>	<b>(40,081)</b>
<b>Financial net position in foreign currency</b>	<b>64,413,634</b>	<b>7,792,521</b>	<b>4,060,372</b>
<b>Financial net position in Euro</b>	<b>57,338,111</b>	<b>9,159,052</b>	<b>953,855</b>
<b>Impact of + 10% change in all exchange rates on results for the period</b>			
<b>Impact of -10% change in all exchange rates on results for the period</b>			

	US DOLLAR	STERLING POUND	POLISH ZLOTI
Cash and cash equivalents	2,078,627	203,115	150,629
Receivables	93,933,061	12,485,563	4,433,932
<b>Total financial assets</b>	<b>96,011,688</b>	<b>12,688,678</b>	<b>4,584,561</b>
Loans			
Payables	(15,795,288)	(77,901)	-
<b>Total financial liabilities</b>	<b>(15,795,288)</b>	<b>(77,901)</b>	<b>-</b>
<b>Financial net position in foreign currency</b>	<b>80,216,400</b>	<b>12,610,777</b>	<b>4,584,561</b>
<b>Financial net position in Euro</b>	<b>70,057,991</b>	<b>14,097,657</b>	<b>1,065,830</b>
<b>Impact of + 10% change in all exchange rates on results for the period</b>			
<b>Impact of -10% change in all exchange rates on results for the period</b>			



31/12/2019

SWEDISH KRONA	TURKISH LIRA	SWISS FRANC	MOZAMBICAN METICAL	MOROCCAN DIRAM	SOUTH AFRICAN RAND	TOTAL (EURO)
-	48,486	21,144	-	924,558	40,922	2,480,207
-	124,322	1,426,810	160,707	140,476	-	68,120,152
-	<b>172,808</b>	<b>1,447,954</b>	<b>(160,707)</b>	<b>1,065,034</b>	<b>40,922</b>	<b>70,600,359</b>
(52,038)	(14,932)	(43,307)	(13,912,226)	(130,641)	-	(4,341,867)
<b>(52,038)</b>	<b>(14,932)</b>	<b>(43,307)</b>	<b>(13,912,226)</b>	<b>(130,641)</b>	-	<b>(4,341,867)</b>
<b>(52,038)</b>	<b>157,876</b>	<b>1,404,647</b>	<b>(13,751,519)</b>	<b>934,393</b>	<b>40,922</b>	<b>66,258,492</b>
<b>(4,981)</b>	<b>23,619</b>	<b>1,294,128</b>	<b>(197,551)</b>	<b>86,803</b>	<b>2,594</b>	<b>68,655,631</b>
						<b>5,096,966</b>
						<b>(6,263,454)</b>

31/12/2018

SWEDISH KRONA	TURKISH LIRA	SWISS FRANC	NORWEGIAN KRONE	MOZAMBICAN METICAL	MOROCCAN DIRAM	SOUTH AFRICAN RAND	OTHER (EURO)	TOTAL (EURO)
-	72,972	3,113	-	1,503,166	559,831	40,922	86,378	2,166,617
-	-	1,710,970	(11,514)	843,934	-	-	10,737	98,555,134
-	<b>72,972</b>	<b>1,714,083</b>	<b>(11,514)</b>	<b>2,347,100</b>	<b>559,831</b>	<b>40,922</b>	<b>97,115</b>	<b>100,721,752</b>
(25,040)	-	(45,617)	-	(13,203,242)	(127,884)	-	(200,107)	(14,122,685)
<b>(25,040)</b>	-	<b>(45,617)</b>	-	<b>(13,203,242)</b>	<b>(127,884)</b>	-	<b>(200,107)</b>	<b>(14,122,685)</b>
<b>(25,040)</b>	<b>72,972</b>	<b>1,668,466</b>	<b>(11,514)</b>	<b>(10,856,142)</b>	<b>431,947</b>	<b>40,922</b>		
<b>(2,442)</b>	<b>12,044</b>	<b>1,480,580</b>	<b>(1,157)</b>	<b>(153,011)</b>	<b>39,089</b>	<b>2,486</b>	<b>(102,991)</b>	<b>86,599,067</b>
								<b>6,138,698</b>
								<b>(7,499,617)</b>

## 8.1.2 INTEREST RATE RISK

### INTEREST RATE RISK MANAGEMENT POLICY

A share of the Group's financial liabilities cost are indexed to short-term reference interest rates, which are reviewed more than once a year (generally every six months for medium and long-term debt). Hence, changes in interest rates can have an impact on the Company's income statement.

The interest rate risk management strategy is periodically reviewed by the Group. Given the current level of interest rates, we have favoured contracting debt at a fixed rate.

#### Use of derivative financial instruments

When deemed appropriate by the Board of Directors, the Group uses

derivatives (Note 8.2), namely swaps, with the purpose of fixing the interest rate of the loans obtained, within certain parameters, considered adequate by the Group's risk management policies.

#### Exposure to interest rate risk

AAs at 31 December 2019, approximately 15% (31 December 2018: 32%) of the Navigator Group's financial liabilities are indexed to short-term reference interest rates, revised in periods below one year (usually 6-month rates for long-term debt), plus duly negotiated risk spreads. Hence, changes in interest rates can affect the Company's earnings.

The Group has favoured the contracting of fixed rate debt and has been using

derivative financial instruments to cover its interest rate risk, namely interest-rate swaps, with the purpose of fixing the interest rate on the Navigator Group's borrowings within certain limits.

As at 31 December 2019 e 31 December 2018, the detail of the financial assets and liabilities with interest rate exposure, considering the maturity or the next interest-fixing date is as follows:

AMOUNTS IN EUROS

	31/12/2019					TOTAL
	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	
<b>Assets</b>						
Current						
Cash and cash equivalents	161,880,403	-	-	-	-	161,880,403
<b>Total financial assets</b>	<b>161,880,403</b>	-	-	-	-	<b>161,880,403</b>
<b>Liabilities</b>						
Non-Current						
Loans obtained	-	-	-	650,396,826	180,436,508	830,833,334
Refundable grants	-	-	-	18,399,000	20,932,496	39,331,496
Current						
Loans obtained	-	-	13,194,444	-	-	13,194,444
<b>Total financial liabilities</b>	-	-	<b>13,194,444</b>	<b>668,795,826</b>	<b>201,369,004</b>	<b>883,359,274</b>
<b>Cumulative differential</b>	<b>161,880,403</b>	<b>161,880,403</b>	<b>148,685,959</b>	<b>(520,109,867)</b>	<b>(721,478,871)</b>	

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL
<b>Assets</b>						
Current						
Cash and cash equivalents	80,859,784	-	-	-	-	80,859,784
<b>Total financial assets</b>	<b>80,859,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,859,784</b>
<b>Liabilities</b>						
Non-Current						
Loans obtained	-	-	-	634,444,445	19,583,333	654,027,778
Current						
Loans obtained	-	101,388,889	10,416,667	-	-	111,805,556
<b>Total financial liabilities</b>	<b>-</b>	<b>101,388,889</b>	<b>10,416,667</b>	<b>634,444,445</b>	<b>19,583,333</b>	<b>765,833,334</b>
<b>Cumulative differential</b>	<b>80,859,784</b>	<b>(20,529,105)</b>	<b>(30,945,772)</b>	<b>(665,390,217)</b>	<b>(684,973,550)</b>	



### Estimates and judgements

#### Sensitivity analysis

The Group carries out sensitivity analysis in order to assess the impact in the consolidated income statement and equity caused by an increase or decrease in market interest rates, considering all other factors unchanged. This analysis is only for theoretical reasons, since changes in interest rates rarely occur in isolation from changes in other market factors.

The sensitivity analysis is based on the following assumptions:

- i) Changes in market interest rates affect interest income and expenses arising from financial instruments subject to floating rates;

- ii) Changes in market interest rates affect the fair value of derivative financial instruments as well as other financial assets or liabilities;

- iii) Changes in fair value of derivative financial instruments and other financial assets and liabilities are measured using the discounted cash flows method, with market interest rates at year end.

A 0.50% increase in interest rates on which interest on loans are calculated would have an impact on its earnings before taxes, for the period ended 31 December 2019 by approximately Euro 677,083 (31 December 2018: Euro 1,229,167).

#### 8.1.3 LIQUIDITY RISK

#### LIQUIDITY RISK MANAGEMENT POLICY

The Group manages the liquidity risk in two ways:

- i) by ensuring the financial debt has a medium and long-term high component with maturities that are adequate to the characteristics of the industry

- ii) by contracting with financial institutions credit lines available at all times for an amount that guarantees adequate liquidity. Available and unused credits The Group's policy is to maintain

credit lines at appropriate levels, together with the amount of Cash and Equivalents to meet the Group's cash budget over the next 12 months.

## CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES (UNDISCOUNTED CASH FLOWS, INCLUDING INTEREST)

AMOUNTS IN EUROS

	31/12/2019					TOTAL
	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	4 TO 5 YEARS	
<b>Liabilities</b>						
Loans obtained (Note 5.7)						
Bond loans	425,692	3,044,033	4,039,724	412,523,279	50,420,000	470,452,728
Commercial paper	-	1,671,880	2,854,926	266,163,881	37,754,022	308,444,709
Bank loans	-	-	13,796,173	95,464,596	38,910,163	148,170,932
Lease liabilities (Note 5.8)	-	-	4,396,971	11,996,764	30,454,062	46,847,797
Derivative financial instruments (Note 8.2)	-	1,073,877	923,276	4,997,846	(16,330)	6,978,669
Other payables	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>425,692</b>	<b>5,789,790</b>	<b>26,011,070</b>	<b>791,146,366</b>	<b>157,521,917</b>	<b>980,894,835</b>
<b>From which interest (at rates prevailing at that date)</b>						<b>50,687,764</b>

	31/12/2018					TOTAL
	LESS THAN 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	4 TO 5 YEARS	
<b>Liabilities</b>						
Loans obtained (Note 5.7)						
Bond loans	-	1,897,879	4,396,063	361,849,726	-	368,143,668
Commercial paper	-	100,086,667	2,836,221	247,829,688	-	350,752,575
Bank loans	-	-	12,442,912	55,893,166	9,848,444	78,184,523
Amounts payable (Note 4.3)	158,996,057	16,888,775	24,753,635	26,027,354	-	226,665,821
Derivative financial instruments (Note 8.2)	-	851,996	1,373,933	7,124,649	-	9,350,578
Other payables	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>158,996,057</b>	<b>119,725,317</b>	<b>45,802,763</b>	<b>698,724,583</b>	<b>9,848,444</b>	<b>1,033,097,165</b>
<b>From which interest (at rates prevailing at that date)</b>						<b>31,247,432</b>



*The contractual maturity of the loans obtained assume the fulfilment of financial covenants, as detailed in Note 5.7 - Loans obtained.*

## CREDIT LINES AVAILABLE, BUT NOT USED

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Unused credit lines</b>		
Commercial paper	90,000,000	175,000,000
Other credit lines	20,450,714	20,450,714
	<b>110,450,714</b>	<b>195,450,714</b>
Commercial paper used (Note 5.7)	295,000,000	345,000,000
Other credit lines used	549,027,778	420,833,334
<b>Contracted credit lines (nominal value)</b>	<b>954,478,492</b>	<b>961,284,048</b>

## 8.1.4 CREDIT RISK

### CREDIT RISK MANAGEMENT POLICY

The Group is exposed to credit risk in the trade receivables and other accounts receivable and, accordingly, it has adopted a policy of managing such risk within present limits, by serving insurance policies with a specialised independent company. Most sales that are not covered by credit insurance are covered by bank guarantees and documentary credits, and any exposure that is not covered remains within the limits previously approved by the Executive

Committee. However, the worsening of global economic conditions or adversities affecting only economies on a local scale may lead to deterioration in the ability of the Navigator Group's customers to meet their obligations, leading entities providing credit insurance to significantly decrease the amount of credit facilities that are available to those customers. This scenario may result in limitations on the amounts that can be sold to some Group customers, without directly

incurring levels of credit risk within the framework of the risk policy in this area.

#### Cash equivalents

The Navigator Company Group has a strict policy of approval of its financial counterparts, limiting their exposure according to an individual risk analysis and previously approved ceilings.

### Maximum exposure to credit risk

The Group's maximum exposure to the credit risk of financial assets corresponds to their net value, as follows:

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Non-Current		
Other financial investments (Note 8.3)	-	-
Receivables (Note 4.2)	58,778,469	63,168,912
Current		
Receivables (Note 4.2)	247,408,647	373,251,478
Cash and cash equivalents (Note 5.9)	161,880,403	80,859,784
	<b>468,067,520</b>	<b>517,280,173</b>
<b>Receivables from customers covered by credit insurance</b>	<b>123,891,890</b>	<b>161,104,810</b>
Credit lines available and unused	278,386,149	240,612,457
<b>Credit insurance lines contracted</b>	<b>402,278,039</b>	<b>401,717,267</b>

As described above, the Navigator Group contracted credit insurance policies for most of the trade receivables balances. As such its

exposure to credit risk is considered to have been mitigated up to acceptable levels, when compared with its sales.

## TRADE RECEIVABLES AGEING STRUCTURE

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
Amounts not yet due	149,088,011	198,776,285
From 1 to 90 days	7,020,677	26,801,894
From 91 to 180 days	190,754	355,819
From 181 to 360 days	242,716	73,170
From 361 to 540 days	11,576	3,926
From 541 to 720 days	-	4,589
More than 721 days	-	3,500
	<b>156,553,734</b>	<b>226,019,183</b>
Balances considered impaired	1,538,464	1,242,062
Impairment	(1,538,464)	(1,242,062)
<b>Net balance of trade receivables (Note 4.2)</b>	<b>156,553,734</b>	<b>226,019,183</b>
Receivables from customers covered by credit insurance	123,891,890	161,104,810

Trade receivables showed the following ageing structure, considering the due dates for the open balances. Despite some delays in the settlement of those amounts, that does not result, in accordance with the available information, in the identification of impairment losses other than the ones considered through the respective losses. These are calculated based on the information periodically collected on the financial behaviour of the Group's customers, which allow, in conjunction with the experience obtained in the client portfolio analysis and with the history of credit

defaults, in the part not attributable to the insurance company, to define the amount of losses to be recognised in the period. The guarantees in place for a significant part of outstanding and long-term balances, justify the fact that no impairment loss has been recorded for those balances. The rules defined by the credit risk insurance policy applied by the Navigator Group, ensure a significant coverage of all outstanding balances.

The analysis of the open balances, by business area, is as follows:

AMOUNTS IN EUROS

	31/12/2019				
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Amounts not yet due	17,247,122	101,284,742	24,269,020	6,287,127	149,088,011
From 1 to 90 days	1,230,968	2,644,967	2,274,662	870,080	7,020,677
From 91 to 180 days	-	22,259	168,495	-	190,754
From 181 to 360 days	48,201	-	194,515	-	242,716
From 361 to 540 days	-	-	11,576	-	11,576
From 541 to 720 days	-	-	-	-	-
More than 721 days	-	-	-	-	-
	<b>18,526,291</b>	<b>103,951,968</b>	<b>26,918,268</b>	<b>7,157,207</b>	<b>156,553,734</b>

AMOUNTS IN EUROS

	31/12/2018				
	PULP MARKET	UWF PAPER	TISSUE PAPER	OTHERS	TOTAL
Amounts not yet due	25,286,440	144,643,230	24,353,900	4,492,716	198,776,285
From 1 to 90 days	1,586,608	17,397,813	2,562,053	5,260,033	26,806,508
From 91 to 180 days	-	-	263,496	40,988	304,484
From 181 to 360 days	-	-	65,789	54,102	119,891
From 361 to 540 days	-	-	3,926	-	3,926
From 541 to 720 days	-	-	4,589	-	4,589
More than 721 days	-	-	3,500	-	3,500
	<b>26,873,048</b>	<b>162,041,043</b>	<b>27,257,253</b>	<b>9,847,839</b>	<b>226,019,183</b>

The table below represents the quality of the Group's credit risk, as at 31 December 2019 and 2018, for financial assets (Cash and cash

equivalents), (Highest credit rating by one of the three rating agencies, *Standard & Poor's, Fitch or Moody's*):

## FINANCIAL INSTITUTIONS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Rating</b>		
AA	-	180,402
AA-	19,875,888	20,182,842
A+	21,870	151,506
A	2,140,986	24,997,663
A-	591,008	513,104
BBB+	23,083,966	30,447,966
BBB	112,650,945	-
BBB-		91,764
BB+		2,085,911
BB	1,878,909	-
BB-	705	795
B+	-	-
B	283,777	450,202
B-	-	-
Other	1,352,349	1,757,629
	<b>161,880,403</b>	<b>80,859,784</b>

"Other" amounts include bank deposits with banks or entities with no rating, namely local banks in Mozambique and other foreign branches.

The Navigator Company Group has a strict policy of approval of its financial counterparts, limiting their exposure according

to an individual risk analysis and previously approved ceilings.

The following table shows an analysis of the credit quality of Trade receivables for which no default or impairment loss was considered based on the information available to the Navigator Group:

AMOUNTS IN EUROS

	31/12/2019		31/12/2018	
	GROSS AMOUNT	CREDIT INSURANCE	GROSS AMOUNT	CREDIT INSURANCE
<b>Outstanding balances overdue not considered in impairment</b>				
Overdue at less than 3 months	7,020,677	12,514,480	26,801,894	25,106,119
Overdue for more than 3 months	445,046	805,327	441,004	405,608
	<b>7,465,723</b>	<b>13,319,806</b>	<b>27,242,898</b>	<b>25,511,727</b>
<b>Outstanding balances overdue considered in impairment</b>				
Overdue at less than 3 months	-	-	-	-
Overdue for more than 3 months	1,538,464	-	1,242,062	-
	<b>1,538,464</b>	<b>-</b>	<b>1,242,062</b>	<b>-</b>

The amount not covered by credit insurance is secured by letters of credit or bank guarantees.

# IMPAIRMENT FROM TRADE RECEIVABLES AND OTHER RECEIVABLES

AMOUNTS IN EUROS

	IMPAIRMENT		
	TRADE RECEIVABLE	OTHER RECEIVABLES	TOTAL
<b>Amounts as of 1 January 2018</b>	<b>(2,440,472)</b>	<b>(102,745)</b>	<b>(2,543,217)</b>
Increase - IFRS 9 impact on results for the period	(247,101)	-	(247,101)
Increase	(315,664)	-	(315,664)
Reversals	157,292	-	157,292
Charge-off	1,603,883	61,210	1,665,093
<b>Amounts as of 31 December 2018</b>	<b>(1,242,062)</b>	<b>(41,535)</b>	<b>(1,283,597)</b>
Increase - IFRS 9 impact on results for the period	(270,655)	-	(270,655)
Increase	(38,484)	(4,973)	(43,457)
Reversals	12,737	-	12,737
Charge-off	-	15,245	15,245
<b>Amounts as of 31 December 2019</b>	<b>(1,538,464)</b>	<b>(31,262)</b>	<b>(1,569,726)</b>



## Accounting policies

### Impairment of financial assets

The Group assesses, on a prospective basis, the expected credit losses associated with its financial assets measured at amortised cost and at fair value through other comprehensive income, in accordance with IFRS 9.

On this basis, the Group recognises expected credit losses throughout the lifetime of financial instruments that have been subject to significant increases in credit risk since its initial recognition, assessed either individually or collectively, considering all reasonable and sustainable information, including available prospective information.

If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since its initial recognition, the Group measures the impairment of that financial instrument by an amount equivalent to the expected credit losses.

IFRS 9 provides that for the calculation of these impairments, one of two models is used: the 3-step method or the use of a matrix, the distinguishing component being the existence or not of a significant financing component. For Navigator's financial assets, since it is not a financial institution and there are no assets that have a significant financing component, the use of a matrix was chosen.

The model adopted for the impairment assessment in accordance with IFRS 9 is as follows:

- I. Calculate the total credit sales made by the Group over the last 12 months, as well as the total amount of bad debts relating to them;
- II. Determine the customers' payment profile, by setting buckets of receipt frequency;
- III. Based on I. and II: above, estimate the probability of default (i.e., the amount of bad debts calculated at I. compared to the balance of outstanding sales in each bucket calculated at II);
- IV. Adjust the percentages of future projections obtained in III;
- V. Apply the default percentages as calculated in IV. to the balances of customers still outstanding at the reporting date.

Although IFRS 9 assumes 90 days as "default", the Navigator Group considered a period of 180 days, since the experience of real losses before this period is low. This period is aligned with the current risk management policies of the company, namely in what regards the credit insurance hired, and to the fact that there is no sales with significant components of funding in light of IFRS 15. Additionally the company evaluated the impact of considering 180 days of "default" instead of the 90 days and the Expected Credit Loss would not change significantly.

In the event of an accident in the credit insurance company, the model considers the limit paid of 10% by the Navigator Group.

In this regard, the total amount of debt over which the recoverability risk falls amounts to Euro 266,376, as at 31 December 2019 (31 December 2018: 247,101).

Additionally, the Group recognises impairment on a case-by-case basis, based on specific balances and specific past events, considering the historical information of the counterparties, their risk profile and other

observable data in order to assess whether there are objective indicators of impairment for these financial assets.

## 8.2 Derivative Financial Instruments

### MOVEMENTS IN DERIVATIVE FINANCIAL INSTRUMENTS

AMOUNTS IN EUROS

	2019			2018		
	TRADING DERIVATIVES	HEDGING DERIVATIVES	NET TOTAL	TRADING DERIVATIVES	HEDGING DERIVATIVES	NET TOTAL
<b>Balance at the beginning of the period</b>	<b>141,860</b>	<b>(4,502,399)</b>	<b>(4,360,539)</b>	<b>1,828,121</b>	<b>(1,440,218)</b>	<b>387,902</b>
New contracts / settlements	-	6,148,531	6,148,531	(702,568)	7,067,443	6,364,875
Change in fair value through profit or loss (Note 5.11)	394,175	(4,926,860)	(4,532,684)	(983,693)	(6,526,185)	(7,509,878)
Change in fair value through other comprehensive income (Note 5.5)	-	(1,035,764)	(1,035,764)	-	(3,603,439)	(3,603,439)
<b>Balance at the end of the period</b>	<b>536,035</b>	<b>(4,316,491)</b>	<b>(3,780,456)</b>	<b>141,860</b>	<b>(4,502,399)</b>	<b>(4,360,539)</b>

#### 8.2.1 DETAIL AND MATURITY OF DERIVATIVE FINANCIAL INSTRUMENTS BY NATURE

AMOUNTS IN EUROS

	31/12/2019					
	NOTIONAL	CURRENCY	MATURITY	POSITIVE (NOTE 4.2)	NEGATIVE (NOTE 4.3)	NET
<b>Hedge</b>						
Hedging (future sales)	224,439,394	USD	2020	1,512,853	(11,549)	1,501,304
Hedging (future sales)	97,611,111	GBP	2020	252,153	(217,046)	35,107
Interest rate (Swaps) - Bonds	250,000,000	EUR	2025	-	(6,301,796)	(6,301,796)
BHKP Pulp	18,960,000	USD	2020	448,894	-	448,894
				<b>2,213,899</b>	<b>(6,530,391)</b>	<b>(4,316,492)</b>
<b>Trading</b>						
Foreign exchange forwards (future sales)	105,663,053	USD	2023	740,596	-	740,596
Foreign exchange forwards (future sales)	8,350,000	GBP	2020	-	(204,561)	(204,561)
Future purchase of CO <sub>2</sub> allowances (Note 3.2)	550,000	EUR	2020	-	-	-
				<b>740,596</b>	<b>(204,561)</b>	<b>536,035</b>
				<b>2,954,495</b>	<b>(6,734,952)</b>	<b>(3,780,457)</b>

AMOUNTS IN EUROS

	31/12/2018					
	NOTIONAL	CURRENCY	MATURITY	POSITIVE (NOTE 4.2)	NEGATIVE (NOTE 4.3)	NET
<b>Hedge</b>						
Foreign exchange forwards (future sales)	360,666,667	USD	2019	-	(117,913)	(117,913)
Foreign exchange forwards (future sales)	67,166,667	GBP	2019	323,965	-	323,965
Interest rate (Swaps) - Commercial paper	125,000,000	EUR	2020	-	(645,368)	(645,368)
Interest rate (Swaps) - Bonds	200,000,000	EUR	2023	-	(4,063,084)	(4,063,084)
				<b>323,965</b>	<b>(4,826,365)</b>	<b>(4,502,400)</b>
<b>Trading</b>						
Foreign exchange forwards (future sales)	69,500,000	USD	2019	113,278	-	113,278
Foreign exchange forwards (future sales)	12,150,000	GBP	2019	28,582	-	28,582
Future purchase of CO <sub>2</sub> allowances (Note 3.2)	1,397,500	EUR	2020	-	-	-
				<b>141,860</b>	<b>-</b>	<b>141,860</b>
				<b>465,825</b>	<b>(4,826,365)</b>	<b>(4,360,540)</b>

In this context, during the last quarter of 2019 and in January 2020, the Group contracted a set of financial structures to cover the totality of the net foreign exchange exposure of estimated sales in USD for 2020. The derivative financial instruments, in force since 01 January 2020 are Options and Zero Cost Collar, totalling USD 221,166,667 and GBP 77,500,000, maturing on 31 December 2020.

Also of 2019, the financial instruments were further strengthened through the additional contracting of USD 73,000,000, in Zero Cost Collar, maturing in December 2020.

#### HEDGE OF INVESTMENT IN FOREIGN OPERATIONS

The Navigator Group hedged the economic risk associated with exposure to the exchange rate of its participation in Navigator North America until May 2018. To this purpose, the Group has entered into a foreign exchange forward maturing in May 2018, with a notional outstanding of USD 25,050,000.

This instrument was designated as hedge of the investment made in the North American subsidiary of the Group, with changes in fair value recognised under comprehensive income of the period.



#### Accounting policies

The fair value of derivative financial instruments is included under the caption Payables and other current liabilities (Note 4.3), if negative, and in the caption Receivables and other current assets (Note 4.2), if positive.

According to IFRS 9 - Financial instruments, the Group chose to continue to apply the hedge accounting requirements of IAS 39 - Financial instruments until there is greater visibility of the current Dynamic Risk Management (macro hedging) project.

Whenever expectations of changes in interest or exchange rates justify it, the Group seeks to hedge against adverse movements through derivative instruments, such as interest rate swaps (IRS), exchange interest rate collars, exchange forwards, among others.

#### Derivative financial instruments - Trading

Although the derivative financial instruments contracted by the Group represent effective economic hedging instruments, not all of them qualify as hedging instruments, in accordance with the applicable rules and requirements. Instruments that do not qualify as hedging instruments are recorded in the Consolidated Financial Position at their fair value and changes in fair value are recognised in Net Financial Results (Note 5.11), when related to financing operations, or in External Supplies and Services (Note 2.3) or Revenue (Note 2.2), when related to hedging of receivables from sales in currencies other than the presentation currency.

#### Derivative financial instruments - Hedging

The derivative financial instruments, used for hedging purposes, may be recognised as hedge instruments if they meet the following conditions as set out in IAS 39.

#### CASH-FLOW HEDGING (INTEREST RATE, EXCHANGE RATE AND COMMODITY RISKS - BHKP)

In order to manage the risk of interest and exchange rates, the Group enters into cash flow hedge.

Those transactions are recorded in the Statement of financial position at their fair value and, to the extent that they are considered effective hedging, changes in fair value are initially recorded in the statement of comprehensive income for the period. If hedging transactions are deemed to be ineffective, the gain or loss arising therefrom is recorded directly in profit or loss.

Accumulated amounts in equity are reclassified to profit or loss when the hedged item affects the Income Statement (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised under Net Financial Results (Note 5.11). However, when the future hedged transaction results in the recognition of a non-financial asset (e.g. inventories or property, plant and equipment), the previously gains and losses deferred in equity are included in the initial measurement of the cost of the asset.

When a hedging instrument matures or is sold, or when it no longer meets the criteria required to be recognised as a hedge, the cumulative gains and losses on equity

are recycled to the Income statement, except when the hedged item is a future transaction with related cumulative gains and losses included in equity at that date remain in equity. In such case, they will only be recycled to the Income statement when the transaction is recognised in the Income statement.

### **Derivative financial instruments used by the Navigator Group**

#### FOREIGN EXCHANGE TRADING DERIVATIVES

The Navigator Group has a currency exposure on sales invoiced in foreign currencies, namely US dollars (USD) and sterling pounds (GBP). Since the Group presents its financial statements in Euros, it runs an economic risk on the conversion of these currency flows to the Euro. The Group is also obliged, albeit to a lesser degree, to make certain payments in those same currencies which, for currency exposure purposes, act as a natural hedge. Thus, the hedge is aimed at safeguarding the net value of the statement of financial position items denominated in a currency other than the presentation currency against the respective currency fluctuations.

Hedging instruments used in this transaction are foreign exchange forward contracts covering the net exposure to currencies other than the presentation currency, for amounts and due dates close to that exposure. The nature of the risk hedged is the change in the carrying amount of sales and purchases expressed in foreign currencies. At the end of each month, customer and suppliers' balances expressed in foreign currency are updated, with the gain or loss offset against the fair value change of the forwards negotiated.

#### FUTURE SALES HEDGE | EXCHANGE RATE RISK EUR/USD AND EUR/GBP

The Group makes use of derivative financial instruments in order to limit the net exchange risk associated with sales and future purchases estimated at USD and GBP.

#### CASH FLOW HEDGE | INTEREST RATE

The Navigator Group hedges its future interest payments on loans, commercial paper and bond loans, by engaging in an interest rate swap, in which it pays a fixed rate and receives a variable rate. This instrument is designated as hedges of cash flows from the commercial paper programme and the bond loan.

#### CASH FLOW HEDGE | COMMODITIES - BHKP

The Navigator Group uses derivative financial instruments with the objective of minimising the exposure risk associated with the variation of the pulp price, indexed to the PIX, in USD.



### *Estimates and judgements*

#### **Fair value of derivative financial instruments**

Whenever possible, the fair value of derivatives is estimated, based on quoted instruments. In the absence of market prices, the fair value of derivatives is estimated based on the discounted cash flow method and option valuation models, in accordance with the assumptions generally used in the market.

## 8.3 Financial Assets and Liabilities

### 8.3.1 CATEGORIES OF GROUP FINANCIAL INSTRUMENTS

The financial instruments included in each item of the consolidated statement of financial position are classified as follows:

AMOUNTS IN EUROS

	NOTE	FINANCIAL ASSETS MEASURED AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (EXCLUDING DERIVATIVES)	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	DERIVATIVE FINANCIAL INSTRUMENTS - HEDGING	DERIVATIVE FINANCIAL INSTRUMENTS - TRADING	NON-FINANCIAL ASSETS	TOTAL
<b>31 December 2019</b>								
Non-current receivables	4.2	58,778,469	-	-	-	-	-	58,778,469
Receivables and other current assets	4.2	160,609,727	-	-	2,213,899	740,596	83,844,425	247,408,647
Cash and cash equivalents	5.9	161,880,403	-	-	-	-	-	161,880,403
Non-current assets held for sale	3.8	-	-	-	-	-	-	-
<b>Total Assets</b>		<b>381,268,600</b>	<b>-</b>	<b>-</b>	<b>2,213,899</b>	<b>740,596</b>	<b>83,844,425</b>	<b>468,067,520</b>
<b>31 December 2018</b>								
Non-current receivables	8.3	63,168,912	-	-	-	-	-	63,168,912
Receivables and other current assets	4.2	277,290,284	-	-	323,965	141,860	95,495,369	373,251,478
Cash and cash equivalents	5.9	80,859,784	-	-	-	-	-	80,859,784
Non-current assets held for sale	3.8	-	-	-	-	-	-	-
<b>Total Assets</b>		<b>421,318,980</b>	<b>-</b>	<b>-</b>	<b>323,965</b>	<b>141,860</b>	<b>95,495,369</b>	<b>517,280,174</b>

AMOUNTS IN EUROS

	NOTE	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (EXCLUDING DERIVATIVES)	DERIVATIVE FINANCIAL INSTRUMENTS - HEDGING	DERIVATIVE FINANCIAL INSTRUMENTS - TRADING	FINANCIAL LIABILITIES OUTSIDE THE SCOPE OF IFRS 9	NON-FINANCIAL LIABILITIES	TOTAL
<b>31 December 2019</b>								
Loans obtained	5.7	877,131,386	-	-	-	-	-	877,131,386
Lease liabilities	5.8	-	-	-	-	46,847,797	-	46,847,797
Payables and other current liabilities	4.3	450,300,068	-	6,530,391	204,561	-	-	457,035,021
<b>Total Liabilities</b>		<b>1,327,431,454</b>	<b>-</b>	<b>6,530,391</b>	<b>204,561</b>	<b>46,847,797</b>	<b>-</b>	<b>1,381,014,203</b>
<b>31 December 2018</b>								
Loans obtained	5.7	763,830,678	-	-	-	-	-	763,830,678
Lease liabilities	5.8	-	-	-	-	-	-	-
Payables and other current liabilities	4.3	447,856,761	-	4,826,363	-	-	-	452,683,124
<b>Total Liabilities</b>		<b>1,211,687,439</b>	<b>-</b>	<b>4,826,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,216,513,802</b>

### 8.3.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value recognised in profit or loss						
Trading derivatives	-	740,596	-	-	141,860	-
Financial instruments - Hedging	-	2,213,899	-	-	323,965	-
Assets measured at fair value						
Biological assets	-	-	131,769,841	-	-	119,614,567
<b>Total Assets</b>	<b>-</b>	<b>2,954,495</b>	<b>131,769,841</b>	<b>-</b>	<b>465,825</b>	<b>119,614,567</b>
Financial liabilities at fair value recognised in profit or loss						
Trading derivatives	-	(204,561)	-	-	-	-
Financial instruments - Hedging	-	(6,530,391)	-	-	(4,826,323)	(4,826,323)
<b>Total Liabilities</b>	<b>-</b>	<b>(6,734,952)</b>	<b>-</b>	<b>-</b>	<b>(4,826,323)</b>	<b>(4,826,323)</b>



#### Accounting policies

The fair value of financial instruments is classified in accordance with the fair value hierarchy of IFRS 13 - Fair Value Measurement

- Level 1** Based on quotes from active liquid markets at reporting date
- Level 2** Determined using valuation models, the main inputs of which are observable in the market
- Level 3** Determined using valuation models, whose main inputs are not observable in the market.



#### Estimates and judgements

##### Fair value of loans remunerated at fixed interest rate

The fair value of these liabilities is calculated using the discounted cash flow method at the reporting date, using a discount rate in accordance with the characteristics of each loan, belonging to level 2 of the fair value hierarchy of IFRS 13.

## 9 Operational Risk Management

The Group operates in the forestry sectors, in the production of eucalyptus for use in the production of BEKP pulp, which is essentially incorporated in the production of UWF and Tissue paper but is also sold in the market, and in energy production, essentially through the forest biofuel that is generated in the BEKP production process.

All the activities in which the Navigator Group is involved are subject to risks, which could have a significant impact on its operations, its operating results, the cash flow generated and in its financial position.

The risk factors analysed in this chapter can be structured as follows:

- i. Specific risks inherent to the sectors of activity in which the Navigator Group operates:
  - Risks associated with the forestry sector
  - Risks associated with the production and sale of BEKP pulp, UWF paper and tissue paper
  - Risks associated with the energy generation
  - Human resources and talent management
  - Information systems
  - General context risks

- ii. Navigator Group risks and the way it performs its activities.

The Navigator Company Group has a risk-management program in place which is focused on the analysis of the financial markets in order to mitigate the potential adverse effects on its financial performance. Risk management is conducted by the Finance Department in accordance with policies approved by the Board of Directors. The Finance Department evaluates and undertakes the hedging of financial risks in strict coordination with the Navigator Company Group's operating units.

The Board of Directors provides the principles of risk management as a whole and policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk, the use of derivatives and other non-derivate financial instruments and the investment of liquidity surplus. The Risk Management Department monitors the implementation of risk management policies defined by the Board of Directors.

## 9.1 Specific risks in business sectors in which the Navigator Group operates

### 9.1.1 RISKS ASSOCIATED WITH THE FORESTRY SECTOR

As at 31 December 2019, the Navigator Group managed around 109 thousand hectares distributed in mainland Portugal, Azores and Galicia (Spain), in around 1,300 Management Units in 172 municipalities in Portugal, and 6 Management Units distributed in 9 municipalities in Galicia, Spain, in accordance with the principles expressed in its Forestry Policy. Eucalyptus and areas under ongoing afforestation with these sort of species occupy 74% of this area, namely the Eucalyptus globulus species, deemed to be the perfect fibre for high-quality papers. For the remainder, in addition to conservation areas that account for about 11% of the total area under management, pine and cork oak forests are among the largest privately owned national producers.

The Group was allocated with 356,210 hectares located in Mozambique, in the provinces of Manica and Zambezia, composed by 5 dozens of land, made available under an Investment Agreement signed with the Mozambican Government, of which approximately 13.6 thousand hectares are planted. The agreement also provides for the construction of an industrial BEKP production unit meant for the production of BEKP pulp

and generation of electric energy in that country. In July 2018, the Mozambican Government and Portucel Mozambique signed a Memorandum of Understanding through which they agreed on a set of preceding requirements necessary for the progress of the investment, which will be developed in two phases. At first, a forestry base of approximately 40,000 hectares will be created, which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export (approximately 1 million tons per year), in an estimated additional investment of USD 140 million.

The forest management of most of its forest assets located in Portugal and Spain is certified by FSC® (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification schemes), recognition that the management of these areas is done in an environmentally, economically and socially responsible way, and follows strict and internationally recognised criteria.

The main risk factor threatening the eucalyptus forests lies in the low productivity of Portuguese forest and in the worldwide demand for certified products, considering that only a small proportion of the forests are certified. It is expected that this competitive pressure will remain in the future. As an example, at the end of 2018 the forestry area managed by the Navigator Group represented nearly 3% of Portugal's total forested area, 39% of all certified Portuguese forests according with PEFC standards and 23% of all certified Portuguese forests according with FSC standards. Even so, this area has evolved very positively, as a result (among others) of the effort to promote certified forest management in Portugal undertaken with greater intensity by the Company from 2016 onwards. The Company has been increasing the area of certified forest in Portugal between 2016 and 2019 both via FSC® (from 370,000 ha to 473,000 ha) and PEFC (from 260,000 ha to 278,000).

As mentioned, the Group initiated in 2016 a project aiming to promote forest certification in areas owned by private owners, seeking to guarantee that, by 2020, eucalyptus wood processed by the Group will be provided by partners with a certified activity. In 2019, 52% of wood from national sources, excluding self-sufficiency, already came from properties that had their forest management certified (2018: 42%).

2019 is thus a turning point year, when for the first time we can check that the majority of the wood delivered in our factories by domestic suppliers comes from properties with forest management certified. It should also be noted that, within this initiative, the Group has seen a significant increase (to 66% of the total) in the number of wood supplier chain of custody certification, representing a step further on the development of a supplier's portfolio with certificated management forest properties.

In addition, the Group is working to proactively promote good forest management practices to help improve the productivity of third-party forest areas. This effort, which has been developed through CELPA (Associação da Indústria Papeleira, representing the main industrial groups in the industry) with the Best Eucalyptus Program was reinforced in 2018 with additional supporting measures, in addition to the technical support already provided. In 2019, this line of work had the first campaign of the Limpa & Aduba programme, under which the CELPA, at their own cost, fertilise the private instalments that applied to this programme, and clean their eucalyptus forest properties. This measure, empowering productivity, allows the reduction of fire hazard by the reduction of the fire load in the lands, having been carried out in 6,000ha in 2019. For 2020, the area to be involved will be 12,000 ha, and an additional programme, "Replantar", is still under development, aimed at providing owners with direct financial support in replanting their eucalyptus forest lands.

The main risks related with the industry are the ones related to the production capacity of the plantations, the risk of wildfires and plant health as well as the regulatory risk, given the entry into force on 1 January 2018, of Law No. 77/2017, of 17 August, which makes the first amendment to the legal regime applicable to afforestation and reforestation with the use of forest species (RJAAR), approved by Decree-Law No. 96/2013, dated 19 July.

The combination of all these factors, in recent years without any strategic measures of the State in the industry, has forced the import of raw material, a process conditioning the profitability of the industry.

The Navigator Group's activity is exposed to risks related to forest fires, including:

- I. Destruction of current and future wood inventory, belonging to the Navigator Group as well as to third parties;

II. Increasing costs of forestry and subsequent land preparation for plantation.

In this respect, the manner in which the Group manages its woodlands is the front line for mitigating this risk.

Among the different management measures undertaken by the Group, the strict compliance with biodiversity rules, a proper planning of the forest facilities to be implemented and the construction and maintenance of roads and access roads to each of the areas under development are particularly relevant in mitigating the fire risk.

In addition, the Navigator Group has a share in the Afocelca grouping – an economic interest grouping between the Navigator Group and the ALTRI Group, whose mission is to provide assistance in the fight against forest fires at the grouped companies' properties, in strict coordination and collaboration with the National Civil Protection Authority (Autoridade Nacional de Protecção Civil – ANEPC). This grouping manages an annual budget of about Euro 3 million, without public funds, and has created an efficient and flexible structure which implements practices aimed at reducing protection costs and minimising the losses caused by forest fires to the ACE companies, which own and manage more than 200 thousand hectares of forests in Portugal.

The Group has also a research institute, RAIZ, whose activity is focused on 3 main areas: Applied Research, Consulting and Training. In the forestry research area, RAIZ seeks:

- i. To improve the productivity of eucalyptus forests;
- ii. To enhance the quality of the fibre produced from that wood;
- iii. To implement a sustained forestry management program from an economic, environmental and social perspectives;
- iv. To foster practices and processes aimed at reducing wood production costs.

## 9.1.2 RISKS ASSOCIATED WITH THE PRODUCTION AND SALE OF BEKP PULP, UWF PAPER AND TISSUE PAPER

### Supply of raw materials

Self-supply of wood for BEKP pulp production is only about 15% of the Group's needs. For this reason, there is a regular need for the

company to purchase wood on the domestic market (insufficient), using the Spanish market and non-European (“extra-iberian”) markets, mainly Brazil, Uruguay with an added cost to the domestic market.

The supply of wood from international markets, namely eucalyptus, is subject to price variations mainly due to the exchange rate effect, which consequently has implications on the production costs of companies producing BEKP (Bleached Eucalyptus Kraft Pulp). In addition, the volatility of the logistic costs of transporting wood to the mills also has impacts essentially due to the effect of the prices of fuel used, the price of oil, less scarcity of large ships without optimisation of returns and oscillation of maritime freight.

The realisation of new forest plantations is subject to the authorisation of the competent entities and to a policy of restrictions of area increases, which may limit the national productive potential, although there are many initiatives to help forest producers, including support in the certification of wood to meet the Commercial demand for certified products (paper and pulp), and increase the productivity of existing areas, for greater availability of raw material on the domestic market, the use of imports will always be an unavoidable need in the short/medium/long term.

Due to the insufficient domestic production of wood in quantity, namely in terms of certified wood, the company has to increase the amount of imported wood, either from Spain or from other more distant markets, in order to ensure supplies to the mills, without restrictions, in the next decade(s).

It should be noted that, since wood is one of the main costs of pulp production, any increase in the cost of m<sup>3</sup> of eucalyptus wood consumed in the production of BEKP pulp always represents a negative impact on the company’s operating results

As of 31 December 2019, a 10% decrease in the cost per m<sup>3</sup> of eucalyptus wood consumed in BEKP pulp production would have had a negative impact in the Group’s operating results of approximately Euro 31,200,000 (31 December 2018: Euro 29,900,000).

For other raw materials, including chemicals, the main risk identified is the scarcity of products under the growing demand for these products in emerging markets, particularly in Asia and markets supplying

them, which can create occasional imbalances of supply and demand.

In this regard, the Navigator Group, together with the Altri Group, established in 2018 a Complementary Grouping of Companies - Pulp Chem, ACE - intended for the joint acquisition of chemical products, benefiting from economies of scale and thus mitigating this risk.

The Group seeks to mitigate these risks through proactive sourcing, by identifying sources of supply geographically dispersed, whilst seeking to secure long-term supply contracts that ensure volume, price and quality levels consistent with its requirements.

As of 31 December 2019, a 10% worsening in the price of chemical products would have represented a negative impact on the Group’s operating results of approximately Euro 12,000,000 (31 December 2018): Euro 11,500,000).

Finally, another resource required for the production process is water. As water is a finite resource and given its relevance to the pulp and paper production process, the Group has taken on a special concern for its preservation and, over the last few years, investments have been made to reduce the use of this important resource. At the same time, as a result of investments in the implementation of BATs in the production processes and the improvement of the efficiency of its wastewater treatment plants (WWTP), it was also possible to significantly improve the quality of the wastewater returned to the receiving environment. Between 2005 and 2018 there was a reduction of more than 25% in the specific use of water (cubic metres used for the production of one tonne of product) and in the same period there was a reduction of more than 20% in the load emitted for the vast majority of the parameters monitored, which is reflected in the minimisation of the Group’s environmental impact.

#### **Market price for UWF paper, BEKP pulp and Tissue paper**

The increase in competition, caused by an imbalance of supply and demand in the BEKP pulp, UWF or Tissue paper markets may have a significant impact on prices and, as a consequence, in the Navigator Group’s performance. The market prices of BEKP pulp, UWF and Tissue paper are defined in the world global market in perfect competition and have a significant impact on the Navigator Group’s revenues and on its

profitability. Cyclical fluctuations in BEKP pulp, Tissue paper and UWF Paper prices mainly arise from both changes in the world supply and demand and the financial situation of each of the international market players (producers, traders, distributors, clients, etc.), creating successive changes in equilibrium prices and raising the global market's volatility.

The BEKP pulp and UWF paper markets are highly competitive. Significant variations in existing production capacities could have a strong influence on world market prices. These factors have encouraged the Navigator Group to follow a defined marketing and branding strategy and to invest in relevant capital expenditure to increase productivity and generate high-quality products. It should be noticed that currently the pulp used to produce Tissue paper was mainly acquired to third parties until the end of 2018.

As of 31 December 2019, a 10% drop in the price per ton of BEKP pulp and of 5% in the price per ton of UWF paper and Tissue paper sold by the Group in the period, would have represented an impact on its operating results of approximately Euro 16,500,000 and Euro 66,500,000, respectively (31 December 2018: Euro 16,700,000 and Euro 66,900,000, respectively).

### **Demand for Group's products**

Notwithstanding the references below to the concentration of the portfolio of the Navigator Group's customers, any decrease in demand for BEKP, UWF and tissue paper in the European and the United States markets could have a significant impact on the Navigator Group's turnover. The demand for BEKP produced by the Group also depends on the evolution of the capacity for paper production in the world, since several of the Group's major customers are themselves BEKP producers.

The demand for uncoated printing and writing paper has been historically related with macroeconomic factors (e.g., GDP growth, employment, particularly in white collar jobs, confidence indices), technological (e.g., penetration of information technology and hardware / software, and demographic (e.g., population, average level of education, age structure of society). The evolution of these factors drives the demand for paper positively or negatively, and in the recent past, the trend of paper consumption is negative in the more developed countries and positive or stable in the emerging / developing countries. Naturally, the performance of the Navigator Group also depends on the evolution

of demand in the various markets in which it operates.

The withdrawal of the United Kingdom from the European Union (Brexit) may affect the Group's activity in this market. The possible effect of changes in import/export taxes or delays in the supply chain may have some impact on the Group sales to this market. The withdrawal agreement and any new commercial agreement that may be established may also result in changes in the applicable tax laws.

Regarding the demand for eucalyptus market pulp, this is largely dependent on the production progress in the non-integrated producers of printing and writing paper, tissue and specialty papers. Chinese demand for this type of pulp represents more than 1/3 of the world's demand, making China one of the most breakthrough drivers of demand.

Regarding Tissue segment, the key variables affecting the demand are:

- > Expected future economic growth;
- > Population growth and other demographic changes;
- > Product penetration levels;
- > Developments in the quality of Tissue paper and product specifications; and
- > Substitution effects.

Tissue paper consumption is not very sensitive to cyclical economic fluctuations, although it tends to grow faster with higher economic growth.

The importance of economic growth for the consumption of Tissue is more obvious in developing countries. When the level of the income per capita is very low, the consumption of Tissue tends to be low. There is a threshold after which consumption accelerates. Economic growth allows greater penetration of the product, which is one of the main drivers of demand for such paper in the population with lower incomes. The Tissue paper is a product that does not face major threats of substitution by other materials, and there are no expected changes at this level.

Consumer preferences may have an impact on global paper demand or in certain particular types of paper, such as the demand for recycled products or products with certified virgin fibre.

Regarding this matter, and in the particular case of UWF and Tissue paper, the Navigator Group believes that the marketing strategy and branding that has been followed, combined with the significant investments made to improve productivity and produce high quality products, allow it to deliver its products in market segments that are less sensitive to variations in demand, resulting in a lower exposure to this risk.

### Energy

The pulp and paper production process is dependent on the constant supply of electric and steam energy. The Group has several cogeneration units, which provide this supply, and redundancies have been planned between the various units in order to mitigate the risk of any unplanned shut-downs.

Part of the electricity production is sold to the supplier of last resort at regulated tariffs, based on a legal framework that lays down the special regime production from renewable resources and cogeneration. The remuneratory legal framework provides for a progressive tariff reduction over the applicable time period, implying that the central banks will tend to operate in a self-consumption regime. This fact can be proven by both the reduction shown in revenues associated with the electric power generation activity in recent years and by the reduction of electric energy and natural gas consumption.

As of 31 December 2019, a 10% worsening in the price of chemical products would have represented a negative impact on the Group's operating results of approximately Euro 10,500,000 (31 December 2018): Euro 9,000,000).

### Country risk - Portugal

The Navigator Group has a strong presence in Portugal. Its activity is based on assets whose main location is Portugal. Likewise, about 20% of its raw material comes from Portuguese forests.

The Group is the third largest exporter in Portugal and the largest generator of National Added Value, representing approximately 1% of the national GDP, about 3% of national exports of goods, close to 6% of total containerised cargo exported by national ports.

Although open to the world, the strong dependence of its country of origin in terms of production factors exposes the Group to Portugal's risk index.

### Country risk - Mozambique

Due to the investment in the Mozambican project, the Navigator Group is exposed to the specific risk in this country. This means that the planning of investments, in terms of timing, choice of suppliers / partners and geographic location is made considering this effect. The Group monitors the achievement of each step by reasonably assuming, that there will be no effects arising from that risk conditioning them.

At this moment, the Mozambique project is essentially a forestry project, with an option to develop an industrial project. The planned investment will be implemented in two phases, the first being a ship production (woodchip) project and a second phase, the construction of a large-scale pulp mill. The Group is, however, prepared to move forward with the forestry plan foreseen, once the necessary conditions - most of which are under discussion with the Mozambican authorities - are met.

Until 31 December 2019, the expenditure with this project amounted to Euro 106.4 million (31 December 2018: Euro 98.6 million), mainly related to plantation, land preparation and forest maintenance, to the social development program and the construction of what is now one of Africa's largest forest nurseries.

Nevertheless, the Group's more conservative approach led to the record of several impairments against the investment in Mozambique. Moreover, a provision in the amount of Euro 13 million was also recorded in order to reflect the stage of development of the project.

### Country risk - USA

The US market has a significant weight in the total turnover of UWF paper, increasing the exposure to the country's specific risk.

This exposure requires a careful evaluation of the impacts resulting, for example, from changes in regulations and taxes, or even from their application and interpretation by governmental entities and tax authorities.

Concerning UWF paper imports, together with producers from other countries (Australia, Brazil, China and Indonesia), the Group has been subject to Anti-dumping measures imposed by the US Department of Commerce since 2015. Last September, the Navigator Group was notified by the United States Department of Commerce that the final

anti-dumping duty to be applied retroactively on sales to the US for the period from August 2015 to February 2017 (the “first period of review”) was downgraded to 1.75%, which became applicable through the deposit of the fee corresponding to all exports to the US by the Group after the release date of that decision. For the second review period, from March 2017 to February 2018, after the audit conducted in August 2019 by the Department of Commerce, Navigator was notified in December 2019 that the final anti-dumping rate to be applied is 4.37%. The third and fourth periods of review, between March 2018 and February 2019 and March 2019 and February 2020 are still running.

## Competition

Increased competition in the paper and pulp markets may have a significant impact in price and consequently, in the Group’s profitability.

As paper and pulp markets are highly competitive, new capacities may have a relevant impact in prices worldwide.

BEKP producers from the southern hemisphere (namely from Brazil, Chile, Uruguay and Indonesia), with significantly lower production costs, have been gaining weight in the market, undermining the competitive position of European pulp producers.

These factors have forced the Group to make significant investments in order to keep production costs competitive and produce high-quality products as it is likely that this competitive pressure will remain strong in the future.

Other highlight is the divestment in the papermaker sector in the USA, with announcements by some UWF producers of closure/conversion of installed capacity to take place by 2020, in a clear attempt to adjust supply according to the negative evolution of demand. On the contrary, investments in new UWF capacity in the Middle East and in China and in the short- and medium-term are expected.

The Navigator Group has been adjusting its commercial strategy to the evolution of regional consumption patterns. The Group has a significant presence in the US, accounting for about half of European producer sales to this market. The turnover intended to the European markets represented 60% (2018: 60%), achieving particularly strong market shares in Western European countries

and relevant market shares in the other main European markets.

## Concentration of customers’ portfolio

As at 30 December 2019, the Group’s 10 main BEKP customer groups accounted for 12% of the period’s production of BEKP pulp (2018: 14%) and 54% of external sales of BEKP pulp (2018: 81%). This asymmetry is a result of the strategy pursued by the Navigator Group, consisting of a growing integration of the BEKP pulp produced into the UWF paper produced and sold. Nevertheless, the Group believes there is little exposure to risks of customer concentration in the marketing of BEKP pulp.

In 2019, the Navigator Group’s 10 main customer groups for UWF paper represented 46% of this product’s sales during the period (2018: 48%). When customers were considered individually, the concentration reduced to 24% of sales volume (25% in 2018). The Navigator Group registered 100 new customers with sales in 2019. Also, regarding UWF paper, the Group follows a risk mitigation strategy for its customer concentration. The Navigator Group sells UWF paper to more than 130 countries and to more than 1,000 individual customers, thereby allowing a dispersion of the risk of sales concentration in a reduced number of markets and/or customers.

Tissue sales amounted to Euro 132 million in 2019 (2018: Euro 90.6 million). Commercial activity is mainly focused on the Iberian Peninsula, which represents 70% of its sales, and the French and UK markets, which represent 28% of sales. The 10 main customers represent about 43% of total sales (2018: 45%), which shows a positive trend of decentralisation of the customer portfolio also in the Tissue business.

The stabilisation of the commercial operation after the start-up of the 2<sup>nd</sup> Tissue paper machine (in 2015) and the 3<sup>rd</sup> Tissue paper machine in Aveiro (2018) has allowed us to expand our commercial activity to the external market, namely by increasing Navigator presence in Spain and the rest of Western Europe.

## Environmental legislation

In recent years, EU environmental legislation has become more restrictive with regard to the control of environmental emissions. The companies of the Navigator Group comply with the prevailing legislation, in its various parameters (VLEs).

On September 2014, the Commission's implementing decision 2014/687 / EU approved the BREF (Best Available Technologies Reference Documents) – Conclusions on Best Available Techniques of the Reference Paper – for the paper and pulp sectors containing the new limits and requirements for these sectors. The companies have four years to promote the required adjustments to its practices and equipment. Furthermore, the technical discussion on the Large Combustion Facilities Reference Document was finalised and published. This document has an impact on the Navigator Group's equipment, particularly in boilers and combustion facilities, which will be covered by the new legislation, therefore requiring new investments, such as particle filters for biofuel boilers.

As such, the Group has been following the technical development of this matter, trying to anticipate and plan the necessary improvements to their equipment so to comply with the limits to be published. There is a possibility that the Group may need to perform additional investments in this area in order to comply with any changes in limits and environmental regulations which may be approved.

To date, the legislative changes that are known relate to the evolution of the Scheme for Greenhouse Gas Emission allowance trading of CO<sub>2</sub> emission rights (CELE), established by Directive 2003/87/CE, and amended by Directive 2009/29/CE, which outlines the legal framework of the CELE for the period 2013-2020 and which was transposed into the national law by Decree-Law 38/2013 of 15 March.

Recently, EU Directive 2018/410 of 14 March amending Directive 2003/87/EC was also approved aiming to increase the cost-effectiveness of emission reductions and investment in low-carbon technologies. EU 2018/410 Directive sets out, among other things, the new CELE period to be in force between 2021-2030, which will show a reduction in the amount of CO<sub>2</sub> emission allowances allocated free of charge.

This development will bring increased costs for the transformation industry in general and in particular for the paper and pulp industry, without any compensation for the CO<sub>2</sub> that, annually, is absorbed by the forests of this industry.

In order to mitigate the impact of this change, the Group has long undertaken

a series of environmental investments that, among other advantages, have allowed the continuous reduction of CO<sub>2</sub> emissions, despite the fact that, in recent years, there has been a steady increase in production volumes. In addition, the group has a Carbon Neutral Company Program that aims to implement, by 2035, changes in its production processes in order to minimize the use of fossil fuels and consequently reduce their CO<sub>2</sub> emissions.

In 2015, an environmental strategic plan was analysed and established, aiming to adapt Navigator Group to a set of new and future requirements in the environmental area, namely to the reference document for the sector (Conclusions on Best Available Techniques of the Reference Document for the sector - BREF. Commission Implementing Decision 2014/687/EU) and for Large Combustion Facilities. The reference documents correspond to the implementation of Directive 2010/75/EU on industrial emissions. Projects are underway to implement the appropriate technological changes, as well as a new version of the Environmental Master Plan, which incorporates new environmental challenges that have arisen in the meantime.

The Environmental Strategic Plan aimed for areas other than the environmental covered by this document. It was possible to confirm that Navigator Group is broadly in compliance with this future referential and to identify some areas for improvement as well as technological solutions such as atmosphere emissions from biofuel boilers.

On the other hand, under the terms set in Decree-Law 147/2008, dated 29 June that transposed directive 2004/35/CE to the national law, the Navigator Group secured the environmental insurances demanded by that law, thus guaranteeing compliance and reducing exposure to environmental risks.

### 9.1.3 RISKS ASSOCIATED WITH THE ENERGY GENERATION

Energy is an activity of growing importance in the Group allowing the use of endogenous renewable resource which is the biofuel generated in the BEKP production. The energy generation assets also allow the Group's wood suppliers to generate additional income from the sale of biofuel and contributing to the reduction of the risk of fires in the country.

As a way of boosting the use of forest residual biofuel made available by the forestry sector, two biofuel thermoelectric plants to produce renewable electric energy were built by the Group in 2009 and are fully operational.

The Group has played a pioneering role and has been developing a market for the sale of biofuel for supplying its renewable cogeneration power stations and biofuel power plants. The fostering of this market in a phase prior to the start-up of the new power-generating units has enabled it to secure a sustained raw-material supply network.

The incentives in place in Portugal only consider the use of residual forest biofuel, rather than the use of wood to produce electrical power.

In addition, there are the following legal provisions:

- i. Decree-Law 23/2010 and Act 140/2012, revised by Act 325-A/2012, applicable to the ERP system – Special Regime in cogeneration;
- ii. For units powered through residual forestry biofuel (CTB), dedicated to the production of electricity, the legal framework is provided by Decree-Law 33-A/2005, revised by Decree-Law 225/2007, that extends from 15 to 25 years the guaranteed tariffs under the PRE (Special Regime Production), which enables some revenue stability to be planned for the near future, there is a risk that the change in energy prices for sale of energy produced from renewable resources will penalize the products produced by the Navigator Group (already occurring, with specific measures over the energy price and the introduction of an Extraordinary Contribution to the Energy Sector affecting cogenerating units with a capacity of more than 20MW). The constant search for optimisation of production costs and efficiency of generating units and the analysis of new projects to produce energy from renewable sources are the way in which the Group seeks to mitigate this risk.

As a result of the measures taken under the Financial Adjustment Program to which Portugal was subject, the entire remuneration system of the national electricity sector was revised, being the major impact in the electricity produced from cogeneration, recognised as an energy efficiency measure already which represents one of the most efficient forms of energy production.

The Group represents a significant part of the energy produced in Portugal. The units owned and operated by the Group under the Cogeneration regime, supported by a review of the electric energy sales prices, over

a period that began temporarily in 2012 and which will end progressively between 2025-2030.

The progressive tariff reduction associated with the sale of electricity in special regime, affects the economic sustainability of the sale to the electricity grid, therefore after the applicable legal periods, the cogenerations tended to operate on a self-consumption basis, i.e. directly supplying the units which has already occurred at the natural gas cogeneration plant at Figueira da Foz since February 2016 and will take place in April 2020 in Setúbal.

#### **9.1.4 HUMAN RESOURCES AND TALENT MANAGEMENT**

The year 2019 was marked by the implementation of the Human Resources restructuring project.

Specifically, the Payroll area was integrated into the Accounting and Remunerations Department, with responsibility for managing salary processing and time management.

In the remaining areas, the focus remained on standardising processes, policies and systems, in order to promote interconnection with the business and joint problem solving capacity.

It is also important to highlight a number of projects that were initiated and/or had a significant development, as foreseen in the Management's activity plan:

- > Continued leadership development through the implementation of diagnostic, training and coaching projects;
- > Identification and development of an internal expert pool capable to ensure the knowledge retention;
- > The beginning of the functional families project, the basis for the development and articulation of technical careers, along with career management, project that will not be completed until 2020;
- > Review of the performance appraisal system, based on the review of the objectives and skills model. In this regard the parameterisation of the system has been completed and the functional testing phase has begun, including the prior training of key users. A set of relevant communication and training materials has also been produced that will support the launch to the entire organisation in 2020 as planned. Examples

- include: communication plan, e-learning storyboards, videos tutorials of the platform, training of trainers, appraiser or appraisee manuals and objectives catalogue (the latter with the support of the Internal Consultancy area);;
- > The strengthening of equity and meritocracy through changes in the performance bonus eligibility.
  - > Start of the Compensation Module in SuccessFactors.
  - > Conclusion of the Recruitment & Selection module in Cornerstone, which during the second semester was in internal testing phase to the HR team, with the goal of being communicated to and used by the entire organisation in 2020. Materials were also developed to support communication and user training.

The year 2019 was also marked by some social instability which led to strikes, with the Executive Committee holding a series of meetings with the Labour Unions, which aimed to achieve a constructive dialogue. In this context, the Executive Committee approved a series of measures aimed at improving employee conditions and began a negotiation process with a view to defining the new career plan for operational technicians.

#### 9.1.5 INFORMATION SYSTEMS

The Group's information systems, some of which rely on services rendered by third parties, play key role in the operation of its business. Given the strong reliance placed on information technologies in the several geographies and business areas in which the Group operates, it is important to highlight the risk inherent to systems failures resulting from intentional actions such as computer attacks or accidental actions.

Despite the procedures designed and implemented to mitigate the mentioned risks, the Navigator Group is aware that, in the absence of inviolable information systems, it cannot be guaranteed that these efforts will be sufficient to prevent such system failures, as well as the related repercussion

on reputation, litigation, inefficiencies or even in allocating operating margins.

#### 9.1.6 OTHER RISKS ASSOCIATED WITH THE GROUP'S ACTIVITY

The Navigator Company Group's manufacturing facilities are subject to risks inherent to any industrial activity, such as accidents, breakdowns or natural disasters that may cause losses in the assets or temporary interruptions in the production process.

Likewise, these risks may also affect the Group's main customers and suppliers, which would have a significant impact on the levels of the Group's profitability, should it not be possible to find new customers to ensure sales levels and new suppliers that would enable the Group to maintain its current cost structure.

The Navigator Group exports over 95% of its production of UWF paper and about 44% of its production of Tissue paper. Consequently, transportation and logistics costs are materially relevant. A continuous increase in transport costs may have a significant impact in the Group's performance.

#### 9.1.7 GENERAL CONTEXT RISKS

The lack of efficiency in the Portuguese economy continues to be followed by management, adversely affecting the Group's competitiveness, mainly in the following areas:

- i. Ports and railroads;
- ii. Roads, particularly those providing access to the Navigator Group's producing units;
- iii. Territorial planning and forest fires;
- iv. Low productivity of the country's forests;
- v. The lack of certification of most of the Portuguese forest;
- vi. Volatility of the fiscal policy and not reduction of the IRC rate, as well as non-elimination of the surcharges.

# 10 Provisions, Commitments and Contingencies

## 10.1 Provisions

### PROVISIONS

AMOUNTS IN EUROS

	LEGAL PROCEEDINGS	TAX PROCEEDINGS	OTHER	TOTAL
<b>01 January 2018</b>	<b>4,159,157</b>	<b>13,830,188</b>	<b>1,547,301</b>	<b>19,536,646</b>
Increases	1,111,546	-	15,109,286	16,220,832
Reversals	(453,074)	(673,509)	(1,547,301)	(2,673,884)
<b>Impact in profit and loss for the period</b>	<b>658,472</b>	<b>(673,509)</b>	<b>13,561,985</b>	<b>13,546,948</b>
Charge-off	-	-	-	-
Other transfers and settlements	(31,654)	10,013,530	-	9,981,876
<b>31 December 2018</b>	<b>4,785,975</b>	<b>23,170,209</b>	<b>15,109,286</b>	<b>43,065,470</b>
Increases	1,507,622	-	2,441,452	3,949,074
Reversals	(817,625)	-	(3,168,176)	(3,985,801)
<b>Impact in profit and loss for the period</b>	<b>689,997</b>	<b>-</b>	<b>(726,724)</b>	<b>(36,727)</b>
Transfers - IFRIC 23 (Note 6.1)	-	(34,765,601)	-	(34,765,601)
Other transfers and settlements	30,923	11,595,392	58,890	11,685,205
<b>31 December 2019</b>	<b>5,506,895</b>	<b>-</b>	<b>14,441,452</b>	<b>19,948,347</b>

#### LEGAL CLAIMS

The outcome of provisions for legal claims depends on the labour or civil court decisions.

#### TAX PROCEEDINGS

The amounts included in the item Other Transfers/Adjustments of 11,595,392 (31 December 2018: Euro 10,013,530) are related to the establishment of provisions in 2019, which were recorded against income tax expense, and later transferred to the caption State in light of the interpretation of IFRIC 23 (Note 6.1).

#### OTHER PROVISIONS

Refers to provisions to cover risks related to events of a different nature, the resolution of which may result in outflows of cash, in particular organisational reorganisation processes, risks of contractual positions assumed in investments, among others.

In 2018, increases recorded under the caption "Other provisions" include Euro 12 million related to the Mozambique project. As communicated to the market on 9 July 2018, Portucel Moçambique and the Mozambican Government signed a Memorandum of Understanding (MoU) regarding the reformulation of the investment project that will start being developed in two phases. At first, will be created a forest

base of about 40,000 hectares which will guarantee the supply of a unit (to be built) for the production of eucalyptus wood chips for export, of around 1 million tons per year, in a estimated global investment of USD 140 million.

Although the aforementioned Memorandum of Understanding (MoU) signed with the Mozambican Government provided for a "best effort" commitment to create the necessary conditions to carry out the investment until last 31 December 2018, that was not possible, and both parties continued to work towards that goal. In this context and given the current conditions, Navigator prudently decided, and in addition to the impairments already recorded in previous periods, to record an additional provision in its accounts, at the end of 2018, in the amount of Euro 12 million, having increased it in 2019 by Euro 1,615,000, in order to reflect the current development stage of the project.



#### Accounting policies

Provisions are recognised whenever the Group has a present legal or constructive obligation, as a result of past events, in which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions for future operating losses are not recognised. Provisions are reviewed on the date of the statement of financial position and are adjusted to reflect the best estimate at that date.

The Group incurs expenditure and assumes liabilities of an environmental nature. Accordingly, expenditures on equipment and operating techniques that ensure compliance with applicable legislation and regulations (as well as on the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, on those related to minimizing energy consumption, atmospheric emissions, the production of residues and noise), are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to extend the useful lives, increase capacity

or improve the safety or efficiency of other assets owned by the Group.

#### TAX PROCEEDINGS



*The Group's uncertainty positions regarding income tax are disclosed in Note 6.1 – Income Tax.*



*Estimates and judgements*

#### Legal and tax claims

These provisions were established according to the risk assessments carried out internally by the Group with the support of its legal counsels, based on the probability of the decision being favourable or unfavourable to the Group.

## 10.2 Commitments

## GUARANTEES PROVIDED TO THIRD PARTIES

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Guarantees provided</b>		
Navigator guarantees for EIB loans	70,416,667	91,346,000
Portuguese Tax Authority and Customs IAPMEI	845,957	24,053,434
Cstoms clearance	3,653,785	4,845,527
Administration state agency of Spanish Tax Authorities	1,250	1,835,250
Simria	1,033,204	1,033,204
Other	338,829	338,829
	982,839	892,440
	<b>77,272,531</b>	<b>124,344,684</b>

The guarantees provided by IAPMEI were provided under the investment contracts celebrated between the Portuguese State and Navigator Pulp Cacia, S.A. (Euro 2,438,132) and Navigator Tissue Ródão, S.A. (Euro 2,407,395), in accordance with the terms and conditions defined in the Payment Standard applicable to projects approved under QREN Incentive Systems. In 2018, the guarantee provided by Navigator Tissue Ródão, S.A., was demobilised.

As part of the final tax authority inspection report to the 2013 period, the Navigator Company was notified on 4 September 2017 of the Final Tax Inspection Report, which resulted in an additional tax payment of Euro 20,556,589.

Navigator did not agree with the correction identified, and therefore decided to contest it and to provide a bank guarantee in the

amount of Euro 26,022,893 aiming to suspend the respective tax enforcement proceeding, following a series of litigation proceedings already filed on that matter since 2012.

Following a favourable decision on one of the most relevant proceedings presented and, as a result of Navigator's insistence throughout this litigation and in particular the litigation initiated at the end of 2017, regarding the change of the Portuguese Tax Authorities (AT) internal understanding on one of the key issues under discussion (i.e., the admissibility of the RFAI reporting), at the end of 2018, AT allowed the deduction of the entire RFAI recognised by Navigator during the periods between 2009 and 2013.

On this basis, as early as 2018 the value of the bank guarantee was reduced to Euro 24,053,434, being released in 2019 after the conclusion of the proceedings.

## PURCHASE COMMITMENTS

AMOUNTS IN EUROS

	31/12/2019	31/12/2018
<b>Purchase commitments</b>		
Property, plant and equipment - Industrial equipment	18,279,270	23,070,248
Wood		
Commitments to acquisitions in the subsequent period	59,600,000	197,544,779
Commitments to long-term acquisitions	88,000,000	89,569,000
	<b>165,879,270</b>	<b>310,184,027</b>

### Other commitments

The Navigator Group has made a commitment to achieve carbon neutrality by 2035, with a total investment planned of Euro 158 million.

October 2011, with the amounts already paid and not disputed relating to these debts, as well as expenses directly related thereto, pursuant to the Judgment dated 24 May 2011 (Case No. 0993A / 02), which confirmed the Company's position regarding the enforceability of such expenses.

### 10.3 Contingent Assets and Liabilities

#### Tax matters

##### PUBLIC DEBT SETTLEMENT FUND

According to Decree-Law No. 36/93 of 13 February, tax debts of privatized companies related to periods prior to the privatization date (25 November 2006) are the responsibility of the Public Debt Regularisation Fund. On 16 April 2008, The Navigator Company filed an application to the Public Debt Settlement Fund to request payment of tax debts previously paid by the Tax Authorities. On 13 December 2010, it filed a new application requesting the payment of the debts settled by the Tax Authorities related to the periods of 2006 and 2003, which was supplemented, on 13

On 13 December 2017, The Navigator Company, S.A. entered into an extra-judicial agreement with the Treasury, in which the FRDP was recognized as having responsibility for recovering the amount of Euro 5,725,771 corresponding to the amount of Corporate Income Tax (CIT) improperly paid, resulting from the alleged qualification/incorrect consideration by the tax administration of the tax loss accruing as a result of the operations carried out by Soporcel, SA in 2003, as well as to promote restitution to Navigator of said amount.

In this context, Public Debt Settlement Fund (PDSF) is liable for Euro 24,649,956, detailed as follows:

## CONTINGENT ASSETS AND LIABILITIES

AMOUNTS IN EUROS

	PERIOD	REQUESTED AMOUNTS	1 <sup>ST</sup> REFUND	DECREASE DUE TO RERD	PROCEEDINGS DECIDED IN FAVOUR OF THE GROUP	PROCEEDINGS DECIDED IN FAVOUR OF THE GROUP	OUTSTANDING AMOUNT
<b>Proceedings confirmed in court</b>							
Corporate income tax	2002	18,923	-	-	-	-	18,923
Corporate income tax (RF)	2004	3,324	-	-	-	-	3,324
Corporate income tax	2004	766,395	-	-	(139,023)	-	627,372
Expenses		314,957	-	-	-	-	314,957
		<b>15,876,240</b>	<b>(8,210,546)</b>	-	<b>(975,347)</b>	<b>(5,725,771)</b>	<b>964,576</b>
<b>Proceedings not confirmed in court</b>							
Corporate income tax	2005	11,754,680	-	(1,360,294)	-	-	10,394,386
Corporate income tax	2006	11,890,071	-	(1,108,178)	-	-	10,781,893
VAT	2003	2,509,101	-	-	-	-	2,509,101
		<b>26,153,852</b>	-	<b>(2,468,472)</b>	-	-	<b>23,685,380</b>
		<b>42,030,092</b>	<b>(8,210,546)</b>	<b>(2,468,472)</b>	<b>(975,347)</b>	<b>(5,725,771)</b>	<b>24,649,956</b>

Regarding the aggregate corporate income tax proceedings of 2005 and 2006 (see, if Courts come to a decision in favour of Navigator Group, the Group will withdraw the request made to PDSF.

The Group assessed the degree of uncertainty in tax proceedings related to income tax in light of IFRIC 23. Taking into consideration the expected value and / or the most probable value, the Group concluded that these tax proceedings should maintain the classification as contingent assets.

#### PLEDGES

In 2019, the companies of the Navigator Group intended an Administrative Action on Civil Liability against the Ministry of Finance which aims at the recognition of their right and in consequence, convict the Ministry of Finance to pay a compensation for the charges incurred by them, in 2018, related to the collaboration provided to the Portuguese Tax Authorities within the context of pledges in tax enforcement proceedings.

#### Non-tax matters

##### INFRASTRUCTURE ENHANCEMENT AND MAINTENANCE FEE

Under the licensing process no 408/04 related to the new paper mill project, the Setúbal City Council issued a settlement note to Navigator regarding an infrastructure increase and maintenance fee (TMUE), amounting to Euro 1,199,560, with which the company disagrees.

This situation regards the amount collected under this levy in the licensing process mentioned above, for the construction of a new paper mill in the industrial site of Mitrena, Setúbal. Navigator disagrees with the amount

charged and filled an administrative claim against it on 25 February 2008 (request 2485/08), followed by an appeal in Court against the rejection of the claim on 28 October 2008. At 3 October 2012, this claim had an adverse decision, and in 13 November 2012 an appeal to the Administrative Supreme Court (STA) was performed, which has brought down the action to Central Administrative Court (TCA) on 4 July 2013, pending decision.

##### PUBLIC DEBT SETTLEMENT FUND

In addition to the tax matters described above, a second request to the Public Debt Settlement Fund was submitted on 2 June 2010, which called for the reimbursement of various amounts, totalling Euro 136,243,949. These amounts were related to adjustments in the financial statements of the group after its privatisation, that have not been considered in formulating the price of such privatisation, as they were not included in the documentation made available for consultation by the bidders.

On 24 May 2014 the Court denied the Navigator Company Group's proposal to present testimony evidence, alternatively proposing written submissions. On 30 June 2014 Navigator Company Group appealed against this decision, but continuously presented written evidence. The Court subsequently confirmed the Navigator Company Group's views on this matter, both parts appointed experts and the partial expert report was issued on July 2017, being required either by The Navigator Company, S.A. either by the Ministry of Finance, the attendance of both designated experts in court hearing, in order to provide oral explanations on the issued reports. The date of the court hearing is still to be appointed.



# 11 Group Structure

## 11.1 Companies Included In The Consolidation Perimeter

### 11.1.1 NAVIGATOR GROUP SUBSIDIARIES

COMPANY	SHARE EQUITY OWNED			
	31/12/2019			
	HEAD OFFICE	DIRECTLY	INDIRECTLY	TOTAL
<b>Parent company:</b>				
The Navigator Company, S.A.	Portugal	-	-	-
<b>Subsidiaries:</b>				
Navigator Brands, S.A.	Portugal	100.00	-	100.00
Navigator Parques Industriais, S.A.	Portugal	100.00	-	100.00
Navigator Products & Technology, S.A.	Portugal	100.00	-	100.00
Navigator Paper Figueira, S.A.	Portugal	100.00	-	100.00
Pulpchem Logistics, A.C.E.	Portugal	50.00	-	50.00
Raiz - Instituto de Investigação da Floresta e Papel	Portugal	75.00	22.00	97.00
Raiz Ventures, S.A.	Portugal	-	97.00	97.00
About the Future - Essencial Oils, S.A.	Portugal	-	97.00	97.00
Enerpulp - Cogeração Energética de Pasta, S.A.	Portugal	100.00	-	100.00
Navigator Pulp Figueira, S.A.	Portugal	100.00	-	100.00
Navigator Fine Paper, S.A.**	Portugal	-	-	-
Arbozer - Serviços Agro-Industriais, S.A.**	Portugal	-	-	100.00
Navigator Pulp Setúbal, S.A.	Portugal	100.00	-	100.00
Navigator Pulp Aveiro, S.A.	Portugal	100.00	-	100.00
Navigator International GmbH	Germany	100.00	-	100.00
Navigator Tissue Aveiro, S.A.	Portugal	100.00	-	100.00
Navigator Tissue Ródão, S.A.	Portugal	-	100.00	100.00
Navigator Tissue Iberica, S.A.	Spain	-	100.00	100.00
Portucel Moçambique - Sociedade de Desenvolvimento Florestal e Industrial, Lda	Mozambique	90.02	-	90.02
Navigator Internacional Holding SGPS, S.A.	Portugal	100.00	-	100.00
Magellan Holdings, Inc. *	USA			
Navigator Financial Services sp. Zoo	Poland	25.00	75.00	100.00
Navigator Forest Portugal, S.A.	Portugal	100.00	-	100.00
EucaliptusLand, S.A.	Portugal	-	100.00	100.00
Sociedade de Vinhos da Herdade de Espirra - Produção e Comercialização de Vinhos, S.A.	Portugal	-	100.00	100.00
Gavião - Sociedade de Caça e Turismo, S.A.	Portugal	-	100.00	100.00
Afocelca - Agrupamento complementar de empresas para protecção contra incêndios, ACE	Portugal	-	64.80	64.80
Viveiros Aliança - Empresa Produtora de Plantas, S.A.	Portugal	-	100.00	100.00
Atlantic Forests, S.A.	Portugal	-	100.00	100.00
Bosques do Atlantico, SL	Spain	-	100.00	100.00
Navigator Africa, SRL	Italy	-	100.00	100.00
Navigator Paper Setúbal, S.A.	Portugal	100.00	-	100.00
Navigator North America Inc.	USA	-	100.00	100.00
Navigator Sales & Marketing, S.A. *	Belgium	-	-	-
Navigator Paper World, S.A.	Portugal	-	100.00	100.00
Navigator Afrique du Nord	Morocco	-	100.00	100.00
Navigator España, S.A.	Spain	-	100.00	100.00
Navigator Netherlands, BV	Holand	-	100.00	100.00
Navigator France, EURL	France	-	100.00	100.00
Navigator Paper Company UK, Ltd	United Kingdom	-	100.00	100.00
Navigator Italia, SRL	Italy	-	100.00	100.00
Navigator Deutschland, GmbH	Germany	-	100.00	100.00
Navigator Paper Austria, GmbH	Austria	-	100.00	100.00
Navigator Paper Poland SP Z o o	Poland	-	100.00	100.00
Navigator Eurasia	Turkey	-	100.00	100.00
Navigator Rus Company, LLC	Russia	-	100.00	100.00
Navigator Paper Mexico	Mexico	-	100.00	100.00
Navigator Middle East Trading DMCC	Dubai	-	100.00	100.00
Navigator Participações Holding, SGPS, S.A.	Portugal			
EMA21 - Engenharia e Manutenção Industrial Século XXI, S.A. **	Portugal	-	-	-
Ema Cacia - Engenharia e Manutenção Industrial, ACE	Portugal	-	92.20	92.20
Ema Setúbal - Engenharia e Manutenção Industrial, ACE	Portugal	-	90.20	90.20
Ema Figueira da Foz- Engenharia e Manutenção Industrial, ACE	Portugal	-	90.00	90.00
Empremédia - Corretores de Seguros, S.A.	Portugal	-	100.00	100.00
Navigator Added Value, S.A.**	Portugal	-	-	-
Navigator Abastecimento de Madeira, ACE	Portugal	97.00	3.00	100.00

\* Companies settled in 2018 (Note 11.2)

\*\* Companies merged in 2019 (Note 11.2)



SHARE EQUITY  
OWNED  
31/12/2018

TOTAL

MAIN ACTIVITY

-	Sale of paper and pulp
100.00	Paper production
100.00	Industrial real estate management
100.00	Marketing of products, technology and engineering services
100.00	Paper production
50.00	Purchases of materials, subsidiary materials and services used in pulp and paper production processes
97.00	Applied research in the field of pulp and paper industry and forestry activity
-	Promotion of business units directly or indirectly related to research, development and innovation activities in the field of forest-based bioeconomy
-	Production, rectification and wholesale of essential oils
100.00	Production of energy
100.00	Production of cellulose pulp
100.00	Provision of services in the area of paper and pulp sales
100.00	Provision of services related to the forestry activity and the cellulose pulp industry
100.00	Production of cellulose pulp
100.00	Production of cellulose pulp
100.00	Sales of cellulose pulp
100.00	Production of tissue paper
100.00	Sales of tissue paper
80.20	Sales of tissue paper
100.00	Management of financial investments
-	Production of energy
100.00	Financial services
100.00	Forestry production
100.00	Forestry production
100.00	Wine production
100.00	Management of hunting resources
64.80	Provision of forest fire prevention and fighting services
100.00	Plant production in nurseries
100.00	Provision of services within the scope of forestry activity and trade in timber
100.00	Trade in wood and biomass and logging
100.00	Trade in wood and biomass and logging
100.00	Paper and energy production
100.00	Sale of paper
-	Provision of marketing and sales intermediation services
100.00	Provision of administration and management services and management of shareholdings
100.00	
100.00	
100.00	
100.00	
100.00	
100.00	
100.00	Provision of sales intermediation services
100.00	
100.00	
100.00	
100.00	
100.00	
100.00	Management of financial investments
100.00	Provision of industrial maintenance, engineering, quality, environment and safety services
95.00	
89.91	Provision of industrial maintenance services
90.72	
100.00	Insurance mediation and consultancy
100.00	Provision of administration, management and internal consultancy services
100.00	Sale of timber

## 11.2 Changes in the Consolidation Perimeter

During the year ended 31 December 2019, the consolidation perimeter was changed by the following operations:

- Merger by incorporation of Arboser, S.A. in Navigator Pulp Figueira, S.A.
- Demerger of Navigator Paper Figueira, S.A.'s paper production activity in Figueira da Foz. (subsequently renamed to Navigator Brands, S.A.) and subsequent merger into Headbox (subsequently renamed to Navigator Paper Figueira, S.A.), with effects from 1 march 2019 onwards.

- Merger by incorporation of Ema 21, S.A., Navigator Fine Paper, S.A. and Navigator Added Value, S.A. into Navigator Pulp Figueira, S.A., effective 1 January 2019.

- Incorporation of Raiz Ventures, S.A.

- Sale of Eucaliptusland by Navigator Participações Holding, SGPS, S.A. to Navigator Forest Portugal, S.A.

## 11.3 Transactions With Related Parties And Shareholders

## BALANCES WITH RELATED PARTIES

AMOUNTS IN EUROS

	31/12/2019			31/12/2018	
	RECEIVABLES (NOTE 4.2)	PAYABLES (NOTE 4.3)	LEASE LIABILITIES (NOTE 5.8)	RECEIVABLES (NOTE 4.2)	PAYABLES (NOTE 4.3)
<b>Shareholders (Note 5.2)</b>					
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	24,651	10,881,165	-	-	11,612,842
<b>Other subsidiaries of Semapa Group</b>					
Secil - Companhia Geral Cal e Cimento, S.A.	329,779	22,513	-	150,582	231
Secil Britas, S.A.	-	70,636	-	-	4,005
Secil Prebetão, S.A.	-	314	-	-	846
CMP - Cimentos Maceira e Pataias, S.A.	-	7,477	-	-	575
Unibetão, S.A.	-	40,367	-	-	10,857
<b>Other related entities</b>					
Enermontijo, S.A.	82,580	42,887	-	65,477	20,430
Seinpar Investments BV	600	-	-	200	-
Enerpar, SGPS, Lda.	-	-	-	-	-
Sonagi Imobiliária, S.A.	85,382	-	33,745	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	-	93,430	74,664	-	-
Hotel Ritz, S.A.	-	2,033	-	-	-
	<b>522,992</b>	<b>11,160,822</b>	<b>108,409</b>	<b>216,259</b>	<b>11,649,786</b>

## TRANSACTIONS OF THE PERIOD WITH RELATED PARTIES

AMOUNTS IN EUROS

	31/12/2019			31/12/2018		
	PURCHASE OF GOODS AND SERVICES	SALES AND SERVICES RENDERED	FINANCIAL (EXPENSES)/ INCOME	PURCHASE OF GOODS AND SERVICES	SALES AND SERVICES RENDERED	FINANCIAL (EXPENSES)/ INCOME
<b>Shareholders (Note 5.2)</b>						
Semapa - Soc. de Investimento e Gestão, SGPS, S.A.	12,811,967	-	-	9,038,263	105	-
	<b>12,811,967</b>	<b>-</b>	<b>-</b>	<b>9,038,263</b>	<b>105</b>	<b>-</b>
<b>Other subsidiaries of Semapa Group</b>						
Secil - Companhia Geral Cal e Cimento, S.A.	22,997	410,140	-	1,478	182,424	-
Secil Britas, S.A.	191,924	-	-	34,555	-	-
Secil Prebetão, S.A.	65,711	-	-	85,552	-	-
CMP - Cimentos Maceira e Pataias, S.A.	36,050	-	-	467	-	-
Unibetão, S.A.	273,881	-	-	1,332,284	-	-
	<b>590,563</b>	<b>410,140</b>	<b>-</b>	<b>1,454,336</b>	<b>182,424</b>	<b>-</b>
<b>Other related entities</b>						
Enermontijo, S.A.	370,120	376,038	-	522,676	409,768	-
Enerpar, SGPS, Lda.	-	-	-	17,401	-	-
Seinpar Investments BV	-	1,984	-	-	1,984	-
Sonagi Imobiliária, S.A.	81,576	-	378	206,922	-	-
Refundos - Soc. Gestora de Fundos de Inv. Imobiliário, S.A.	617,899	-	18,766	523,368	-	-
Hotel Ritz, S.A.	4,457	24	-	20,745	-	-
	<b>1,074,053</b>	<b>378,046</b>	<b>19,144</b>	<b>1,291,112</b>	<b>411,752</b>	<b>-</b>
	<b>14,476,583</b>	<b>788,186</b>	<b>19,144</b>	<b>11,783,711</b>	<b>594,281</b>	<b>-</b>

On 1 February 2013, a contract to render administrative and management services was signed between Semapa - Sociedade de Investimentos e Gestão, SGPS, S.A. (currently owner of 69.4% of the Group's share capital) and Navigator Group, establishing a remuneration system based in equal criteria for both parties in the continuous cooperation and assistance relationships, that meets the rules applicable to commercial relationships between group companies.

It was also celebrated a lease agreement between Navigator Brands, S.A. (previously designated as Navigator Paper Figueira, S.A.) and Cimilonga - Imobiliária, S.A. under which an office was leased in Semapa SGPS, SA headquarters' building, in Lisbon, which is expected to be denounced in 2020.

The Navigator Company, SA and Refundos - Sociedade Gestora de Investimentos

Imobiliário, SA, also entered into a lease agreement beginning on 1 June 2017 and ending on 31 May 2027, automatically renewable for a 5 year period, regarding the lease of an office building located in Lisbon, Avenida Fontes Pereira de Melo.

The operations performed with the Secil Group arise from normal market operations.

In the identification of the Navigator Company Group's related parties for the purpose of financial reporting, the members of the Navigator Company Group's Board of Directors and other statutory bodies were considered as related parties.



*The remuneration of the Group's key management personnel is detailed in Note 7.3 - Remuneration of corporate bodies.*

## 12 Explanation Added for Translation

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting

Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

# Board of Directors

**João Nuno de Sottomayor Pinto de Castello Branco**  
*Chairman*

**António José Pereira Redondo**  
*Executive Board Member*

**Adriano Augusto da Silva Silveira**  
*Executive Board Member*

**José Fernando Morais Carreira de Araújo**  
*Executive Board Member*

**Nuno Miguel Moreira de Araújo Santos**  
*Executive Board Member*

**João Paulo Araújo Oliveira**  
*Executive Board Member*

**João Paulo Cabete Gonçalves Lé**  
*Executive Board Member*

**Manuel Soares Ferreira Regalado**  
*Member*

**Maria Teresa Aliu Presas**  
*Member*

**Mariana Rita Antunes Marques dos Santos Belmar da Costa**  
*Member*

**Ricardo Miguel dos Santos Pacheco Pires**  
*Member*

**Sandra Maria Soares Santos**  
*Member*

**Vítor Manuel Rocha Novais Gonçalves**  
*Member*

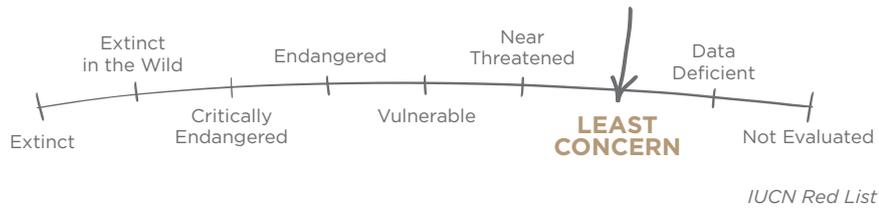
**Vítor Paulo Paranhos Perreira**  
*Vogal*



# REPORTS AND OPINIONS OF AUDIT BODIES AND STATUTORY AUDITOR

11

## ***Eurasian otter*** *(Lutra lutra)*



Well suited to an aquatic environment, the Eurasian otter is an excellent swimmer and diver, spending most of its time in the water, coming on to land only to rest and breed. A carnivore - it hunts mostly fish, but also small mammals, birds and reptiles - it prefers wetlands with food and places of refuge, making its den, orholt, in cavities in rocks. It can be difficult to sight because of its nocturnal habits and the fact that the entry to its den is often under water.



Otters are common throughout Portugal and are found in areas of fresh water (rivers, streams, marshes or lakes), and are less frequent in the brackish waters of estuaries and in salt water. The species

can be found on properties managed by Navigator throughout Portugal, where its habitat benefits from the construction of protection areas around water courses.

## STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language.

In case of doubt the Portuguese version will always prevail.)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying financial statements of **The Navigator Company, S.A.** (the Entity), which comprise the separate statement of financial position as at 31 December 2019 (showing a total of Euro 2,817,241,070 and total equity of Euro 1,027,145,277, including a profit for the year of Euro 168,290,315), and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **The Navigator Company, S.A.** as at 31 December 2019 and of its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the applicable law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis

As described in Note 1.2, in March 2020 the pandemic resulting from the spread of the new coronavirus ("COVID-19") was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Group's activity and profitability during 2020, however at this date it's still not possible to measure it. The Board of Directors considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue the operations of the Entity. Our opinion is not modified with respect to this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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### Valuation of financial investments

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See Notes 1.6 Main estimates and judgements, Note 11.1 of the Financial Statements

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#### The Risk

The assessment of risk on the valuation of Entity's financial investments requires a high degree of estimation and judgement by the Board of Directors, namely with regard to the determination of the recoverable value of the investments made when impairment signs are identified.

#### Our response to the identified risk

Our audit procedures included the following, among others:

- We have analysed the budgeting procedures in which the financial projections are based on, comparing the actual performance with estimates performed in prior periods, as well as the integrity of the discounted cash flow model;
  - We compared the internal and external assumptions used, such as current business trends, market performance, inflation, projected economic growth and discount rates and assessed their reasonability;
  - We performed sensitivity analysis to the robustness of assumptions and forecasts;
  - We involved experts in the calculation of the weighted average cost of capital; and
  - We reviewed the disclosures made by the Entity in accordance with the applicable accounting standard.
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## Uncertainty regarding income tax treatments

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See Note 1.6 Main estimates and judgements and Notes 6.1 and 6.2 of the Financial Statements.

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### The Risk

The application of tax law to transactions and circumstances of uncertain tax treatment has an inherent complexity and requires judgment in determining and measuring the risks and uncertainties in defining the best estimate, by weighing all possible results under its control and their associated probabilities.

The estimate of amounts that may result in future outflows requires a high degree of judgment of the Board of Directors. The Board of Directors evaluate the probability of outcome, based on the opinion of their legal and tax advisors.

### Our response to the identified risk

Our audit procedures included the following, among others:

- We understood and evaluated the processes for monitoring tax contingencies, including inquiries to the Board of Directors and to the tax managers on the basis of their estimates and judgments;
  - We analysed the ongoing tax proceedings, as well as the tax contingencies, supported by tax experts, and reviewed the existing documentation;
  - We analysed the responses to the confirmation requests received from external lawyers;
  - We assessed the consistency of the criteria followed in the previous years; and;
  - We reviewed the disclosures made by the Entity in accordance with the applicable accounting standard.
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## Responsibilities of Management and the Supervisory Body for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the preparation of the management report and the corporate governance report in accordance with applicable laws and regulations;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud;
- the adoption of accounting policies and principles appropriate in the circumstances; and,

- assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

### **Auditor's responsibilities for the Audit of the financial statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report based on our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **On the Management Report**

In compliance with article 451 (3), al. e) of the Portuguese Commercial Companies Code, in our opinion the management report has been prepared in accordance with the applicable legal and regulatory requirements and the financial information contained therein is consistent with the audited financial statements, and no material inconsistencies have been identified.

### **On the Corporate Governance Report**

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### **On the non-financial information defined in the article 66-B of the Portuguese Companies' Code**

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Entity has prepared a separate report where includes the non-financial information defined in article 66-B of the Portuguese Companies' Code, having that report being published with the management report.

### **On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014**

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were first appointed as auditors of the Entity in the shareholders general assembly held on 22 September 2017 to complete the last year of the four-year term between 2015 and 2018. We were appointed in the shareholders general assembly held on 9 April 2019 for the current term from 2019 to 2022.
- Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional scepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on 26 March 2020.
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas Statutes, and we have remained independent of the Entity in conducting the audit.

27 March 2020

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**KPMG & Associados**

**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**

represented by

Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

# REPORT AND OPINION OF THE AUDIT BOARD

## Consolidated Financial Accounts

### Financial Year of 2019

Shareholders,

1. In accordance with the law, the articles of association and the terms of our mandate, we are pleased to submit the report on our supervisory activities in 2019 and to issue our opinion on the Consolidated Management Report and Consolidated Financial Statements presented by the Board of Directors of the Navigator Company, SA, for the financial year ended 31 December 2019.
2. Over the course of the year we monitored the affairs of the company and its most significant affiliates and associates, with the regularity and to the extent we deemed appropriate, through periodic meetings with the company's directors and senior management. We checked that the accounts were kept correctly and duly documented, and verified the effectiveness of the risk management, internal control and internal audit systems. We also monitored compliance with the law and the articles of association. We encountered no constraints in the course of our supervisory activities.
3. We met several times with the official auditor and external auditor, KPMG & Associados, SROC, Lda, monitoring its auditing activities and checking its independence. We assessed the Legal Accounts Certificate and the Audit Report, which includes an Emphasis referring to the effects of the pandemic situation originated by the new Coronavirus, which might impact the activity of the Group in 2020, and are in agreement with the Legal Accounts Certificate presented.
4. The Audit Board analyzed the proposals submitted to it for the provision of non-audit services by the external auditor, and approved those that concerned permitted services, did not affect the independence of the external auditor and complied with additional legal requirements.
5. In the course of our work we found that:
  - a) The Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Recognized Income and Expense, the Statement of Changes in Consolidated Equity and the Consolidated Statement of Cash Flows and the corresponding Notes to the Financial Statements provide an adequate picture of the state of the company's affairs and its profits, the comprehensive income changes in its equity and cash flows;
  - b) The accounting policies and valuation criteria adopted comply with the International Financial Reporting Standards (IFRS) as adopted in the European Union and suitably assure that such criteria lead to a correct valuation of the company's assets and profits, taking due account of the analyses and recommendations of the external auditor;

- c) The Consolidated Management Report provides a sufficient description of the business affairs of the company and its affiliates included in the consolidated accounts, offering a clear account of the most significant developments during the year;
  - d) The Corporate Governance Report includes the information required by Article 245-A of the Securities Code and considers the recommendations from the Portuguese Institute for Corporate Governance (IPCG).
6. Accordingly, taking into consideration the information received from the Board of Directors and the company departments,

and also the conclusions of the Legal Accounts Certificate and the Audit Report, we recommend that:

- (a) The Consolidated Management Report be approved;
  - (b) The Consolidated Financial Statements be approved.
7. Finally, the members of the Audit Board wish to acknowledge and express their thanks for the assistance received from the Board of Directors, the senior managers of the company and other staff, as well as the external auditor, KPMG & Associados, SROC, Lda.

Lisbon, March 27<sup>th</sup>, 2020

**The Chairman of the Audit Board**  
José Manuel Oliveira Vitorino

**Member**  
Gonçalo Nuno Palha Gaio Picão Caldeira

**Member**  
Maria da Graça Torres Ferreira da Cunha Gonçalves





## CONTACTS

### HEADQUARTERS

Mitrena - Apartado 55  
2901-861 Setúbal, Portugal  
P. + 351 265 709 000  
thenavigatorcompany.com

### LISBON OFFICE

Av. Fontes Pereira de Melo, 27  
1050-117 Lisboa, Portugal  
P. + 351 219 017 300

### INDUSTRIAL UNITS

#### Aveiro Industrial Complex

Rua Bombeiros da Celulose  
3800-536 Cacia, Portugal  
P. + 351 234 910 600

#### Figueira da Foz Industrial Complex

Lavos - Apartado 5  
3081-851 Figueira da Foz, Portugal  
P. + 351 233 900 100/200

#### Setúbal Industrial Complex

Mitrena - Apartado 55  
2901-861 Setúbal, Portugal  
P. + 351 265 709 000

#### Vila Velha de Ródão Industrial Complex

Estrada Nacional 241 - Zona Industrial  
6030-245 Vila Velha de Ródão, Portugal  
P: + 351 272 549 020

### OTHER UNITS

#### PORTUGAL MOÇAMBIQUE

Av. Marginal nº 141  
Torres Rani, 9<sup>th</sup> Floor  
Maputo, Mozambique  
P. + 258 21 483 645/6/7  
F. + 258 21 489 595

#### RAIZ - Forest and Paper Research Institute

R. José Estevão,  
3800-783 Eixo, Portugal  
P. + 351 234 920 130

#### VIVEIROS ALIANÇA

Espirra Estate  
2985-270 Pegões, Portugal  
P. + 351 265 898 780

#### Caniceira Estate

2205-000 Tramagal, Portugal  
P. + 351 241 899 047

#### Ferreiras Estate

Apartado 5,  
6090-531 Penamacor, Portugal  
P. + 351 275 941 175

### COMMERCIAL SUBSIDIARIES

#### NORTH AFRICA

##### Zénith Millénium

immeuble 1 - 4<sup>ème</sup> étage  
Lotissement Attaoufik-Sidi Maarouf  
20190 Casablanca, Maroc  
P. + 212 522 879 475  
F. + 212 522 879 494  
dvi@thenavigatorcompany.com

#### GERMANY/SWITZERLAND/CENTRAL EUROPE

##### Paper Sales

Gertrudenstrasse, 9  
50667 Köln, Germany  
P. + 49 221 270 59 70  
F. + 49 221 270 597 29  
sales-de@thenavigatorcompany.com

##### Pulp Sales

Gertrudenstrasse, 9  
50667 Köln, Germany  
P. + 49 221 920 10 50  
F. + 49 221 920 10 59  
pitkoeln@thenavigatorcompany.com

#### AUSTRIA/CZECH REPUBLIC/HUNGARY/ SLOVAKIA

Museumstrasse 3/B/9  
1070 Vienna  
Austria  
P. + 43 18 796 878  
sales-au@thenavigatorcompany.com

#### SPAIN

Avda. de Bruselas, 15 - 4<sup>º</sup> dcha.  
28108 Alcobendas, Spain  
P. + 34 91 383 79 31  
sales-es@thenavigatorcompany.com

#### UNITED STATES/CANADA

40 Richards Avenue, 5<sup>th</sup> Floor  
Norwalk - Connecticut 06854, USA  
P. + 1 203 831 8169  
F. + 1 203 838 5193  
dvi@thenavigatorcompany.com

**FRANCE**

20, Rue Jacques Daguerre  
92500 Rueil Malmaison, France  
P. + 33 1 55 479 200  
F. + 33 1 55 479 209  
sales-fr@thenavigatorcompany.com

**HOLAND/SCANDINAVIA/BALTIC STATES**

Industrieweg 16/2102LH Heemstede, Holland  
P. + 31 235 47 20 21  
sales-nl@thenavigatorcompany.com  
customercare-nl@thenavigatorcompany.com  
sales-be@thenavigatorcompany.com  
sales-nordics@thenavigatorcompany.com

**ITALY/GREECE/ROMANIA/BULGARIA/  
BALKANS/CYPRUS/MALTA**

Piazza Del Grano, 20  
37012 Bussolengo (VR), Italy  
P. + 39 045 71 56 938  
F. + 39 045 71 51 039  
sales-it@thenavigatorcompany.com

**MIDDLE EAST**

HDS Towers, Cluster M  
Office No. 3315  
33<sup>rd</sup> Floor, Jumeirah Lake Towers  
Dubai, UAE  
P. + 971 4 364 1215  
sales-international@thenavigatorcompany.com

**MEXICO AND CENTRAL AMERICA**

Calzada Legaria No. 549 Torre I Piso 4  
Oficina 403  
Col. 10 de Abril, Del. Miguel Hidalgo,  
Ciudad de México  
C.P. 11250, Mexico  
P. + 52 (55) 15 55 03 32  
dvi@thenavigatorcompany.com

**OVERSEAS**

Apartado 5 - Lavos  
3081-851 Figueira da Foz, Portugal  
P. + 351 233 900 175  
dvi@thenavigatorcompany.com

**POLAND/UKRAINE/GEORGIA**

Pulawska Street 476  
02-884 Warsaw, Poland  
P. + 48 22 1001350  
F. + 48 22 458 1350

**PORTUGAL**

Av. Fontes Pereira de Melo, 27  
1050-117 Lisboa, Portugal  
P. + 351 219 017 300  
sales-po@thenavigatorcompany.com

**Lavos - Apartado 5**

3081-851 Figueira da Foz, Portugal  
T. + 351 233 900 176

**Mitrena - Apartado 55**

2901-861 Setúbal, Portugal  
T. + 351 265 700 523  
sales-po@thenavigatorcompany.com

**UNITED KINGDOM/IRELAND**

Oaks House, Suite 4 A  
16/22 West Street, Epsom  
Surrey KT18 7RG, United Kingdom  
P. + 44 1 372 728 282  
sales-uk@thenavigatorcompany.com

**CIS/ CENTRAL AND EASTERN EUROPE**

Regus Business Centre Vivaldy, floor 4  
115035 Moscow Letnikovskaya str. 2 bld. 1  
Russia  
P. + 7 495 225 93 55

**TURKEY/AZERBAIJAN/TURKMENISTAN/  
TAJIKISTAN/IRAN/INDIA**

Veko Giz Plaza Meydan sok. no.3/45  
kat: 14 Oda: 1405 Maslak Sariyer  
34398 Istanbul, Turkey  
P. + 90 212 705 9561  
F. + 90 212 705 9560  
dvi@thenavigatorcompany.com

## ACKNOWLEDGEMENTS

We wish to express our thanks to all who contributed to this report.

## PUBLISHED AND COORDINATED

Investor Relation  
Communications and Brand

## PHOTOGRAPHY

Jorge Verdasca Photography  
The Navigator Company Image Bank

## ILLUSTRATIONS

Mafalda Paiva

## DESIGN AND PAGINATION

Rodrigo Saias | 004 F\*@#ing Ideas

## PRODUCTION

Sara Fortes da Cunha | 004 F\*@#ing Ideas

## TRANSLATION FROM THE ORIGINAL IN PORTUGUESE

Traduzdiálogo, Lda  
Upwords Translation

## PRINTING BY

GIO - Gabinete de Impressão Offset, Lda.

## LEGAL DEPOSIT

389758/15



<b>COVER</b>	<b>CORE</b>
Inaset Plus Offset	Inaset Plus Offset
350g/m <sup>2</sup>	PAGES
	01 TO 180
	100 g/m <sup>2</sup>
	PAGES
	181 TO 300
	90 g/m <sup>2</sup>



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