

Green Framework Alignment Opinion

Renewi PLC's Green Finance Framework

July 5, 2021

Green Finance Framework Overview

In our view, Renewi PLC's green finance framework, published July 5, 2021, is fully aligned with the four components of the Green Bond Principles 2021 (GBP) as well as the four components of the Green Loan Principles 2021 (GLP).

Renewi is a waste-to-product company that mainly operates in the Benelux region of Europe and is striving to become a leader in the circular economy. As more than 95% of Renewi's assets on its balance sheet relate to waste management and are green, the company considers itself a pure play recycling company. Renewi's activities cover waste collection; waste sorting; waste and water treatment, including recycling activities; and the supply of secondary raw materials. The company's sustainability strategy revolves around three key themes: enable the circular economy; reduce carbon emissions and waste; and care for people.

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Framework Alignment Overview



1. Use of proceeds

Renewi's green finance framework is aligned with this component of the GBP and GLP because it discloses the eligible green project categories that net proceeds of financing issued under the framework will fund. Renewi views itself as a pureplay recycling company, and considers more than 95% of its assets eligible green projects that contribute to the GBP's and GLP's environmental objective of Pollution Prevention and Control.



2. Process for project evaluation and selection

Renewi's green finance framework is aligned with this component of the GBP and GLP because the framework details a process in which Renewi will select eligible green projects. A dedicated Green Finance Working Group composed of executive committee members and sustainability experts will select and evaluate eligible projects. Renewi also has risk management procedures to identify and mitigate environmental and social risks from eligible green projects.



3. Management of proceeds

Renewi's green finance framework is aligned with this component of the GBP and GLP because the issuer commits to allocate net proceeds of financing issued under the framework to green activities using a balance sheet approach. The issuer also commits to track the net proceeds until they have been fully allocated.



4. Reporting

Renewi's green finance framework is aligned with this component of the GBP and GLP because the company intends to report on both the allocation of proceeds and environmental impacts of financed projects. It will report all relevant information on its corporate website annually until net proceeds have been fully allocated.

Issuer Sustainability Objectives

Renewi introduced a sustainability strategy in fiscal 2020 that focuses on tackling climate change by developing circular solutions for waste management, driving the energy transition, and reducing carbon emissions, all while ensuring the wellbeing of communities. The company's strategy is to become an enabler and leader of the circular economy. It aims to recycle and reuse waste, including things that are difficult to recycle such as mattresses, and reduce the waste incinerated or placed in landfill sites. Renewi is also endeavoring to reduce its operations' carbon emissions by increasingly relying on renewable energy in its waste processing and recycling processes. In addition to these environmental aspects of its sustainability strategy, Renewi actively engages with local communities to raise awareness on various sustainability issues, such as waste management and safety topics.

In addition to several Sustainable Development Goals (SDGs) from the U.N., Renewi's green finance framework references four of the EU Environmental Objectives, including transition to a circular economy, pollution prevention and control, climate change and mitigation, and sustainable use and protection of water.

Framework Description

1. Use of proceeds

The GBP and GLP stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green projects with clear environmental benefits. The GBP and GLP recognize several broad categories of eligibility for green projects, which contribute to environmental objectives such as: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, and 5) pollution prevention and control.



Renewi has committed to allocating net proceeds of financing under its framework exclusively to eligible green projects. The issuer discloses, in its green finance framework, the eligible green projects, which include waste collection; sorting and processing of waste, recycling, conversion to secondary materials; and treatment of contaminated soil, wastewater, and sludges. In our view, these project categories meet the GBP's and GLP's environmental objective of pollution prevention and control. Renewi also states in its framework that it excludes landfill assets from these eligible green projects.

Renewi's core business is in recycling, which produces secondary materials, so the company considers itself to be almost exclusively focused on the green economy. Indeed, it has recycled or recovered more than 90% of the waste it handled over the past three years. This means a majority of its operations contribute to the GBP's and GLP's environmental objective of pollution prevention and control. Based on Renewi's financial disclosures, landfill assets accounted for approximately 3% of net property, plant and equipment, and the company estimates nongreen assets represented less than 5% of total assets. Renewi's activities include various types of treatment technologies, such as biological, chemical, or thermal treatment, waste collection, waste sorting and recycling, and waste-to-energy projects. We view these eligible green projects, which reduce waste in landfill sites or incinerated, to contribute to GBP's and GLP's environmental objective of pollution prevention and control.

2. Process for project evaluation and selection



To align with the second component of the GBP and GLP, a seeker of finance must explain the process by which eligible projects are selected, as well as, provide information on its processes to identify and manage environmental and social risks associated with those projects.

Renewi's green finance framework includes a description of the process, which the company undertakes to select and oversee eligible projects. Renewi has established a Green Finance Working Group, which includes members from the executive team, treasury team, and sustainability department. The Working Group is responsible for identifying eligible assets. Given the recycling pure play nature of the company, most activities are eligible, with the notable exception of landfills. In addition, the Working Group ensures the implementation of the framework and that net proceeds from labelled transactions are appropriately allocated. The Working Group will maintain and incorporate changes to the framework, including expansions of the list of eligible project categories.

The company excludes landfill assets from eligible green project categories and has committed to ensure compliance with all relevant environmental and social regulations. In addition, Renewi has procedures in its risk management measures to identify and mitigate the environmental and social risks stemming from the eligible green assets. Therefore, we regard the framework as aligned with this component of the GBP and GLP on the use of proceeds.

3. Management of proceeds



The GBP and GLP require a seeker of finance to monitor the net proceeds of all outstanding green financing transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green projects. The GBP and GLP also require a seeker of finance to disclose the intended types of temporary placement they intend to use for unallocated proceeds.

Renewi's green finance framework outlines the company's plan to allocate an amount at least equivalent to the net proceeds from green financing instruments issued under the framework to finance or refinance eligible green projects, referred to as assets on the balance sheet.

Renewi's Treasury team will monitor and track the allocation of proceeds using a balance sheet approach. Unallocated proceeds will be held in cash and money market funds, in line with the company's liquidity guidelines. Renewi will also annually monitor its portfolio, and ensure that all green projects financed remain eligible. The company will adjust the balance of net proceeds when an asset is identified to no longer meet the eligibility criteria.

Therefore, the framework, in our opinion, is aligned with this third component of the GBP and GLP.

4. Reporting

The GBP and GLP stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing, a description of each project, the amount allocated to each project, and the projects' expected environmental impact.



Renewi commits to report the allocation of proceeds and the actual environmental impact of the financed green projects. The company will report the elements annually until full allocation of the net proceeds at a balance-sheet level.

Allocation reporting will include qualitative descriptions of the green projects and information on the amounts allocated to them. Renewi will also disclose the remaining balance of unallocated net proceeds, if any.

Renewi commits to report the quantitative environmental impacts of the financed green projects. These impacts include recycling rates (percentage of total waste), carbon avoidance and carbon intensity metrics (carbon dioxide kilogram per ton of waste handled), and amount of innovative secondary materials produced (tons) as well as other relevant environmental performance metrics. Renewi will disclose these impact indicators on its website in its annual, sustainability, or ad-hoc reports.

Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the GBP and GLP and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

Renewi's green finance framework follows the voluntary guidelines provided by the GBP and GLP. In some cases, the framework goes beyond the requirements of the GBP and GLP. The framework's key strengths include:

- Renewi's framework references the EU's environmental objectives, including transition to a circular economy, pollution prevention and control, climate change and mitigation, and sustainable use and protection of water.
- The company intends to align its impact reporting with the guidelines outlined in the International Capital Market Association's (ICMA's) June 2021 handbook on Harmonized Framework for Impact Reporting, on a best-effort basis.
- Renewi commits to seek limited assurance from an independent auditor on the allocation of net proceeds from the issuance of labelled transactions. The external verification will help ensure proceeds are properly allocated, thereby supporting the integrity of financing issued under the framework.
- The company will disclose the underlying methodology to calculate the quantitative environmental indicators as listed in its impact reporting upon request.

Conclusion






Based on our assessment of the contents of Renewi's green financing framework, we regard this framework as being aligned with the four components of the GLP and GBP, given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds of financing to eligible green projects, as defined by the seeker of finance;
- Use clear "green" criteria (as defined by the seeker of finance) to select projects for funding;
- Manage and track proceeds; and
- Commit to regular reporting of the environmental impact and use of proceeds.

Mapping To The UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by the year 2030. We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Renewi's green finance framework intends to contribute to the following SDGs:

| Use of proceeds | SDGs | | | | |
|----------------------------------|---|---|--|---|---|
| Pollution Prevention and Control |  |  |  |  |  |
| | * 3. Good health and well-being | 6. Clean water and sanitation | 7. Affordable and clean energy | * 11. Sustainable cities and communities | * 12. Responsible consumption and production |

Use of proceeds

SDGs



13. Climate action

*The eligible project categories link to these SDGs in the ICMA mapping.

Green Framework Alignment Opinion

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