



SECOND PARTY OPINION¹ ON THE SUSTAINABILITY OF PAPREC GROUP'S 2018 GREEN BOND²

March 2018

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Bond (hereafter “the Bond”) considered to be issued by Paprec Group (hereafter “the Issuer”), according to Vigeo Eiris’ Environmental, Social and Governance (ESG) assessment methodology, and on the alignment with the Green Bond Principles voluntary guidelines.

The opinion is based on the review of the two following components:

- **Issuer:** document-based evaluation of Paprec Group’s ESG performance, controversies and capacity to mitigate these risks.
- **Issuance:** analysis of the coherence between the Bond and Paprec Group’s sustainability strategy and commitments, and document-based evaluation of the Green Bond framework.

Vigeo Eiris’ sources of information are gathered from our rating database, from Paprec Group data, press content providers and stakeholders, complemented by interviews with relevant employees and managers, held at Paprec Group’s offices in Paris (France). Vigeo Eiris has carried out its due diligence assessment from January 22, 2018 to March 5, 2018.

Vigeo Eiris has been able to access all appropriate documents and to interview all solicited people. We consider that the provided information enables us to establish our opinions with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS’ OPINION

Vigeo Eiris confirms that the Bond considered by Paprec Group is “Green Bond” with positive contribution to sustainable development, aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable³ level of assurance on the Bond contribution to sustainability.

- **Issuer** (see Part I): Paprec Group displays an overall robust ESG performance.
 - ▶ The company achieves a robust - almost advanced - performance with regard to the Social and Environmental pillars, while the Governance pillar remains limited.
 - ▶ Vigeo Eiris’ assurance that ESG risk factors of Paprec Group are adequately managed ranges from moderate – on reputational risks – to reasonable – on operational, legal and human capital risks.
 - ▶ Paprec Group faces occasional ESG controversies related to environment and human rights. The severity ranges from minor to significant based on the analysis of their impact on the company and its stakeholders. The company is overall remediative: it reports transparently in all cases and corrective measures have been implemented in most cases.
 - ▶ Paprec Group is not involved in any of the 15 controversial activities analysed by Vigeo Eiris⁴.

¹ This opinion is to be considered as the “Second Party Opinion” described by the International Capital Market Association in the Green Bond Principles and associated documentation (see: www.icmagroup.org).

² The “Green Bond” is to be considered as the potential forthcoming Bond, which issuance is subject to market conditions.

³ Definition of Vigeo Eiris’ scales of assessment (as detailed in the “Methodology section” of this document):
Level of Performance: Advanced, Robust/Good, Limited, Weak.
Level of Assurance: Reasonable, Moderate, Weak.

⁴ The 15 controversial activities analyzed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive Medicine and Tobacco.

- **Issuance** (see Part II): Paprec Group's 2018 Green Bond framework is coherent with the company's main strategic priorities and is considered to be good. The Issuer is committed to make this Second Party Opinion publicly accessible on its website and we have recommended that he publicly discloses a formalized Green Bond framework.
 - ▶ The net proceeds of the Bond issuance will be used to refinance Eligible Projects defined as Recycling Projects, which contribute to natural resources preservation, climate change mitigation and local economic development, in line with three United Nations Sustainable Development Goals (the "UN SDGs"). Objectives and expected environmental benefits associated with the Eligible Projects are defined, precise, measurable and relevant. The Issuer has made and will keep available annually the assessment and quantification of the expected benefits.
 - ▶ The process for project categorisation, evaluation and selection is clearly defined, is considered to be good in terms of transparency and governance, and relies on relevant eligibility criteria. The integration of environmental and social factors in project management is good, aligned with the Issuer corporate profile, covering main ESG risks associated with the Eligible Projects.
 - ▶ The rules for the management of proceeds are clearly defined by the Issuer and would enable a transparent allocation process.
 - ▶ The reporting commitments and process are good, covering the funds allocation and sustainability benefits of selected projects (outputs and impacts), reaching an overall reasonable level of assurance on the Issuer's capacity to report on the Green Bond's use and impacts at bond level. We have recommended to report at project level and to use other ESG indicators to report on the management of environmental and social risks associated with the projects.

EXTERNAL REVIEW

Paprec Group's Green Bond is supported by one external review provided by:

- The sustainability consultant review, i.e. the hereby Vigeo Eiris' Second Party Opinion, on the sustainability credentials of the Bond, based on pre-issuance commitments and covering the key features of the Bond, in line with the four core components of the Green Bond Principles.

No external verification (third party ESG and/or financial audit) of the tracking of the bond proceeds and the reporting metrics is contemplated, which is an area of improvement.

This opinion is valid as of the date of issuance and limited to Paprec Group's 2018 Green Bond.

Paris, March 8, 2018



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed two audit missions (Paprec ESG rating and SPO on 2015 and 2017 Green Bonds) and no consultancy activity for Paprec Group until so far. No established relationship (financial or other) exists between Vigeo Eiris and Paprec Group.

This opinion aims to explain for investors why the Green Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Bond. Paprec Group is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Green Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Paprec Group or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by him. The distribution and publication is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

DETAILED RESULTS

Part I. ISSUER

Level of the Issuer's ESG performance

Paprec Group displays an overall robust ESG performance, which is stable compared to the 2017 review. Paprec Group demonstrates a rather heterogeneous approach to the three ESG pillars.

Domain	Comments	Level of assessment
Environment	<p>Paprec Group's environmental performance has remained stable since 2017, at a robust level, almost advanced.</p> <p>The company displays an advanced environmental strategy, despite the fact that almost no quantitative target has been set at Group level. This strategy is backed by relevant measures to prevent pollution (ISO 14001 certification, risk prevention procedures), protect water resources (tailing ponds, closed water systems or wastewater treatment), minimise environmental impacts from energy use (production of electricity and heat from bio-gas, 'waga-box' technology), manage emissions from landfills (methane capture, bio-gas adsorption on beds of activated carbon), manage by-products from waste treatment activities (lixiviat evaporation and disposal, limited use of chemical products) and decrease local pollution (odour management systems, soundproofed sites).</p> <p>As regards results indicators, energy and diesel oil consumption, SO₂, NO_x and CH₄ emissions have decreased in recent years. However, GHG emissions from energy use and VOC emissions do not show any clear trend, and the company does not disclose indicators related to biodiversity, biochemical oxygen demand or local pollution. Due to this lack of data, the performances in terms of biodiversity protection, water and local pollution management remain limited.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p>Paprec Group's social performance has remained stable since 2017, at a robust level, almost advanced.</p> <p>Paprec Group's Human Resources performance remains robust. The best addressed issue is now health and safety, due to good quantitative results, the identification of quantitative targets and measures to improve ergonomics on sorting chains. With regards to the responsible management of reorganisation, despite the absence of a formalized commitment to inform and consult employee representatives on reorganisations, the company reports having maintained employment following the acquisition of Coved.</p> <p>Paprec Group's performance in Human Rights domain has slightly decreased, due to the identification of an alleged case of discrimination against a union-member, on which Paprec Group reports transparently. Relevant measures are dedicated to both fundamental labour rights and non-discrimination (monitoring of the respect of fundamental labour rights, whistleblowing system for discrimination issues). Both the share of women in management and the share of employees in the workforce show increasing trends.</p> <p>Paprec Group's performance in terms of Community Involvement continues to be advanced. The company partners with local enterprises helping long-term unemployed and provides financial support to local authorities to finance social infrastructure. However, there is a lack of historical data to assess the results of these actions.</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p>Paprec Group's governance performance has remained stable since 2017, at a limited level.</p> <p>Regarding Corporate Governance, a majority of Board members are non-executive directors, three are independent and one Board member has relevant skills and knowledge related to ESG topics. Paprec Group has set up a specific Audit Committee which fulfills its role of overseeing internal and external controls. However, the company does not disclose sufficient information on executive remuneration. Finally, the CEO is part of all of the specific committees which have been set up, which might raise concerns.</p> <p>The performance in Business Ethics has slightly increased due to the company implementing a whistleblowing system for corruption issues, in the framework of the French Sapin II law, and mapping the positions most exposed to a corruption risk. However no specific policies appear to be in place regarding the prevention of anti-competitive practices and the transparency and integrity of influence strategies and practices.</p>	Advanced
		Robust
		Limited
		Weak

Stakeholder-related ESG controversies and involvement in controversial activities

Frequency: Paprec Group faces occasional controversies: the company is involved in 5 stakeholder-related ESG controversies related to:

- Human rights: the company is involved in a lawsuit for allegedly firing an employee because of its union membership
- Environment: the company faces 4 controversies related to pollution prevention and control and local pollution.

Severity: The level of severity of these controversies ranges from minor to significant based on the analysis of their impact on the company and its stakeholders: the company faces 4 cases of minor severity and 1 case of significant severity (related to discrimination).

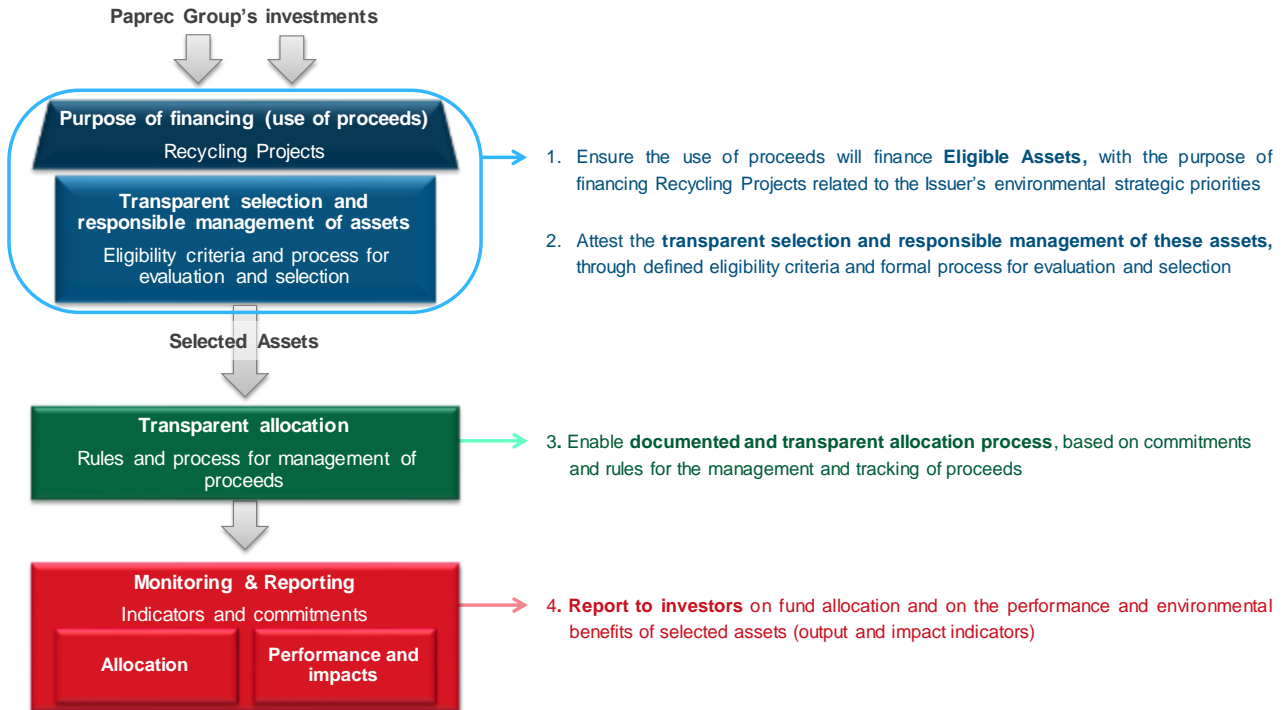
Responsiveness: Paprec Group is overall remediative. Following environmental controversies, corrective measures have been implemented on sites and, in several cases, throughout the Group. The company reports transparently on its position on the human rights case.

Paprec Group has **no involvement** in any of 15 controversial activities analysed by Vigeo Eiris⁵.

⁵ The 15 controversial activities analyzed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

Part II. ISSUANCE

Paprec Group has established a Green Bond framework which applies to the contemplated Green Bond issuance. We have recommended to formalize its Green Bond framework and to make it publicly accessible. The issuance framework is composed of four steps, aligned with the Green Bond Principles, as presented below.



Coherence of the Bond

Paprec Group's 2018 Green Bond issuance is coherent with the company's main ESG strategic priorities, and contributes to achieve its commitments and objectives.

Vigeo Eiris has a reasonable level of assurance on Paprec Group's capacity to integrate relevant issues in terms of environmental responsibility in its investments.

As a pure player of the recycling and waste management sector, and French leader of recycling industry, Paprec Group's core business is based on material recycling and recovery.

- Paprec Group focuses its investment capacity on industrial development, with new recycling solutions and channels and cutting-edge recycling equipment and solutions, and on the quality of its geographical and local coverage. This includes both organic growth, with investments in industrial recycling assets, and external growth, with acquisitions of companies specialized in such recycling activities.
- Signatory of the Global Compact, and involved in several initiatives focusing on the development of the best environmental practices, Paprec Group has issued a formalised commitment to environmental protection and waste recovery in its Environmental policy, covering most challenges linked to its activities.
- The company's main environmental objective is to improve its waste recycling and recovery rate, by developing innovative technologies and business models, such as the trade of refuse-derived fuel. Quantitative targets are set up at processes and at site level, in particular to decrease the volume of recycling rejects.
- In December 2017, Paprec Group, together with 8 other Green Bond issuers, signed a Green Bond Pledge where they committed to a long-term presence in the market, that green bonds will be at the heart of their (project) financing and business lines, and that they will implement stringent reporting procedures.

Paprec Group's 2018 Green Bond issuance will be used to refinance both organic growth and external growth projects, with the objective of developing recycling and collection capabilities and reducing waste-to-landfill by improving recycling rate. Consequently, Vigeo Eiris considers that it is aligned with Paprec Group's strategy and commitments.

Use of proceeds

Vigeo Eiris estimates that the definition of the Eligible Projects is clear and that the associated objectives and expected benefits are visible, precise, measurable and relevant in line with the Green Bond Principles guidelines. The Issuer has made and will keep available annually the assessment and quantification of the expected benefits.

Vigeo Eiris considers that the Eligible Projects' contribution to sustainable development is positive due to the expected environmental benefits associated with the defined categories on natural resources preservation, climate change mitigation and local economic development.

The net proceeds of the Green Bond will be used to refinance existing Recycling Projects (the "Eligible Projects"), corresponding to Paprec Group's 2015 and 2017 debt as well as two acquisitions of recycling companies. Eligible Projects will fall into the following two categories:

- Industrial recycling assets (organic growth)
- Acquisitions of recycling companies (external growth)

All Eligible Projects are located in France. Paprec Group has informed Vigeo Eiris that the Recycling Projects will be dated back to 5 years maximum. We recommend limiting the refinancing period to 2 years in line with market good practices.

Eligible Projects are defined by the Issuer, with associated objectives and expected sustainability and evaluated in the table below.

Eligible Project categories	Definition	Objectives	Sustainability benefits	Vigeo Eiris' Analysis
Industrial recycling assets (organic growth) EUR 525M	Refinancing of (tangible and intangible) assets, that contribute to the optimization of the recycling process, all along the chain : - Collection rate, transportation stream, sorting and recycling solutions, ... Detail: waste collection (EUR 170M), treatment (EUR 80M), new equipment (EUR 100M), equipment renewal (EUR 175M)	Develop recycling and collection capabilities from EUR 69.2 million in 2014 to EUR 96.1 million in 2017 Reduce waste-to-landfill by improving recycling rates from 74% in 2014 to 76% in 2017	Natural resources preservation <i>Raw materials from recycling from 5,921 Mt in 2015 to 8,159 Mt in 2017 (reduction of waste-to-landfill)</i> Climate change mitigation <i>GHG emissions avoidance from 352,086 Kt CO2e in 2014-2015 to 692,353 Kt CO2e in 2016-2017 (material recovery)</i> Local economic development <i>Number of direct, local and non-relocable jobs created – 211 jobs created in 2015 and 66 in 2017</i>	The definition is clear and the content is relevant. The objectives are visible, measurable, precise and relevant.
Acquisitions of recycling companies (external growth) EUR 350M	Refinancing of acquisitions of companies which main activity (i.e. at least 70% of treated waste volume) is waste collection, waste recycling or waste-to-energy, contributing to the improvement of the recycling capacity: - Higher recycling (industrial) capabilities (business diversification with new recycling solutions / channels) and/or - Expansion of geographic marketplace / higher geographical coverage List of target companies: Ikos Environnement and Deroo Récupération Recyclage			

We consider that the defined Eligible Categories contribute positively to the three following UN SDGs.



9 Industry, Innovation and Infrastructure

Contribution to achieve UN SDG 9. Industry, innovation and infrastructure

The UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation, with a target by 2030 on the promotion of inclusive and sustainable industrialization and significant increase of industry's share of employment and gross domestic product. By using the Green Bond proceeds to refinance Eligible Recycling Projects, Paprec Group is contributing to the UN SDG 9, with regards to the above-mentioned target.



11 Industry, Innovation and Infrastructure

Contribution to achieve UN SDG 11. Sustainable cities and communities

The UN SDG 11 consists in making cities inclusive, safe, resilient and sustainable, with a target by 2030 on the reduction of the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. By using the Green Bond proceeds to refinance Eligible Recycling Projects, Paprec Group is contributing to the UN SDG 11, with regards to the above-mentioned target.



Contribution to achieve UN SDG 12. Responsible consumption and production

The UN SDG 12 consists in ensuring sustainable consumption and production patterns, with targets by 2030 on the sustainable management and efficient use of natural resources, the environmentally sound management of all wastes throughout their life cycle with reduced release and minimized adverse impacts on human health and the environment; and the substantial reduction of waste generation through prevention, reduction, recycling and reuse. By using the Green Bond proceeds to refinance Eligible Recycling Projects, Paprec Group is contributing to the UN SDG 12, with regards to the above-mentioned targets.

Process for project evaluation and selection

Vigeo Eiris estimates that the process for project evaluation and selection is clearly defined. Paprec Group's process is good in terms of transparency and governance, and relies on relevant eligibility criteria. As a result, the process is considered aligned with the Green Bond Principles guidelines.

The evaluation and selection process of Eligible Projects is clearly defined although only partially formalized by the Issuer.

- Regarding organic growth: the decision process is formalized for each type of asset (infrastructures, equipment, real estate, ...).
- Regarding external growth: the integration process post-acquisition is formalized, whereas the due diligence process performed before acquisition is not formalized as a dedicated process.

Paprec Group's process is reasonably structured

- The evaluation and selection of Eligible Projects is based on relevant internal expertise with well-defined internal roles and responsibilities:
 - Decisions are taken within dedicated committees, defined by asset category, which meet monthly:
 - The Investment Committee, for infrastructures that do not require a construction license.
 - The Real Estate Committee, for constructions requiring a construction license.
 - The Purchasing Committee, which oversees the company's purchasing policy.
 - The Merger & Acquisition Committee, which oversees external growth operations.
 - These committees are composed of the CEO, relevant members of the Executive Committee, the legal team, local teams involved in the contemplated projects, as well as the heads of the involved region/activity/subsidiary. The QSE (quality, safety and environment) team is also involved in some of these committees.
 - The eligibility of the investments / acquisitions to a Green Bond financing is analyzed by the Issuer within the committees described above, based on the Green Bond eligibility criteria.
- The verification and traceability is partially ensured throughout the process:
 - All investment decisions must be validated by the Executive Committee. For acquisitions, external experts are involved (external auditors, lawyers, employee representatives...) as required by the law.
 - The traceability of the selection of and decision to include Eligible Projects is partial.

The process relies on the following relevant eligibility criteria:

- Use of proceeds criteria based on the definition of the Eligible Projects' categories and defined in line with Paprec Group's strategic priorities.
- Exclusion criteria for the external growth category, to exclude companies not demonstrating satisfactory social climate and environmental legal compliance. This decision is taken based on a human resources study where several indicators are considered (number of strikes, number of warnings, etc.), a field study, based on interviews with the management team and a media study to identify potential controversies.

The integration of environmental and social factors in the project management is good, in line with Paprec Group's overall ESG performance, covering main ESG risks associated with the Eligible Projects.

- Regarding organic growth projects:
 - Investment decisions are mainly based on financial and risk criteria. For equipment purchases (Investment Committee), main decision criteria include innovation and features improving the health and safety of employees. The company reports that the Investment Committee takes into account the respect of environmental legislations.
 - For all purchases above EUR 3,000 and all recurrent purchases, an ESG evaluation grid is systematically used. It is based on the 10 principles of the Global Compact and contains additional environmental and social requirements.
- Regarding external growth projects: some ESG factors are integrated in the evaluation and due diligence process carried out before acquisition, based on documentation and site visits covering human resources, governance, industrial quality of sites and equipment and compliance with environmental legislation. An analysis of controversies history (via previous workers and press) and several internal ESG due diligence assessments are conducted.

- We recommend structuring the integration of ESG factors in assets' selection and in pre-acquisition due diligence in order to reinforce the ESG risks management and monitoring. In particular, we recommend to elaborate ecodesign specifications in collaboration with the company's suppliers and to strengthen biodiversity protection.

Management of proceeds

Vigeo Eiris considers that Paprec Group's rules for management of proceeds are clearly defined and would enable a documented and transparent allocation process, aligned with the Green Bond Principles guidelines.

The Issuer has committed that the full proceeds will be allocated on April 1st 2018 to refinance existing assets.

- If the call for capital takes place before April 1st 2018, proceeds will be kept in a dedicated Escrow Account, which is submitted to the control of the external Escrow Agent and trustee of the Bond, until the allocation date. Proceeds will be kept in cash or other liquidity instruments that do not include Greenhouse Gas (GHG) intensive activities nor any controversial activity, and controlled by the Escrow Agent.
- If the call for capital takes place on April 1st 2018, there will be no temporary placement of unallocated proceeds.

In case of divestment:

- If divestment amounts to more than EUR 10 million, Paprec Group is contractually bound to invest divested proceeds in projects respecting the eligibility criteria within 24 months, otherwise they have to repay their debt in anticipation;
- If divestment amounts to less than EUR 10 million, Paprec Group is committed to invest divested proceeds in projects respecting the eligibility criteria.

The tracking of the funds will be ensured by underwriting banks (CA CIB, BNP and Credit Suisse) at the time of issuance. In addition, external auditors will intervene when major events occur, such as large-scale acquisitions. We recommend supplementing the Issuer's management of proceeds by the use of an auditor, or another third party, to regularly verify the internal tracking method and the allocation of funds from the Green Bond proceeds.

Monitoring & Reporting

The reporting commitments and process are good, covering the funds allocation and sustainability benefits of selected projects (outputs and impacts), reaching an overall reasonable level of assurance on the Issuer's capacity to report on the Green Bond's use and impacts at bond level. We have recommended to report at project level.

Conditions and process for monitoring, data collection, consolidation and reporting are clearly defined, in the process of being formalized, and rely on relevant internal and external expertise.

- For strategic acquisitions, a dedicated Strategic Committee is created post-acquisition, gathering Paprec Group's top management and target companies' managers, to ensure the appropriate implementation of the integration process, with weekly meetings and quarterly reporting to the Board of Directors.
- Regarding environmental and social impacts, a first consolidation is made at Direction level, notably by the QSE and the Human Resources (HR) Directions. These teams then send raw data to the Head of Sustainable Development, who consolidates the data at Paprec Group level, with the assistance of an external counselling firm. The final report is then validated by the HR and QSE teams, as well as by Paprec Group's CEO.
- The CFO is in charge of the financial reporting.
- Formalized procedures for data collection are in the process of being written.

The reporting will be performed on an annual basis through a dedicated report made available to bondholders only. We have recommended to make this report publicly available.

The selected reporting indicators related to the fund allocation and sustainability benefits are relevant for defined Eligible Projects. The reporting commitments of the Issuer comply with the Green Bond Principles guidelines.

- Calculations methodologies will be defined and disclosed for each reporting in the dedicated report.
- The Issuer commits to transparently report on:
 - Use of proceeds, quarterly reported until the maturity date of the Bond, on an aggregated portfolio basis due to competitive considerations, based on the list of investments per category and per investment type (waste collection, treatment, new equipment, equipment renewal...).
 - The environmental and social impacts of Eligible Projects, reported on an annual basis and until the maturity date of the Bond, at category level, i.e. organic growth (assets) and external growth (company acquisition), due to the large number of underlying assets.

Sustainability benefits	Reporting indicators (KPIs)
Natural resources preservation	<ul style="list-style-type: none"> - Overall % of waste recycling and trend of this indicator over the past three years - % of waste recycling per type of waste - Raw materials from recycling (in tonnes)
Climate change mitigation	<ul style="list-style-type: none"> - GHG emissions avoided in tCO2e and trend over the past three years
Local economic development	<ul style="list-style-type: none"> - Number of direct, local and non-relocable jobs created. <ul style="list-style-type: none"> - “Local” means in the vicinity of the waste treatment zone and that cannot be subcontracted - “Non-relocable” means attached to a fixed production tool (plant, landfill, storage area...)

In order to report on the projects' benefits, the Issuer may select alternative quantitative or qualitative indicators, to remain relevant to the selected Eligible Projects, as considered appropriate to disclose relevant performances.

- We have recommended reinforcing disclosure at project level and having the KPIs audited by an external third-party.

Beyond the GBP guidelines, the Issuer is committed to monitor and report on the ESG risk management of the Eligible projects at corporate level only, through the annual Sustainability Report, which is available on the Group's website.

- Eligible Projects are fully integrated in the corporate activity, due to the pure player profile of the Issuer, and thus covered by the Group's overall annual reporting.
- We have recommended using other ESG qualitative and quantitative indicators to report at project level on the management of environmental and social risks associated with the projects.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the objectives, management and reporting of the projects to be (re)financed by this transaction.

Vigeo Eiris' methodology to define and to assess corporates' ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Waste and Water Utilities assessment framework, projects specificities and emerging issues.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of Paprec Group related to the Green Bond evaluation and the corporate profile, and interviewed members from several teams of Paprec Group.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

NB: The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. Furthermore, this assessment has been completed by Vigeo Eiris Enterprise based on additional public information and stakeholders' views and opinion collected from public documentation.

Level of the Issuer's ESG performance

Paprec Group has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 25 relevant ESG drivers organized in the 6 sustainability domains. Paprec Group's performance has been assessed by Vigeo Eiris on the basis of its:

- **Leadership**: relevance of the commitments (content, visibility and ownership).
- **Implementation**: coherence of the implementation (process, means, control/reporting).
- **Results**: indicators, stakeholder's feedbacks and controversies.
- Scale for assessment of ESG performance: Advanced, Robust, Limited, Weak.

Stakeholder-related ESG controversies and involvement in controversial activities

A controversy is a piece of information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Severity**: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness**: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non Communicative).
- **Frequency**: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Green Bond's documentation has been evaluated by Vigeo Eiris according to the Green Bond Principles and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance the Eligible Projects and are traceable within the issuing organisation. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Green Bond related Eligible Projects has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of the Eligible Projects. The contribution of the Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements integrated in the Green Bond's documentation, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.


Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the Green Bond's proceeds, collected at project level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of assessment for processes and commitments: Weak, Limited, Good, Advanced.
- Scale of level of assurance on Issuer's capacity: Reasonable, Moderate, Weak.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good/Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: www.vigeo-eiris.com