

Second Party Opinion

Séché Environnement Sustainability-Linked Bond Framework

Oct. 25, 2021

Founded in 1985, Paris-based Séché Environnement provides waste-management solutions for industrial customers and local authorities in France as well as 14 other countries. The company recovers resources, including energy, from hazardous and nonhazardous waste. In 2020, it processed over 3 million tons of waste and generated 1,000 gigawatt-hours of energy. Séché Environnement also manages, treats, and recovers various types of complex waste, including asbestos, infectious medical waste, specialty gases, and PCB wastes. Additionally, the company also restores polluted sites through decontamination and rehabilitation, dismantling and deconstruction of operations, and management of pyrotechnic waste. Séché Environnement also offers residual waste treatment and environmental emergencies response services.

In our view, Séché Environnement’s Sustainability Linked Bond Framework, published Oct. 25, 2021, is aligned with:

-  Sustainability-Linked Bond Principles, ICMA, 2020

PRIMARY ANALYST

María Ortiz de Mendivil
Madrid, Spain
+34 687 007 348
maria.omendivil
@spglobal.com

SECONDARY ANALYST

Ana Maria Romero Ramirez
Paris, France
+33 6 23 07 78 98
ana.maria.r
@spglobal.com

RESEARCH CONTRIBUTOR

Debadrita Mukherjee
India

Issuer’s Sustainability Objectives

Séché Environnement’s business activities are intrinsically linked to the low-carbon, circular economy. It aims to provide waste-management solutions that preserve natural resources and protect the environment by recovering and reusing recyclable materials from waste, and using waste to generate energy. Furthermore, the company is committed to reducing its greenhouse gas emissions (GHGs) as well as those of its clients.

To this end, the company has developed a Sustainability-Linked Bond Framework to aid in aligning its value proposition with its funding strategy.

Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

| KPI | SPT | Baseline (2020) | 2020 Performance |
|--|---|------------------------------------|------------------------------------|
| Absolute GHG emissions reduction in France (Scope 1 and 2 in metric tons of CO2 equivalent [tCO ₂ e] at a constant perimeter) | Reduce GHG emissions (Scope 1 and 2) in France by 8% by 2024, or 10% by 2025 (from 2020 baseline at a constant perimeter) | 594,000 tCO ₂ e | 594,000 tCO ₂ e |
| GHG emissions the company's recycling activities in France contribute to avoiding (in tCO ₂ e at a constant perimeter) | Increase GHG emissions avoided that the company's recycling activities in France contribute to by 30% by 2024, or 40% by 2025 (from 2020 baseline at a constant perimeter). | 251,000 tCO ₂ e avoided | 251,000 tCO ₂ e avoided |

Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment  Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

KPI 1 Absolute GHG emissions reduction in France (Scope 1 and 2 in tCO2e at a constant perimeter) Satisfactory **Strong** Advanced

KPI 2 GHG emissions the company's recycling activities in France contribute to avoiding (in tCO2e at a constant perimeter) Satisfactory **Strong** Advanced

Calibration of sustainability performance targets (SPTs)

Alignment  Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

SPT 1 Reduce GHG emissions in France (Scope 1 and 2) by 8% by 2024, or 10% by 2025 (from 2020 baseline at a constant perimeter) Satisfactory **Strong** Advanced

SPT 2 Increase GHG emissions avoided that the company's recycling activities in France contribute to by 30% by 2024, or 40% by 2025 (from 2020 baseline at a constant perimeter). **Satisfactory** Strong Advanced

Instrument characteristics

Alignment  Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Instruments under the framework will be subject to a coupon step-up or a premium payment by Séché Environnement if one or more of the selected KPIs have not achieved the SPT on the target observation date or if verification of the company's performance against the SPT has not been made public.

The type of margin applicable will be specified within the final terms of the relevant sustainability-linked bond. The issuer will not, however, include information concerning a fallback mechanism in the case the performance against the SPT for each KPI cannot be calculated or observed in a satisfactory manner.

Reporting

Alignment  Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Score Satisfactory **Strong** Advanced

Séché Environnement will publish and update on an annual basis a Sustainability-Linked Bond Progress Report in its website. This report will include up-to-date information on the selected KPIs and SPTs and relevant information to enable investors to monitor its progress against these targets.

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Furthermore, the report may also include a qualitative or quantitative explanation of the contribution of the main factors behind the evolution of each selected KPI; an illustration of the positive sustainability impact of the performance improvement; and any reassessments of KPIs due to changes in the calculation method or adjustments to their baselines or scope.

Post-issuance review

Alignment



Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Séché Environnement is committed to having its performance against each KPI verified annually by a qualified external auditor at "Limited Assurance" standard, as required by the Sustainability-Linked Bond Principles.

Framework Assessment

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as satisfactory, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer’s sustainability disclosures; and how material it is to the issuer’s industry and strategy.

 Séché Environnement’s Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

| | | | | |
|--------------|--|--------------|---------------|----------|
| KPI 1 | Absolute GHG emissions reduction in France (Scope 1 and 2 in tCO ₂ e at a constant perimeter) | Satisfactory | Strong | Advanced |
| | | | | |

We believe the first KPI selected by Séché Environnement is strong, considering the scope, objective, and calculation are clearly articulated, and that the KPI responds to a highly material topic for the sector that is integrated into the company’s sustainability strategy.

The KPI’s objective, baseline, and applicable scope are clearly stated in the framework (to reduce its Scope 1 and 2 emissions--excluding biogenic emissions, which the company considers neutral--in France as compared with 2020). Given that Séché Environnement’s Scope 1 and 2 emissions in France represented 83% of the company’s total GHG emissions in 2020, we believe the scope is relevant for its environmental efforts.

Séché Environnement publishes on an annual basis a GHG emissions report, as required by national regulation. The method used to calculate Scope 1 and 2 emissions is aligned with the GHG Protocol Corporate Standard and supported by the Bilan Carbone® V8 initiative, which allows for external comparison. Furthermore, GHG emission reduction is linked to the execution of Séché Environnement’s sustainable strategy, which consists of four core building blocks: (i) technological innovation, given that the company will invest in new technology to achieve its environmental objectives; (ii) economic performance, since its environmental footprint is linked to its financial results; and (iii) social and (iv) societal performance, given that the company must maintain its social license to operate, that is uphold solid relationships with its employees, stakeholders, and the general public.

According to the Global Waste Management Outlook, about 7 billion-10 billion metric tons of waste are generated globally each year. Waste-treatment processes are a vast contributor of GHG emissions representing over 3% of the global GHG in 2021, according to Global Change Data Lab. Therefore, we believe the KPI is also relevant and material to the sector.

| | | | | |
|--------------|--|--------------|---------------|----------|
| KPI 2 | GHG emissions avoided due to the company’s recycling activities in France (in tCO ₂ e, at a constant perimeter) | Satisfactory | Strong | Advanced |
| | | | | |

We believe the second KPI included in the framework is strong as the scope, objective, and calculation are clearly articulated. We consider the provision of more environmentally sustainable products that aid third parties to avoid the release of GHG emissions contributes to the transition to a circular economy, which is relevant to the industry and the company’s sustainability strategy.

The KPI aims to increase GHG emissions that the company contributes to avoiding globally (compared to 2020) as a result of its bromine, solvent, heat, and biomethane recycling in France. The French Environment and Energy Management Agency (ADEME) considers avoided emissions to be the emissions foregone when users opt for solutions or products than have a lower impact than traditional solutions or practices. The use of recycled materials (solvents and bromine) is a significant contributor to total avoided emissions--64% of total avoided emissions by the company. The remaining 36% relate to energy production from heat. Séché Environnement has

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left out of scope emissions avoided coming from its waste-to-energy business, which we see as a strength of the KPI considering this activity is not included as of today within the EU Taxonomy for sustainable activities. Furthermore, the method used in the framework allows for external comparison.

In line with the Circular Economy Action Plan adopted by the European Commission, which is applicable to Europe's waste-management sector, the company's sustainability strategy aims to contribute to the transition to a circular and low-carbon economy, which we believe is enabled, partly by providing third parties with products and solutions that help limit their carbon footprint.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as satisfactory, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

 Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

SPT 1 Reduce GHG emissions (Scope 1 and 2) in France by 8% by 2024, or 10% by 2025 (from 2020 baseline at a constant perimeter)

Satisfactory

Strong

Advanced

We believe the ambition, clarity, and characteristics of the SPT selected for the first KPI of the framework are strong. Furthermore, the framework briefly describes the strategy to reach the target and provides externally verified information on Séché Environnement's past performance.

The baseline and historical performance have been externally verified and are part of the company's regular public sustainability reporting. The framework outlines the timeline for target achievement (expressed in absolute values), the expected observation date in 2024 or 2025, depending on the bond tenor, and the relevant trigger events.

The SPT is benchmarked against the company's past performance, which shows that its Scope 1 and 2 fossil biogenic GHG emissions in France have been on an ascending trajectory since 2017. Accordingly, the SPT displays an improvement in sustainability performance above that previously achieved by the company.

The SPT selected supports the company's overarching objective to reduce absolute Scope 1 and 2 emissions globally by 25% by 2030 (from 2020 baseline), which is in line with targets set by sector peers in France. Séché Environnement has engaged an external party with environmental expertise to support its target setting and used the Science-Based Target Initiative method to define its 2030 target, with the aim to validate it with the initiative.

The framework mentions factors that will support achievement of the target, including reducing GHG emissions from incineration activities and improving methane capture on landfill. Additionally, Séché Environnement comments on external factors beyond its control that may put the achievement of the targets at risk, such as increasing the overall waste sent to landfill.

| Baseline | Reduce GHG emissions in France (Scope 1 and 2) by 8% by 2024, or 10% by 2025 (from 2020 baseline at a constant perimeter) | |
|----------------------------|---|-----------------------------|
| 2020 | 2024 | 2025 |
| 594,000 tCO ₂ e | 546,480 tCO ₂ e | 534,600 tCO ₂ e |
| | Equivalent to 8% reduction | Equivalent to 10% reduction |

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SPT 2 Increase GHG emissions avoided that the company's recycling activities in France contribute to by 30% by 2024, or 40% by 2025 (from 2020 baseline at a constant perimeter).

Satisfactory

Strong

Advanced

We believe the ambition, clarity, and characteristics of the SPT selected for the second KPI of the framework are satisfactory. In addition, the framework briefly describes the strategy to reach the target providing some information on the company's past performance.

The framework outlines the timeline for target achievement, the expected observation date in 2024 or 2025 and the relevant trigger events. The SPT is benchmarked against the company's past performance, which has been externally validated and shows that they have increased their avoided emissions by 12% since 2018. Although this information has not been externally verified, the calculation was supported by an external party with environmental expertise. The SPT to five years illustrates an improvement in terms of increased avoided emissions year on year that more than doubles that previously achieved by the company, which we view positively.

Séché Environnement states that it is one of the few European companies to engage in bromine recycling. As such, we acknowledge the difficulty of comparing the targets' ambition to other peers in the market, yet this restriction limits our analysis.

The issuer mentions the factors that will support the achievement of the target, including their intent to increase their bromine and solvent recycling capabilities. Furthermore, the issuer acknowledges external factors beyond their control that may put the achievement of the target at risk, such as a decrease in demand of recycled materials by clients.

Baseline

Increase GHG emissions avoided that the company's recycling activities in France contribute to by 30% by 2024, or 40% by 2025 (from 2020 baseline at a constant perimeter).

| 2020 | 2024 | 2025 |
|---------------|-----------------------------|-----------------------------|
| 251,000 tCO2e | 208,000 tCO2e | 224,000 tCO2e |
| | Equivalent to 30% reduction | Equivalent to 40% reduction |

Instrument characteristics

The Principles require disclosure of the type of financial and/or structural impact involving trigger event(s), as well as the potential variation of the instrument's financial and/or structural characteristics.

✓ Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Instruments issued under Séché Environnement's Sustainability-Linked Bond Framework will be subject to a coupon step-up or a premium payment if the company's observed performance fails to meet one or more of the stated SPTs, or if verification of the performance against the SPTs has not been made public.

Further details, including the type of margin applicable, will be specified within the final terms of the relevant sustainability-linked bond. Séché Environnement will not, however, include information concerning a fallback mechanism in the case the performance against the SPT for each KPI cannot be calculated or observed in a satisfactory manner.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Disclosure score

Satisfactory

Strong

Advanced

We consider Séché Environnement's overall reporting practices to be strong.

The issuer is committed to publishing an annual Sustainability-Linked Bond Progress Report on its website. The report will include up-to-date information on the selected KPIs and SPTs, as well as relevant information to enable investors to monitor progress against the targets.

The company intends to disclose, when feasible and possible, qualitative and quantitative information on factors that have contributed to the progress against the targets, such as merger and acquisition activities or investments, as well as an illustration of the positive sustainability impact of the performance improvement. We view these practices as strong in the market.

Furthermore, Séché Environnement will publish reassessments of KPIs due to any changes to the calculation method, or adjustments of baselines or scope.

Finally, as required by the Principles, the company is committed to publish an annual verification of its progress against the SPT for each KPI carried out by an external auditor.

Post-issuance review

The Principle requires post-issuance review commitments including the type of post-issuance third-party verification, periodicity and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note, our second party opinion is not itself a post-issuance review.

 Séché Environnement's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Séché Environnement is committed to having its performance against each KPI verified annually by a qualified external auditor at "Limited Assurance" standard, as required by the Sustainability-Linked Bond Principles. Verification reports regarding outstanding bond issuances will be published on the company website.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Séché Environnement's Sustainability-Linked Bond Framework intends to contribute to the following SDGs:

KPI

Absolute GHG emissions reduction in France (Scope 1 and 2 in tCO₂e at a constant perimeter)



9. Industry, innovation and infrastructure*



12. Responsible consumption and production*



13. Climate action*

GHG emissions the company's recycling activities in France contribute to avoiding (in tCO₂e at a constant perimeter)



9. Industry, innovation and infrastructure*



12. Responsible consumption and production*



13. Climate action*

*The KPI is likely to contribute to this SDG.

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