

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Derichebourg
26 May 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green Bonds
Relevant standards	• International Capital Market Association's (ICMA) Green Bond Principles (GBPs)
Scope of verification	• Derichebourg Green Bond Framework (as of May 2021)
Lifecycle	• Pre-issuance verification
Validity	• As long as the Green Bond Framework does not change

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Scope of work

Derichebourg (or “the issuer”) commissioned ISS ESG to assist with its Green Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Bond Link to Derichebourg sustainability strategy – drawing on Derichebourg overall sustainability profile and green bond Use of Proceeds categories.
2. Derichebourg Green Bond Framework (May 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs).
3. The Eligibility Criteria – whether the projects contribute positively to the United Nations (UN) Sustainable Development Goals (SDGs) and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Green Bond link to issuer's sustainability strategy	According to the ISS ESG Corporate Rating published on 25.03.2021, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Metals Processing & Production sector. As of 10.05.2021, the company obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer ranks 10th out of 67 companies within its sector. The Use of Proceeds financed through this bond are consistent with Derichebourg sustainability strategy and material ESG topics for the Metals Processing & Production sector. The rationale for issuing green bonds is clearly described by the issuer.	Consistent with issuer's sustainability strategy
Part 2: Alignment with GBPs	Derichebourg has defined a formal concept for its Green Bonds regarding the Use of Proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.	Aligned
Part 3: Sustainability quality of the Framework	The overall sustainability quality of the Green Bond Framework in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bond Framework will (re-)finance eligible asset categories which include material recovery from non-hazardous waste, collection and transportation of non-hazardous waste, recycling of end-of-life batteries, and manufacture of secondary aluminium. Those Use of Proceeds categories have a positive contribution to SDGs 11 'Sustainable Cities and Communities', 12 'Responsible Consumption & Production' and 13 'Climate action'. The environmental and social risks associated with those Use of Proceeds categories are well managed.	Positive

¹ ISS ESG's evaluation is based on Derichebourg Green Bond Framework (May 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 25.03.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND LINK TO DERICHEBOURG'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF DERICHEBOURG ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

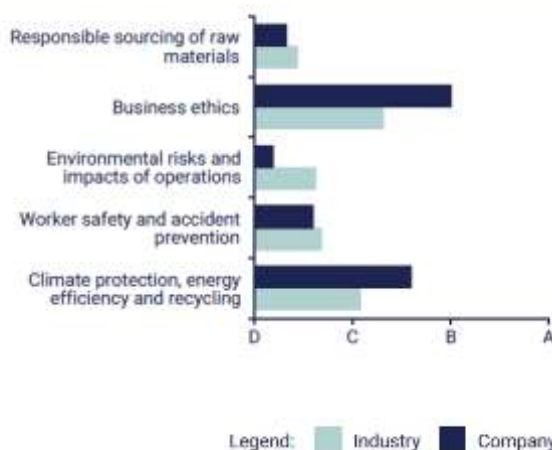
COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
DERICHEBOURG	METALS PROCESSING & PRODUCTION	2	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the 'Metals Processing & Production' Sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 10.05.2021, this rating places Derichebourg 10th out of 67 companies rated by ISS ESG in the 'Metals Processing & Production' sector. Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Derichebourg offers metal waste collection, disposal, and recycling services to commercial and governmental customers. Its Environmental Services segment includes processing, recovery, and disposal of mostly ferrous and non-ferrous metal waste and end of life products and accounts for 66% of revenues in financial year 2020. The company's second business segment, Multiservices, generated 34% of revenues and comprises various services such as cleaning, temporary work, energy, and outsources aeronautical services. Derichebourg's recycling services provide clear environmental benefits as they contribute to increasing overall raw material use efficiency in the metals and electronics industries. The development of recycling solutions further promotes the transition towards a more sustainable circular economy.

Sustainability Risks

As an operator of recycling centers, Derichebourg is exposed to risks related to occupational health and safety, energy use, and environmental impacts in own operations as well as in its supply chain. The company mainly operates in France with additional locations in Europe (Spain, Germany, Belgium, Italy, Portugal), the United States, Canada, Mexico, and China. In France, 51% of sites are covered by a health and safety management system certified to OHSAS 18001 or ISO 45001. However, no group-wide health and safety management system seems to be established. Though Derichebourg's occupational accident rate shows a decreasing trend, it is still comparatively high. Environmental risks and impacts of the company's operations are addressed through various environmental programs and targets. Further, 59% of industrial sites are certified according to ISO 14001 standards. However, relevant issues such as wastewater management, hazardous air emissions, facility safety and emergency response are not sufficiently addressed by Derichebourg. Being specialized in recycling services, the company is committed to promote circular metals production and has a strategic approach to promote recycling of scrap metals. While Derichebourg clearly acknowledges climate change and has implemented various energy efficiency and greenhouse gas emission reduction measures, a sound strategy remains to be developed. Derichebourg does not have clearly defined greenhouse gas emission reduction targets in place and energy and carbon intensities have been increasing over the past three years which reflects a gap in the implementation of its efforts towards climate protection. To ensure business integrity, Derichebourg has developed a sound group-wide code of business ethics as well as a separate anti-corruption policy. These policies cover all relevant topics, including corruption, facilitation payments, gifts, insider trading and conflicts of interest. Some compliance measures such as training, risk assessments and a confidential whistleblowing channel are implemented.

Governance Opinion

Regarding Derichebourg's governance, the company has a family shareholder structure. The majority of board members, including the chair Daniel Derichebourg, are not considered to be independent, therefore the effective supervision of the executive management team cannot be ensured. At least partly independent board committees are established to oversee audit, nomination and remuneration (all as at February 5, 2021). Derichebourg discloses compensation schemes of its executive officers, including long-term components, which could incentivize sustainable value creation.

Governance of sustainability can be improved, as no independent board committee supervises the company's sustainability strategy and ESG performance objectives do not seem to impact executive compensation. To ensure business integrity, Derichebourg has developed a sound groupwide code of business ethics as well as a separate anti-corruption policy. These policies cover all relevant topics, including corruption, facilitation payments, gifts, insider trading and conflicts of interest. Some compliance measures such as training, risk assessments and a confidential whistleblowing channel are implemented.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Derichebourg's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Derichebourg's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Recycling services	66%	CONTRIBUTION	
Waste services for residential customers	3%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any severe controversy.

B. CONSISTENCY OF GREEN BOND FRAMEWORK WITH DERICHEBOURG'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

As Derichebourg's core business, the Environment division provides waste processing and disposal – mainly metal waste – and of end-of-life products, with recovery of secondary raw materials using appropriate processing methods. With the increasing pressures on scarce resources and a holistic focus on recycling and circularity, Derichebourg Environment provides French and global industries with energy- and resource-efficient solutions.

Derichebourg is a member of the Bureau of International Recycling (BIR), the only global recycling industry association which brings together leading recycling companies and national federations from over 70 countries, representing directly or indirectly 30,000 companies. The federation provides a dynamic forum for its members to share their knowledge and experience and serves as a platform to establish successful business relations and to promote recycling among other industrial sectors and policy makers.

The Group's consistent environmental strategy is based on measuring its greenhouse gas emissions. Efforts are being made both to reduce the impacts associated with its activities and to improve recycling performance. So far, Derichebourg's total production of metals has helped to avoid the emission of 5.3 million tCO₂e². Derichebourg intends to reduce its GHG emissions related to transport and production sites' energy consumption. ISS ESG would recommend Derichebourg to introduce a broader strategy including the entirety of scope 1 and 2 GHG emissions.

Rationale for issuance

The Green Bond Framework enables Derichebourg to raise finance in the form of green bonds, green project finance and any other types of financial instruments (the "Green Bonds"), the proceeds of which are allocated to eligible green projects as described in the framework. The Green Bond Framework will finance activities that align with the overall Derichebourg sustainability strategy.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Metals Processing & Production sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

² More information is available on <https://www.derichebourg.com/en/home/our-commitments/ambitious-environmental-commitments>

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Eco-efficient and/or circular economy-adapted products (recovery, collection and transportation of non-hazardous waste, manufacture of secondary aluminium, and recycling of end-of-life batteries)	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through this bond are consistent with Derichebourg sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by Derichebourg.

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES

1. Use of Proceeds

An amount equal to the net proceeds from the issuance of Green Bonds, will be used to finance or refinance, in whole or in part, new or existing projects that meet the Project Eligibility Criteria defined below (thereafter defined as “Eligible Projects”). When determining the eligible Use of Proceeds categories, Derichebourg has also considered the Technical Screening Criteria of the “EU Taxonomy” (April 2021 version).

With the proceeds collected through its inaugural Green Bond, Derichebourg plans to acquire *Ecore*, a major player of the circular economy in Europe.

ELIGIBLE CATEGORY	ELIGIBILITY CRITERIA
Eco-efficient and/or circular economy adapted products, production technologies and processes	Investments in or expenditures for the acquisitions, construction, refurbishment or maintenance of facilities/assets related to: • Material recovery from non-hazardous waste: mainly ferrous and non-ferrous metals, of which more than 50% (in terms of weight) is processed and suitable for substitution of virgin materials in production processes • Separate collection and transportation of non-hazardous waste in source segregation fractions, enabling net GHG emission reductions through reuse and high-quality recycling of waste • Manufacture of secondary aluminium, producing significantly lower emissions than primary production • Recycling of end-of-life batteries

Eligible Green Projects may include capital expenditures, operating expenditures related to improvement and extension of Eligible Green Projects, as well as acquisitions of ‘pure player’³ companies specialized in any of the above Green Bond Categories.

Opinion: ISS ESG considers the Use of Proceeds description provided by Derichebourg’s Green Bond Framework as aligned with the Green Bond Principles. Ecore’s acquisition and the activities that the company carries out are reflected in the Use of Proceeds categories of Derichebourg’s Framework. These categories set clear environmental benefits that align with the ICMA principles. Moreover, the categories described show alignment with the sustainability strategy of Derichebourg.

³ ‘Pure player’: At least 90% of the revenue of the company (in this case, Ecore) acquired derives from activities falling in any of the above Green Bond Category.

2. Process for Project Evaluation and Selection

Derichebourg has established a dedicated internal Green Bond Committee to identify and select the Eligible Green Projects. The committee is formed of representatives from the following teams: Finance, Sustainability, Investor Relations, and Executive Management. The committee will be responsible for:

- Reviewing, selecting and validating the Eligible Green Projects, under the Green Bond Framework
- Verifying and providing annual reporting on allocation and impact of the net proceeds raised through the Green Bond
- Monitoring the on-going evolution of the GBPs, particularly in relation to disclosure and reporting, to ensure Derichebourg activities are in line with best market practices

The committee will meet on an annual basis, or more frequently as required, to review proposed allocations and ensure that these are in alignment with the Green Bond Framework.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Derichebourg's Green Bond Framework as aligned with the Green Bond Principles. The issuer has set a clear and detailed process including a variety of stakeholders. Derichebourg also established a Green Bond Committee responsible for the tracking of the proceeds, reflecting best market practices. The issuer has a process in place to identify ESG risks.

3. Management of Proceeds

An amount equal to the net proceeds of the Green Bonds under the Framework will be managed and overseen by Derichebourg's Finance function. Furthermore, the net proceeds will be wholly allocated to finance, refinance or invest in Eligible Projects as outlined in the Green Bond Framework.

The Finance team will ensure, on a best effort's basis, that the portfolio of Eligible Projects exceeds, or at least is equal to, the amount of Green Bond proceeds raised under this Framework.

Net proceeds from the issuance of Green Bonds can be used to refinance existing projects and expenditures, in accordance with the eligible green projects outlined in Derichebourg's Green Bond Framework, with a lookback period of up to 36 months. For the inaugural Green Bond, Derichebourg expects to allocate an amount equal to the net proceeds within 12 months following the bond issuance.

Pending full allocation, proceeds will be invested on a temporary basis, in accordance with relevant internal policies, in cash, cash equivalents or similar instruments.

Opinion: ISS ESG finds that Management of Proceeds proposed by Derichebourg's Green Bond Framework is well aligned with the Green Bond Principles. Moreover, Derichebourg has defined an expected allocation period of one year for the inaugural bond issued under this Framework.

4. Reporting

Until the net proceeds are earmarked in full to Eligible Green Projects, and later in case of any material change in the list of Eligible Green Projects earmarked, Derichebourg will publish annually (i) an Allocation Report and (ii) an Impact Report, the latter subject to the availability of suitable information and data. The reports will be publicly available on Derichebourg's website.

Allocation Report

With the aim of providing disclosure on the allocation of net proceeds, the Allocation Report will include:

- Total amount of proceeds allocated to Eligible Green Projects, per category;
- The proportion of the proceeds allocated to refinancing of existing Eligible Green Projects; and
- The balance of unallocated proceeds invested in cash or cash equivalents

Impact Report

The Impact Report will provide information on the associated environmental impact metrics and outcomes of the green bond expenditures, subject to the availability of suitable information and data.

Examples of Impact reporting metrics:

- Total ferrous and non-ferrous metal waste processed (in metric tons)
- Total secondary raw materials produced (in metric tons)
- Recycling and recovery rates (%)
- Energy savings from recycling materials (e.g. aluminium and steel) compared to their primary production (%)
- Greenhouse gas emissions avoided from the use of secondary raw materials to produce new materials compared to production using raw materials (metric tons of CO2 equivalent)

Opinion: *ISS ESG finds that the reporting proposed by Derichebourg's Green Bond Framework is aligned with the Green Bond Principles. The issuer commits to annually report on allocation and impact in a clear, detailed and transparent manner. Furthermore, the issuer has defined a set of metrics to include in its impact reporting, in line with best market practices.*

External review

An external auditor will be appointed to provide a "Limited Assurance" on the annual report, with regard to the use of net proceeds having been allocated in accordance with the Green Bond Framework. The auditor's certification review will be published within the annual report.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Bond Framework Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of Derichebourg's Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bond Framework's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Material recovery, collection and transportation of non-hazardous waste Waste collection for residential customers	Significant contribution	
	Limited contribution	
Recycling of end-of-life batteries	Significant contribution	
Manufacture of secondary aluminium	Significant contribution⁴	

⁴ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under the Use of Proceeds category "Manufacture of Secondary Aluminium" that comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE USE OF PROCEEDS CATEGORIES

The table below presents the findings of an ISS ESG assessment of the Use of Proceeds categories against ISS ESG KPIs. 95% of Derichebourg's assets are located in the European Union.

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity

- ✓ 59% of Derichebourg's industrial sites are covered by a certified environmental management system in line with relevant international standards (ISO 14001).
- ✓ There is a clear policy on conducting Environmental Impact Assessments (EIAs) during the planning phase of all relevant projects (e.g. as part of eligibility criteria, general financing policies or company policy in case of corporate issuances).

Labour, Health & Safety

- ✓ 95% of assets are located in the European Union, where high labour, health and safety standards are respected.

Waste Management & Pollution Prevention

- ✓ 59% of Derichebourg industrial sites are covered by a certified environmental management system in line with relevant international standards (ISO 14001).

Dialogue with Local Communities

- ✓ A social impact assessment is mandatory in the European Union for all relevant projects involving stakeholder engagement.
- ✓ The community dialogue comprises all relevant elements (information on site-specific environmental, health and safety impacts of projects; feedback mechanisms for public consultation; grievance and/or dispute resolution procedures).

DISCLAIMER

1. Validity of the SPO: For Derichebourg's first issuance following the SPO release date.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of Derichebourg's Green Bond Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Derichebourg (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Derichebourg's Green Bond Framework contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Derichebourg commissioned ISS ESG to compile a Green Bond Framework SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond Framework, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ISS ESG KPI set: Material recovery from non-hazardous waste, collection, transportation of recycling, Recycling on end-of-life batteries and Manufacture of secondary aluminium

ISSUER'S RESPONSIBILITY

Derichebourg responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Framework to be issued by Derichebourg based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with Derichebourg took place in April/May 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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