



SECOND PARTY* OPINION ON SUSTAINABILITY OF PAPREC'S "SUSTAINABLE GREEN BONDS"

VIGEO OPINION

SCOPE

Vigeo was commissioned to provide an independent opinion on the sustainable credentials of the Senior Secured Notes du 2022 and the Senior Subordinated Notes due 2023 (collectively, the "Green Bonds") to be issued by Paprec Holding S.A ("Paprec"), according to the Vigeo Environmental, Social and Governance (ESG) assessment methodology. The steps include:

- Issuer: Analysis of the issuer CSR performance, controversies and allegations on ESG issues and capacity to mitigate these risks
- Projects: Identification of the project's environmental and social benefits and analysis of ESG integration in the project selection and management
- Reporting: Assessment of reporting capacity and commitments for project fund allocation, environmental and social outcomes and ESG project management.

SUMMARY

In light of our review and interactions with Paprec, Vigeo confirms the bonds to be issued by Paprec are "sustainable green bonds" which proceeds will be used to refinance existing investments regarding Recycling Projects that promote production of recycled raw materials from recycling and which contribute to circular economy and sustainable development, natural resources preservation and local economic development, in line with its sustainable development commitments.

I. Issuer

Level of CSR performance:

As of February 2015, Paprec's overall approach to managing its CSR performance is considered to be limited, close to the robust level. Paprec's ESG profile is somewhat heterogeneous, with robust** performance observed on the social and environmental pillars, and a more limited** performance on the governance pillar.

In particular, the issuer's performance towards Human Rights, Human Resources, Environment (except for minimizing impacts from energy use and management of local pollution emissions) and Community Involvement is robust**, while Business Behaviour and Corporate Governance domains are considered as limited**. The issuer's performance in terms of practices and results is robust** but its commitments towards ESG issues could be backed with more quantitative targets.

Paprec is not involved in any of the 9 disputable activities analysed by Vigeo.

ESG controversies: As of 2015/01/13, Paprec faces isolated fire incidents over the last three years, for which the company reports transparently and implements corrective measures. Paprec's ability to mitigate ESG controversies is robust**.

ESG risk mitigation: Vigeo's level of assurance on Paprec's management of its CSR risks ranges from moderate** to reasonable**. In particular, our level of assurance regarding the management of risk relating to its human capital and legal security is good while our level of assurance regarding the management of CSR risks related to its reputation and operational efficiency is moderate.

2. Projects

Project identification:

According to Paprec's sustainability commitments, the company will refinance eligible green projects which are clearly defined as Recycling Projects, i.e.:

- Investments of industrial recycling assets (organic growth)
- Acquisitions of companies specialized in such recycling activities (external growth)

Environmental and social benefits of these green projects categories have been described, assessed and quantified, such as contribution to :

- Natural resources preservation and circular economy and sustainable development
- Fight against climate change
- Local economic development

Project selection process:

The selection process of investments to finance is guided by: 16 exhaustive criteria, regarding Environment, Human Resources, Human Rights, Business Behaviour, Local Communities and Governance domains taking in to account ESG issues of Paprec's sector, to define 4 domains aligned with Paprec's Sustainability Policy:

- Social dimension: Ensure respect of human rights, responsible relations and working conditions
- Environment protection: manage environmental impacts, energy use and protect natural resources and local communities
- Economic sustainable development : Contribute to local development and promote ethical practices throughout the supply chain
- Project Governance: Ensure appropriate ESG assessment and risk management, especially in case of acquisition

Paprec's existing related commitments are visible, precise, measurable and relevant regarding ESG issues of these criteria. However, some specific issues are partially covered, such as business ethics and responsible procurement.

The selection process is based on a framework publicly available on Paprec's website, aiming at a responsible management of investments.

3. Reporting

Reporting commitments

Paprec is committed to report on:

- The fund allocation, at the time of the issuance, on an aggregated basis with distinct information between Recycling Projects categories, i.e. assets and company acquisitions.
- The environmental and social benefits and management of Recycling Projects, on an annual basis, within an investor-dedicated section in its Sustainable Development Annual Report available on Paprec's website (<http://www.paprec.com>).

Monitoring conditions are clearly defined and selected reporting indicators are exhaustive, both on benefits and responsible management, and relevant regarding major ESG issues, showing a consistent level of transparency and a capacity to assess and report on all ESG issues. Vigeo's level of assurance on Paprec's commitment on reporting is reasonable**.

Independent assurance

Paprec's Green Bonds issuance supported by independent assurance provided by :

- ESG auditor, as Second party opinion provider, on sustainable credentials of the Green Bonds, before the issuance and covering all the bonds dimensions, i.e. issuer CSR performance, project (use of proceeds and ESG selection commitments) and reporting (purpose of this document)
- Financial reporting on gross proceeds raised and use of net proceeds at the time of the issuance and subsequent use to refinance indebtedness

The compliance of the net proceeds' allocation with the above described project selection process and the annual sustainability reporting (benefits and management) will use internal expertise, without external verification which leaves room for improvement.

Disclaimer

This opinion aims to explain for investors why the Green Bonds is considered as sustainable and responsible, based on the information which has been made available to Vigeo and which has been analysed by Vigeo. Providing this opinion does not mean that Vigeo certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Bonds. Paprec 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 neither focuses on financial performance of the Green Bonds, nor on the effective allocation of funds' use of proceeds. Vigeo 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 or its financial obligations.

Paris, March 12th 2015

Project Manager
Sophie Thiéry



CSR Consultant
Laurie Chesné



* **Second Party Opinion – Green Bond Principles:** This opinion is to be considered as the "Second Party Opinion" described in the Voluntary Process Guidelines for Issuing Green Bonds, issued by Green Bond Principles, January 13th 2014. Vigeo considers that this Green Bond aligns with the Green Bond Principles, as dated January 13th 2014.

** Vigeo's scales are defined as follow:
CSR Performance : Advanced, Robust, Limited, Weak

Ability to mitigate ESG controversies: Advanced, Robust, Limited, Weak
Level of assurance: Reasonable, Moderate, Weak

METHODOLOGY

In Vigeo's view, environmental, social and governance factors are intertwined and complementary and cannot be separated when assessing the management of CSR in any organization or in any activity, including the issuance of green bonds.

In this sense, we write an opinion on the issuer's social responsibility as a corporate organization, and on the objectives, the management and the reporting of the projects financed by the Green Bonds.

1. Analysis of the issuer regarding international standards in terms of social responsibility

Paprec has been evaluated by Vigeo, during February 2015 on its social responsibility performance, based on a rating framework aligned with public international standards, in compliance with the ISO 26000 norm, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Vigeo's review uses publicly available information from the company and stakeholders.

An analysis of controversies and allegations on each domain of sustainability has been conducted, regarding frequency, severity and responsiveness.

9 disputable activities have been analysed following 30 parameters to verify if the company is involved in one of them: Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, GMOs in food & feed, Nuclear energy, Sex industry, Tobacco.

2. Analysis of the financed projects

A Green Bond Framework has been developed with Vigeo's evaluation to define the use of proceeds requirements and the environmental and social criteria, that such projects should meet in order to be eligible, and the selected indicators in order to report regularly on project outcomes.

2.1. Use of proceeds requirements

The Use-of-proceeds requirements are defined to ensure that the funds raised are used to finance Eligible Green Projects and are traceable from the capital raising to use of such net proceeds. These requirements must be met by Paprec for each endorsed project; they include Eligible Green Projects definition and Management of proceeds, detailed in a dedicated page below.

The environmental and sustainable purpose of eligible projects as part of the Bonds has been precisely defined, in regards to Paprec's priorities. The projects endorsed by Paprec as part of the bonds must match one of these categories detailed in a dedicated page below:

- ✓ Investments of industrial recycling assets (organic growth)
- ✓ Acquisitions of companies specialized in recycling activities (external growth)

Environmental and social benefits of these green projects categories have been described, assessed and quantified.

The net proceeds of the issuance will for a portion, immediately applied for refinancing purposes, minus payment of transaction costs (up to two percent) and for the remainder, will be managed within Paprec's treasury liquidity portfolio and will be allocated within 30 days to refinance previous investments (debt refinancing) after the issuance.

2.2. Environmental Social and Governance criteria

On the basis of ISO26000 guidelines, of a review of Paprec's Policies and Guidelines on Sustainability and of internal interviews concerning business activities and practices in place, Vigeo guided Paprec by evaluating ESG criteria and commitments (Environment, Social / Societal and Governance) for project selection, based on an assessment framework aligned with public international standards and Waste sector issues and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Project Governance. Each project endorsed shall comply with all these criteria in order to be eligible.

In total 16 criteria have been determined and aligned to 4 domains within Paprec's Sustainable Development strategy. These 16 criteria are available on Paprec's website and detailed in a dedicated page below.

3. Analysis of reporting indicators

Reporting indicators are selected from existing indicators in use by Paprec to enable annual reporting on environmental and social outcomes and on responsible management of the projects financed by the green bonds proceeds, collected at project level and aggregated at bond level.

Vigeo has evaluated the relevance of these indicators according to three principles: completeness, effectiveness and intelligibility for stakeholders.

These reporting indicators are detailed in a dedicated page below and will be used by Paprec to report annually in a Green Bonds section in its Sustainable Development Annual Report available on its website.

USE OF PROCEEDS REQUIREMENTS

“**Eligible Green Projects**” mean Recycling Projects (as defined below) that promote production of recycled secondary raw materials from recycling and which contribute to circular economy, sustainable development and natural resources preservation. Eligible green projects will meet a set of Use of Proceeds requirements and environmental, social and governance (ESG) criteria approved by Vigeo, and available on the Issuer website in the « Our civic engagement » section.

Recycling Projects include refinancing of projects:

- Around 300 M€ of investments in industrial recycling assets (organic growth) since 2011
- Around 200 M€ of acquisitions of companies specialized in such recycling activities (external growth) since 2010

Project categories	Definition	Detailed content	Environmental and social benefits
Industrial Recycling assets (organic growth)	Refinancing of (tangible and intangible) asset, that contribute to the optimization of the recycling process, all along the chain: - Collection rate, transportation stream, sorting and recycling solutions...	300M€ invested in innovative recycling material for industrial development (70%) and machines renewal (30%), necessary for collection (122M€), waste treatment (88M€) and equipment (83M€)	Contribution to : - Natural resources preservation and circular economy and sustainable development - Fight against climate change - Local economic development
Acquisitions of recycling companies (external growth)	Refinancing of company acquisition, specialized in recycling, that contribute to the improvement of the recycling capacity: - Higher industrial recycling capabilities (business diversification with new recycling solutions) and/or - Higher geographical coverage	200M€ invested in companies acquisitions : Geographical diversification - Lottner (Switzerland) Business diversification - NCI Environnement - AES - Echalièr - Matières Plastiques de Bourgogne - Prodhag - Desplat - ...	

Management of proceeds

The net proceeds of the issuance will for a portion, immediately applied for refinancing purposes, minus payment of transaction costs (up to two percent) and for the remainder, will be managed within Paprec's treasury liquidity portfolio and will be allocated within 30 days to refinance previous investments (debt refinancing) after the issuance.

In case of divestment of a company previously acquired by Paprec which debt was refinanced with the Green Bonds proceeds, the Issuer will use the net proceeds therefrom to finance other Eligible Green Project in compliance with the Use of Proceeds discussed above and, Paprec is expected to communicate on any such divestment and the subsequent application of the proceeds therefrom at the end of each calendar year in its Sustainable Development Report which will be made available to investors.

ESG CRITERIA & COMMITMENTS

Criteria	Commitments
Social dimension	Ensure respect of human rights, responsible relations and working conditions
Respect of fundamental human and labor rights	Rules of procedure and IT Charter implemented on the site covering respect for human rights standards and prevention of violations, such as harassment, right to privacy and data protection, right to personal security,...
	Specific measures taken to fight against work of people in irregular situation, and dedicated clause included in contracts with temporary employment agencies and clients
	Diversity and Secularism Charter applicable on the site
Responsible integration of acquisitions	Internal job mobility and/or skills evolution in order to have no redundancies
	Dedicated integration process implemented at the time of the acquisition, with creation of an integration committee headed by the CEO and at least comprising a human resources manager and employees from the company
	Updating the social employment conditions for all employees (social protection and minimum wage) achieved up to 6 months after the company acquisition
Career management and promotion of employability	Progressive improvement in employees' qualification levels promoted by internal job mobility and a talent-spotting program
	Employees' skill sets adapted to their career paths, especially for low-skilled workers, such as driving authorization or alphabetization programs
	Implementation of a dedicated sponsorship system by an agency director within the year of acquisition, and integration programs covering all new employees (integration pathway, sponsorship system or buddy system)
Improvement of health and safety (H&S) conditions	Occupational Risk Management System implemented in the site within the 18 months after the date of the acquisition, with safety risk assessment and action plan
	Annual H&S audit conducted on the site, regarding the common Paprec Safety Guidelines, based on standards and best practices
	Information on Paprec's H&S Policies and Safety Guidelines given at the time of the acquisition, then provision of regular H&S training for all employees
	H&S qualified representative named for the site, in charge of prevention and coordination, and monthly safety reviews carried out
Environment	Manage environmental impacts, protect biodiversity and water resources and fight against climate change
Environmental management	Environmental Management System implemented (ISO 14001 certified site), with impact assessment and action plan
	Environment qualified representative named for the site, in charge of prevention and coordination
	Environmental awareness raising carried out on environmental management system and good practices
Pollution prevention and control	Systematic measures to avoid soil contamination implemented on the site, such as concrete slab and storm water treatment system
	Initial study on soil contamination risks and fire prevention made (a soil study is carried out if necessary)
	Dedicated emergency procedures, firefighting equipment and regular training are implemented on the site, regarding prevention of fires
Minimizing environmental impacts from energy use	Monitoring of energy consumptions, including collection, sorting and recycling processes, with reduction targets defined for each site
	Integration of environmental impacts from energy use (energy consumption and air emissions) in the selection of the asset (in case of transportation and industrial asset)
	Regular audits of best practices in logistics (truck maintenance, respect of driving rules, training of drivers,...) conducted in each agency, in order to reduce environmental impacts from transportation

Management of biogas emissions	Methane emissions (biogas) from landfills tracked, collected and recovered as energy
Waste management	All the waste resulting from recycling processes (wastewater and solid waste) are collected and treated in appropriate disposal solutions
Management of local pollution and relation with communities	Measures to consider any local community request implemented and dialogue with local stakeholders is promoted at site level Social actions are carried out and/or cooperation with NGO's and local institutions are implemented during the project life cycle
Economic sustainable development	Contribute to local development and promote ethical practices throughout the supply chain
Promotion of local economic development	Preservation of local employment that cannot be relocated and contribution to local economic dynamism
Responsible procurement	Integration of environmental and/or social factors on the selection of the asset, for instance last euro-norm for the trucks or health and safety conditions for workers for industrial equipment
Business ethics	Prevention of corruption Policy implemented on the site within 2 years after the date of the acquisition
	Systematic referencing and contractualization for each client, with distinction between upstream waste inputs and downstream recycling sales, to limit fraud and corruption risks
Project governance	Ensure appropriate ESG assessment and risks management, especially in case of acquisition
ESG risks management and due diligence	Integration of ESG in the acquisition study and due diligence carried out before acquisition regarding Paprec policies and standards, on ESG issues, such as : social conditions and social dialogue, governance composition, environmental impact assessment, ESG controversies ...
	Conduction by the integration committee of a collaborative audit covering ESG issues at the time of the acquisition, accompanied by an action plan
	At least three Environmental, Quality, Health and Safety internal audits are conducted on the site annually

REPORTING

Monitoring conditions and reporting indicators are clearly defined and exhaustive both on environmental and social benefits and responsible management in order to report on:

- **Fund allocation (use of proceeds)** at investment level (asset or acquisition)
- **Environmental and social benefits** aggregated and reported at corporate level
- **Responsible management** monitored for company acquisitions at site level, and for assets when relevant indicators are available on activated criteria

The issuer is expected to report to investors :

- At the time of the issuance, on fund allocation on an aggregated basis with distinction between assets (organic growth) and company acquisitions (external growth)
- Annually and until the maturity date of the bond, on sustainability reporting indicators (environment and social benefits and management), in an investor-dedicated section within Paprec's Sustainable Development Annual Report available, on Paprec's website.

To report on the benefits measured or on the management issue monitored, the company could substitute any of the selected indicators (as defined below) by new indicators when it considers them more relevant or efficient.

Fund allocation

Criteria	Reporting indicator
Investments financed by the green bonds proceeds	List of investment categories (assets and acquisitions) Amount in € / category

Environmental and social benefits

Environmental and social benefits	Reporting indicators / assessment criteria
Natural resources preservation and circular economy and sustainable development	% of waste treatment (recycling rate)
	Tons of secondary raw materials from recycling
Fight against climate change	GHG emissions avoided assessed as : emissions generated by material recovery via recycling VS emissions generated by production of virgin material (ISO 14064 and Prognos Basis 2008)
Local economic development	Number of direct local jobs and creation of job that cannot be relocated

Responsible management

Domain	Criteria	Issue monitored	Reporting indicator
Environment	Environmental management	Monitoring of environmental non-compliance	Number of non-compliance
	Prevention of pollution	Environmental accidents and incidents	Number of incidents and accidents and corrective measures if relevant
	Energy management	Energy consumption and renewable energy production (if relevant)	kWh
		Management of GHG emissions	Generated emissions in tCO2e
	Transport	Impacts from transport equipment	% of trucks with last Euro-norm Fuel consumptions
Local pollution and relation with communities	Dialogue with local stakeholders	Number of stakeholders complaints	
Social dimension	Human rights	Discrimination controversies	Number of controversies related to discrimination
		Illegal work	Number of controversies related to illegal work % of temporary employment with signatory agencies of 'Illegal employment' contractual agreement
	Employability	Training	Number of training hours
	Health and safety	Accidents and professionals diseases	Frequency and severity rates
	Responsible integration of acquisitions	Integration process	Attendance rate at integration committee meetings
Redundancies		Number of redundancies	
Creation of value	Promotion of local economic development	Local employment	% of people in local plants Minimum wage
	Responsible management	Disabled workers in the supply chain	Amount expected in € for vocational rehabilitation centers for disabled workers (ESAT)
	Promotion of ethical practices	Business ethics controversies and litigations	Number of controversies and litigations related to business ethics
Project governance	ESG risk management and due diligence	ESG audit	Number of Environmental, Quality, Health and Safety audits Number of non-compliance