



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



Laurie Chesné

Senior Sustainability Consultant
Head of Sustainable Bond Services



Camille Ferron

Sustainability Consultant

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.