

# Second-Party Opinion

## RDM Group Sustainability-Linked Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the RDM Group Sustainability Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators (KPIs):** RDM Group's Framework includes three KPIs: Scope 1 and 2 GHG emissions intensity, proportion of waste sent for recovery, and wastewater discharge intensity (see Table 1). Sustainalytics has assessed all three KPIs as strong since they follow clear and consistent methodologies with externally recognized definitions. KPIs 1 and 2 are considered direct measures of performance on material environmental issues; KPIs 1 and 3 can be benchmarked against external contextual benchmarks.
- Calibration of Sustainability Performance Targets (SPTs):** Sustainalytics considers the SPTs to be aligned with the Issuer's sustainability strategy. Sustainalytics has assessed SPT 1 as ambitious, SPT 2 as highly ambitious and SPT 3 as moderately ambitious. All SPTs represent improvements on historical performance. SPT 1 is further determined to be aligned with science-based decarbonization trajectories.
- Bond Characteristics:** RDM Group will link the financial characteristics of the instruments issued under the Framework to the achievement of the SPTs at the target observation date. The financial characteristics may include a coupon rate step-up provision or a premium on redemption value.
- Reporting:** RDM Group commits to report annually on its performance relating to the KPIs on its website, disclosing any relevant information that affects KPI performance. The reporting commitments are aligned with the SLBP.
- Verification:** RDM Group commits to have external limited assurance conducted on its sustainability reporting, which includes KPI performance at the communicated SPT deadline, which is aligned with market expectations.

<b>Evaluation Date</b>	November 12, 2021
<b>Issuer Location</b>	Milan, Italy

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline (2020)	SPT	Strength of the KPI	Ambitiousness of SPT
Group scope 1 and 2 GHG emission intensity (tCO <sub>2</sub> e/ton of net saleable production)	0.50	<ul style="list-style-type: none"> <li><b>SPT 1a:</b> 15% reduction of GHG emission intensity by 2025 from a 2020 baseline.</li> <li><b>SPT 1b:</b> 30% reduction of GHG emission intensity by 2030 from a 2020 baseline</li> </ul>	Strong	Ambitious
Proportion of waste sent for recovery (%)	73%	<ul style="list-style-type: none"> <li><b>SPT 2a:</b> Increase proportion of waste sent for recovery to 81.5% by 2025</li> <li><b>SPT 2b:</b> Increase the proportion of waste sent for recovery to 90% by 2030</li> </ul>	Strong	Highly Ambitious
Wastewater discharge intensity (m <sup>3</sup> /ton of net saleable production)	11.06	<ul style="list-style-type: none"> <li><b>SPT 3a:</b> 10% reduction in wastewater discharge intensity by 2025 from a 2020 baseline.</li> <li><b>SPT 3b:</b> 20% reduction in wastewater discharge intensity by 2030 from a 2020 baseline</li> </ul>	Strong	Moderately Ambitious

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## Scope of Work and Limitations

RDM Group has engaged Sustainalytics to review the Sustainability-Linked Financing Framework and provide an opinion on the alignment of the notes with the Sustainability-Linked Bond Principles (SLBP).<sup>1</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>2</sup> opinion on the alignment of the reviewed SLB Framework with the Sustainability-Linked Bond Principles 2020, as administered by ICMA.

As part of this engagement, Sustainalytics exchanges information with various members of RDM Group's management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the SLB Framework. RDM Group's representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Bond Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and RDM Group. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance.<sup>3</sup> The measurement and reporting of the KPIs is the responsibility of the Bond issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that RDM Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>4</sup> against which targets were set;
- (2) A material corporate action (such as material M&A or change in business activity) which has a bearing on the achievement of the SLBs or the materiality of the KPI.

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<sup>1</sup> The Sustainability-Linked Bond Principles (SLBP) were launched by ICMA in June 2020. They are administered by the ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

<sup>2</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

<sup>3</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>4</sup> Benchmarks refers to science based benchmarks

## Introduction

RDM Group (“RDM” or the “Group”) is an Italian-based European paperboard manufacturer with company origins dating back to 1967. In 2017 three major industry players, Reno De medici Group, Cascades La Rochette and Careo Group merged to form the single entity of RDM Group, which is now headquartered in Milan, Italy, and operates under a unified governance structure. The Group has nine manufacturing plants across Italy, France, Germany, Spain, the Netherlands and the United States, as well as four sheeting centres and a sales network that delivers products to over 70 countries. RDM is primarily involved in the manufacturing of coated recycled cardboard, which is a product used for packaging and folding cartons in many major product sectors.

RDM Group intends to issue a Sustainability-Linked Bond (SLB) where the margin/coupon rate of the bond or a premium payment, is tied to the achievement of the Sustainability Performance Targets for three KPIs related to GHG emissions, waste recovery, and discharged wastewater. RDM has engaged Sustainalytics to review the Sustainability-Linked Financing Framework and provide an opinion on the alignment of the Framework with the Sustainability-Linked Bond Principles (SLBP).

The KPIs and SPTs used by RDM are defined in Tables 1 and 2 below.

**Table 1: KPI Definitions**

KPI	Definition
Group scope 1 and 2 GHG emission intensity (tCO <sub>2</sub> e/ton of net saleable production)	<p>Scope 1 emissions represent direct GHG emissions from operations owned or controlled by RDM while scope 2 represents indirect emissions related to electricity purchased, excluding emissions from renewable sources (biomass) and electricity generated at RDM’s Barcelona mill.<sup>5</sup></p> <p>Scope 1 and 2 GHG emissions are expressed per unit of production illustrated as “ton of net saleable production” (tCO<sub>2</sub>e/ton of net saleable production).</p> <p>RDM follows the GHG Protocol’s Corporate Reporting Standard in calculating the Group’s scope 1 and 2 emissions.<sup>6</sup></p>
Proportion of waste sent for recovery (%)	<p>The KPI measures the load of waste sent for recovery as a percentage of the total waste (%).</p> <p>RDM calculates loads of waste as per the European legislation, which requires loads reporting per final destination codes to distinguish between loads sent to disposal from those sent to recovery.</p>
Wastewater discharge intensity (m <sup>3</sup> /ton of net saleable production)	<p>The metric indicates wastewater discharge, in cubic meters, per unit of production measured in tons of net saleable production.</p> <p>RDM measures the wastewater discharged to third-party water treatment plants or rivers using internal flowmeters. This excludes cooling water when physically separated from process water.</p>

**Table 2: SPTs and Past Performance**

KPI	2018	2019	2020 (baseline)	SPT 2025	SPT 2030
Scope 1 and 2 GHG emissions intensity (tCO <sub>2</sub> e/ton of net saleable production)	0.47	0.46	0.50	0.425	0.35
Proportion of waste sent for recovery (%)	N/A	75%	73%	81.5%	90.0%
Wastewater discharge intensity (m <sup>3</sup> /ton of net saleable production)	13.78	12.46	11.06	9.95	8.85

<sup>5</sup> Electricity generated at the Barcelona mill is supplied entirely to the Spanish National Grid and is not used for production purposes.

<sup>6</sup> The GRI Standards defines Scope 1 and Scope 2 emissions in line with the GHG Protocol Corporate Standard as follows: “Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy” at: <https://www.globalreporting.org/standards/download-the-standards/>

<sup>7</sup> Baseline for emissions, wastewater and waste targets do not include the mill of La Rochette, as it is part of a sale agreement in 2021. However, historical performance for all KPIs includes the La Rochette mill data and Sustainalytics used these figures for consistency with RDM’s publicly reported figures in its Sustainability Report and Framework.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of RDM Group Sustainability Linked Financing Framework with the Sustainability-Linked Bond Principles.

Sustainalytics is of the opinion that the Sustainability-Linked Financing Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020 (SLBP).



#### Selection of Key Performance Indicators (KPIs)

Sustainalytics, in its assessment of materiality and relevance, considers i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers KPI 1, Scope 1 and 2 GHG emissions intensity, to be material and relevant given:

- The paper and pulp industry is the fourth most energy intensive industry in Europe.<sup>8</sup> Paper and board mills consume large amounts of energy from fossil fuels, as well as significant electricity for production and drying processes.
- Sustainalytics' ESG Risk Rating assessment identifies "Carbon-Own Operations"<sup>9</sup> as a material ESG issue for companies in the paper packaging subindustry. Additionally, the Sustainability Accounting Standard Board (SASB) identifies GHG emissions as a material topic to track and disclose by the containers and packaging sector.<sup>10</sup>
- In 2019, RDM Group updated its materiality assessment, identifying energy efficiency and climate change as key material topics based on the impact on the Group's own operations and its value chain, including suppliers and clients. Following this, RDM identified the reduction of scope 1 and 2 GHG emissions intensity as among its key strategic goals in its 2020-2030 Sustainability Plan.
- Sustainalytics notes that RDM has not yet completed measurement of its scope 3 emissions. Based on investigation of emissions reporting across the Issuer's subindustry, Sustainalytics acknowledges that scope 1 and 2 emissions account for approximately one-third of total emissions, while scope 3 comprises the remainder.<sup>11</sup> Nevertheless, Sustainalytics views the KPI as covering a significant portion of the Group's total emissions and highlights the importance of reducing scope 3 emissions by encouraging RDM's best efforts to measure and report on its scope 3 emissions, notwithstanding the limited influence the Group may have on its value chain participants.
  - It is noted that the coverage of the KPI also excludes emissions from electricity generation at RDM's Barcelona mill (approximately 19.4% of total scope 1 and 2 emissions). Electricity generated at this site is provided directly to the Spanish National grid and is therefore excluded from the KPI which is based on production intensity.<sup>12</sup>

<sup>8</sup> European Commission, "How EU pulp and paper industry can reduce greenhouse gas emissions", at: <https://ec.europa.eu/jrc/en/news/how-eu-pulp-and-paper-industry-can-reduce-greenhouse-gas-emissions>

<sup>9</sup> The Sustainalytics' Carbon – Own Operations MEI refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions, such as transport and logistics. It does not include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

<sup>10</sup> SASB, Containers & Packaging Sustainability Accounting Standard (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Containers\\_Packaging\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Containers_Packaging_Standard_2018.pdf)

<sup>11</sup> Sustainalytics analyzed RDM industry peer's reporting of emissions profile and determined that scope 3 emissions generally represent approximately two-thirds of total emissions. One report assessed was that of SCA, pp149 at: [https://www.sca.com/globalassets/sca-engelska/investors/annual-reports/sca\\_2020\\_eng.pdf](https://www.sca.com/globalassets/sca-engelska/investors/annual-reports/sca_2020_eng.pdf)

<sup>12</sup> The KPI includes the share of emissions associated with steam production, which is used on-site for the Group's processes (Scope 1). The KPI also includes Scope 2 emissions associated with the purchase of electricity from the Spanish grid required for plant operations.

Sustainalytics considers KPI 2, Proportion of waste sent for recovery, to be material and relevant given:

- Sustainalytics' ESG Risk Rating assessment identifies "Emissions, Effluents and Waste"<sup>13</sup> as a material ESG issue for companies in the paper packaging subindustry. Additionally, the Sustainability Accounting Standard Board (SASB) identifies waste management (with a focus on recycling and recovery where possible), as a material topic to track and disclose by the containers and packaging sector.<sup>14</sup>
- In 2019, RDM Group updated its materiality assessment, identifying responsible waste management and the promotion of a recycling culture as among the key material topics related to the Group's own operations and its value chain. Following this, RDM identified increasing the proportion of waste it sends for recovery as among its key goals in its 2020-2030 Sustainability Plan.
- Sustainalytics notes that the KPI covers a significant majority of process-material waste generated during the production of recycled fibres. Product end-of-life wastes however, are not addressed by this KPI. Refer to Section 2 for further discussion of the recyclability of the Group's product outputs.

Sustainalytics considers KPI 3, wastewater discharges per ton of net saleable production, to be material and relevant given:

- Sustainalytics' ESG Risk Rating assessment identifies "Resource Use"<sup>15</sup> as a material ESG issue and an area of medium exposure for the paper packaging subindustry. Additionally, the Sustainability Accounting Standard Board (SASB) identifies water management as a material topic to track and disclose for the containers and packaging sector.<sup>16</sup>
- Sustainalytics notes that paper and board manufacturing are highly water intensive. With water scarcity and cost increasing as a result of population growth and demographic shifts, as well as climate change and pollution, the importance of water management is further highlighted.
- In 2019, RDM Group updated its materiality assessment, identifying water use and discharge as among the key material topics related to the Group's own operations and its supply chain in this area. Following this, RDM identified decreasing its wastewater discharged per ton of net saleable production as among its key goals in its 2020-2030 Sustainability Plan.
- The KPI is considered an indirect measure of performance on the environmental issue of water use as it is an output metric measuring the wastewater discharge rather than an input metric of water used in volumes of water withdrawn from the environment or consumed in the production process across the Group's production facilities.

### KPI Characteristics

Sustainalytics in its assessment of the KPI characteristics considers i) whether a clear and consistent methodology is used, ii) whether the issuer follows an externally recognized definition, iii) whether the KPIs are a direct measure of the performance of the issuer on the material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked to an external contextual benchmark.<sup>17</sup>

Sustainalytics considers RDM's definition and methodology for calculating KPI 1 to be clear and consistent based on guidelines from the GHG Protocol's Corporate Reporting Standard.<sup>18</sup> The metric also lends itself to benchmarking against external emission reduction trajectories such as those developed by the Transition

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<sup>13</sup> The Sustainalytics' Emissions, Effluents and Waste MEI refers to the management of emissions and releases from a company's own operations to air, water and land, excluding GHG emissions.

<sup>14</sup> SASB, Containers & Packaging Sustainability Accounting Standard (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Containers\\_Packaging\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Containers_Packaging_Standard_2018.pdf)

<sup>15</sup> The Sustainalytics' Resource Use MEI refers to how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

<sup>16</sup> SASB, Containers & Packaging Sustainability Accounting Standard (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Containers\\_Packaging\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Containers_Packaging_Standard_2018.pdf)

<sup>17</sup> External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

<sup>18</sup> GRI, "The global standards for sustainability reporting", at: <https://www.globalreporting.org/standards/>

Pathway Initiatives.<sup>19</sup> Sustainalytics considers KPI 1 to be a direct measure of performance on the material environmental issue.

Regarding KPI 2, RDM relies on official waste management logs recorded by the mills, that are used to track waste loads per their final destination code in accordance with European regulations on waste management and disposal. The methodology helps RDM to distinguish the amount of waste sent to disposal from the amount of waste sent to recovery. Based on these regulatory definitions and standards, Sustainalytics considers RDM's definition and methodology for calculating KPI performance to be clear and consistent and an industry wide practice. Further, Sustainalytics considers the KPI to be a direct measure of RDM's potential to recover its waste. However, the KPI does not lend itself to benchmarking against external benchmarks.

Sustainalytics considers RDM's definition and methodology to calculate KPI 3 to be clear and consistent based on real measurements of wastewater discharged to third-party wastewater treatment plants or to waterbodies. Further, the indicator is an industry accepted standard and the performance on the KPI can be benchmarked against external peer-based benchmarks.<sup>20</sup> However, Sustainalytics considers the indicator to be an indirect measure of water use by RDM, as it does not directly reflect the water withdrawn for their operations or the share that is re-used.

**Overall Assessment**

Sustainalytics considers all three KPIs to be clear and to follow a consistent and externally verifiable methodology.

Sustainalytics considers KPI 1, scope 1 and 2 GHG emissions, to be strong given that the KPI is a direct measure of the Group's carbon footprint, lends itself to benchmarking against external contextual benchmarks, and is estimated to cover a significant share but less than a majority of overall all-scope emissions.

Sustainalytics considers KPI 2, the proportion of waste sent for recovery, to be strong given that it is an industry wide indicator that directly measures the Group's waste management performance and covers the majority of process activities, despite not being able to be benchmarked.

Sustainalytics considers KPI 3, wastewater discharges per ton of net saleable production, to be strong since it can be benchmarked to external industry-specific performance benchmarks and material environmental issues with a high scope of applicability but is considered to be an indirect measure of performance on the material environmental issue.

<b>Group Greenhouse Gas Emissions; Scope 1 and 2 (tCO2e/ton of net saleable production)</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong
<b>Proportion of waste sent for recovery</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong
<b>Water discharge per ton of net saleable production (m<sup>3</sup>/ton)</b>	Not Aligned	Adequate	<b>Strong</b>	Very strong

<sup>19</sup> Transition Pathway Initiative, "Paper Sector", at: <https://www.transitionpathwayinitiative.org/sectors/paper>

<sup>20</sup> Sustainalytics notes the use of the KPI by industry bodies such as the CEPI in its 2018 report, "European Database for Corrugated Board Life Cycle Studies" at: [https://www.cepi-containerboard.org/display\\_doc.php?id=1626](https://www.cepi-containerboard.org/display_doc.php?id=1626), while noting its benchmarkability against industry averages in a report by the European Commission on techniques available to the production of pulp, paper and board at: [https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/PP\\_revised\\_BREF\\_2015.pdf](https://eippcb.jrc.ec.europa.eu/sites/default/files/2019-11/PP_revised_BREF_2015.pdf)



## Calibration of Sustainability Performance Targets (SPTs)

### Alignment with Issuer's Sustainability Strategy

RDM has set the following SPTs for its KPIs:

- SPT1a: 15% reduction of Group GHG Emissions by 2025 from a 2020 baseline
- SPT1b: 30 % reduction of Group GHG Emissions by 2030 from a 2020 baseline
- SPT 2a: Increase the proportion of waste sent for recovery to 81.5% by 2025
- SPT 2b: Increase the proportion of waste sent for recovery to 90% by 2030
- SPT 3a: 10% reduction in wastewater discharge by 2025 from a 2020 baseline
- SPT 3b: 20% reduction in wastewater discharge by 2030 from a 2020 baseline

Sustainalytics considers the SPTs to be aligned with RDM's sustainability strategy (please refer to Section 2 for analysis of the credibility of RDM's sustainability strategy).

Regarding SPT 1, as part of its Sustainability Plan 2020-2030, RDM is committed to reduce its scope 1 and 2 carbon emissions intensity (in tCO<sub>2</sub>e/ton of net saleable production) by 30% by 2030, from a 2020 baseline. The Group has reported on GHG emissions for its operations since 2017 and has recorded emissions since 2015. In addition, RDM demonstrates commitment towards achieving its emissions reduction target through a focus on implementing energy-efficiencies at its mills and using relatively lower environmental impact energy sources.<sup>21</sup> For example, in 2021, 100% of electricity at three of its Italian board mills and one sheeting center was sourced from renewable sources (solar, wind and hydroelectric power). Further by 2020, RDM had achieved scope 1 and 2 emissions intensity of 0.45 tCO<sub>2</sub>e/ton of net saleable production,<sup>22</sup> below the Transition Pathways Initiative (TPI) below 2 degrees trajectory target (0.54 tCO<sub>2</sub>e/ton of production)<sup>23</sup> for the paper sector the year.

Regarding SPT 2, RDM has set a goal to achieve 90% waste recovery from total waste generated as part of its Sustainability Plan. RDM uses technologies that allow its mills to recover residual fibres from pulper waste, thus maximizing the use of raw materials and producing cleaner waste with increased potential for recycling. Further, the Group sends certain types of its sludge waste to be recovered by various industries as secondary raw materials in their production processes. In 2020, the Group reported 99.5% of its waste as non-hazardous, and that 73% of all waste was sent to recovery.<sup>24</sup>

Regarding SPT 3, RDM recognizes its inherent dependence on large quantities of water throughout its production process. In line with this, the Group has various measures in place to reduce its water use, ranging from mapping potential efficiencies across its mills, to the recycling and reuse of process and cooling water during several production stages. The Group's water reuse strategy is further bolstered by its water monitoring and treatment systems, which ensures suitability of water for reuse or recycling. As part of RDM's Sustainability Plan, it is committed to reducing its water discharges per ton of net saleable production by 20% by 2030.<sup>25</sup> The Group has reported on water discharges since 2017 and has recorded them since 2015. Noting that water discharges are an indirect measure of water use, Sustainalytics considers the SPT to be aligned with RDM's strategy and initiatives to reduce its water use.

<sup>21</sup> RDM Group, "Sustainability Report 2020" (2020), P.46 at: [https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>22</sup> Ibid.

<sup>23</sup> Transition Pathway Initiative, "Paper Sector", at: <https://www.transitionpathwayinitiative.org/sectors/paper>

<sup>24</sup> RDM Group, "Sustainability Report 2020" (2020), P.52 at: [https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>25</sup> RDM Group, "Sustainability Report 2020" (2020), P.49 at: [https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroupp.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

### Strategy to Achieve the SPTs

RDM intends to achieve the SPT 1 through the following strategy:

- The company intends to use energy efficiency technologies to improve the performance of existing plants and use low carbon energy sources. Examples of such initiatives are the purchase of electricity from renewable energy sources such as solar, wind and hydropower, and investments in a new energy efficient systems and equipment.
- RDM believes the following investments will help in achieving the SPT: i) installation of a new cogeneration plant in Arnsberg comprising fuel switch from coal to natural gas, ii) a new gas turbine in Villa Santa Lucia, iii) a new boiler in S. Giustina and iv) a new power plant in Ovaro. While the new projects on the Group's Italian sites (S. Giustina, Villa S. Lucia and Ovaro) are expected to enhance the efficiency of existing power plants by reducing their natural gas consumption intensities, the Arnsberg project is expected to deliver production efficiency improvements by reducing the carbon emissions intensities of the plant. The projects are expected to show impacts as early as 2021, with a few reaching completion by the end of 2024.

RDM intends to achieve the SPT 2 through the following strategy:

- RDM is planning to expand the use of technologies to separate out all non-fibrous impurities like plastics, glass, metals and sand from its raw material mix and improve recovery of residual fibres from waste across all its mills, thus generating cleaner waste streams that provide possibilities for reuse and recycling. In addition, the Group focuses on finding partners from various industries that can recover and utilize the waste produced by its mills.
- RDM intends to install new washing machines at its Barcelona and Blendecques plants to help reduce the total amount of residual fibre waste content of the recovered pulper waste, as well as a new community biomass project at its Blendecques plant to enable the utilization of mill waste as fuel. To aid disposal process efficiency, RDM intends to install a sludge press in its Arnsberg plant to help reduce the moisture content and weight of the waste disposed by the mill.

RDM intends to achieve the SPT 3 through the following strategy:

- RDM intends to optimize its use of water through process efficiencies, and water monitoring and treatment processes and systems. Examples of such initiatives include reuse of water from treatment plants and investing in filtering and piping systems to facilitate reuse of process wastewater.
- RDM believes the following investments in particular would help it meet the SPT: i) the use of recovery water from biological treatment plant in S. Giustina, ii) the reuse of water from the water treatment plant in Barcelona, iii) the use of further filter and piping systems in Arnsberg, and iv) use of technology to remove the need for a capacitor at a power plant in Ovaro. While the projects in S. Giustina and Barcelona are expected to contribute to closing the water loops at their mills, in turn reducing volumes of wastewater discharged, the Arnsberg and Ovaro projects are expected to reduce the overall process water needed as an input.

### Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers whether i) the SPTs go beyond a business-as-usual trajectory, ii) how the SPTs compare to targets set by peers, iii) and how the SPTs compare with science.<sup>26</sup>

RDM has set the baseline for all the SPTs at 2020, as that is the first year of the Group's long-term sustainability plan, Sustainability Plan 2020-2030, and also represents the most recent full-year of sustainability reporting.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with science-based trajectories.

RDM has demonstrated a steady reduction in its scope 1 and 2 emissions intensities, with an average annual decline of 2.1% between 2018 and 2020. Given that, to achieve the SPT the Group must commit to an implied average annual decline of 3% between 2020 and 2030, Sustainalytics considers the SPT to be above RDM's historical performances. Further, the SPT is aligned with TPI's below 2 degree warming scenario for the paper

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<sup>26</sup> We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

sector,<sup>27</sup> and falls between the 2 degree and beyond 2-degree scenarios of the IEA’s Energy Technology Perspectives report.<sup>28</sup>

In comparison to its peers, RDM is on par with respect to scope 1 and 2 emissions targets. Based on the analysis Sustainalytics has conducted on RDM’s peer group, the Group fell in line with most paper packaging peers that set emissions reduction targets in the 30-55% range to be achieved by 2030.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance. Sustainalytics has relied on these metrics as SPT 2 does not support benchmarking with science-based targets.

RDM started reporting on the proportion of waste recovered in 2019 and has maintained waste recovery at around 73% in both 2019 and 2020. Achieving the SPT would imply a beyond business-as-usual trajectory in its waste recovery performance, reaching 81.5% and 90% by 2025 and 2030 respectively. Additionally, based on the analysis Sustainalytics conducted on RDM’s peer group, most peers were observed to have targets to reduce waste to landfills, including establishing zero waste to landfill goals. Sustainalytics considers the SPT to align with peer performance.

**SPT 3:** Sustainalytics was able to use past performance benchmarks to assess ambitiousness. Sustainalytics has relied on these benchmarks due to the lack of sufficient information to assess peers, and that SPT 3 does not support benchmarking with science-based targets.

To achieve the SPT, RDM commits to reduce its wastewater discharge intensities by an implied average annual rate of 2% between 2020 and 2030, while historical performance demonstrates an average annual decrease of 6% between 2018 and 2020. However, Sustainalytics notes that ongoing improvements in wastewater discharge reduction efforts will result in declining marginal efficiency improvements, and therefore considers the SPT to represent a continued improvement on RDM’s historical performance on wastewater management.

**Overall Assessment**

Sustainalytics considers the SPTs to align with RDM Group’s sustainability strategy. Sustainalytics considers RDM’s SPT 1 to be ambitious given that it represents a material improvement on past performance, is aligned with targets set by peers and is aligned with TPI below 2-degree scenario. Sustainalytics considers RDM’s SPT 2 to be highly ambitious based on a beyond business-as-usual trajectory and alignment with targets set by peers while RDM’s SPT 3 is considered moderately ambitious given that it only represents an improvement on historical performance.

SPT 1: 15% reduction of Group GHG emissions intensity by 2025 and 30 % by 2030 from a 2020 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2: Increase the proportion of waste sent for recovery to 81.5% by 2025 and 90% by 2030 from a 2020 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 3: Reduction in wastewater discharge intensity by 10% by 2025 and 20% by 2030, from a 2020 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious

<sup>27</sup> Transition Pathway Initiative, “Paper Sector”, at: <https://www.transitionpathwayinitiative.org/sectors/paper>

<sup>28</sup> [https://iea.blob.core.windows.net/assets/a6587f9f-e56c-4b1d-96e4-5a4da78f12fa/Energy\\_Technology\\_Perspectives\\_2017-PDF.pdf#%5B%7B%22num%22%3A1208%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22FitR%22%7D%2C-7%2C228%2C603%2C804%5D](https://iea.blob.core.windows.net/assets/a6587f9f-e56c-4b1d-96e4-5a4da78f12fa/Energy_Technology_Perspectives_2017-PDF.pdf#%5B%7B%22num%22%3A1208%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22FitR%22%7D%2C-7%2C228%2C603%2C804%5D)



### Bond Characteristics

RDM Group has disclosed that it will link the financial characteristics of the bond to the achievement of the SPTs through a coupon rate step-up provision or a premium on redemption value at maturity. The penalty mechanism will be triggered by a failure to achieve the SPTs on the target observation dates or a failure to meet the reporting and verification commitments under the Framework. These commitments are in line with the SLBP. Specific details, including the magnitude of penalties, whether all or some of the SPTs need to be met, or the timing of any penalties in relation to the bond term are not provided in the Framework, and therefore cannot be assessed by Sustainalytics for alignment with the SLBP and market expectations. RDM has disclosed that this information will be made available in the relevant transaction documents at issuance.



### Reporting

RDM commits to report on an annual basis on its performance on the KPIs and expects to include the relevant figures on its website, which is aligned with the SLB Principles. RDM further commits to disclose relevant information that enabling investors to monitor the level of ambition of the SPTs.



### Verification

RDM commits to having an external verifier provide limited assurance on the published KPI performance figures for each fiscal year, which is aligned with the SLB Principles on verification.

## Section 2: Assessment of RDM's Sustainability Strategy

### Credibility of RDM Sustainability Strategy

RDM has shown a commitment to sustainability-related transparency and improvement since its creation in 2017, when it began reporting on its sustainability performance. Through this reporting, sustainability was established as a core focus of its operations with annually updated targets and progress transparency being established. The inaugural sustainability report also established a framework for evaluating the impact of the Group's activities on the environment and communities it has established operations in.<sup>29</sup> Coordinated by RDM's Head of Sustainability and Risk Management and involving over 20 top members of senior management, the evaluation mapped 30 different components of the Group's business onto a materiality matrix, allowing it to build a strategy around the most material aspects of its operations and impacts.<sup>30</sup>

In 2020, the Group set forth eight clearly defined goals with a 2030 time-horizon that cover a range of both environmental and social issues. These goals looked to address aspects of the identified material issues of GHG emissions, waste recovery, waste generation, wastewater discharge, ESG criteria for suppliers, safety protocols, employee advocacy and employment of women. Each of these goals has been aligned with identified SDG goals and was arrived at as a result of a defined sustainability goal-setting process by which the Group engaged major stakeholders and utilized a materiality matrix.<sup>31,32</sup>

<sup>29</sup> RDM, "Sustainable Value Report 2017", at: [https://rdmgroup.com/wp-content/uploads/2019/11/Sustainable-Value-Report-2017\\_eng.pdf](https://rdmgroup.com/wp-content/uploads/2019/11/Sustainable-Value-Report-2017_eng.pdf)

<sup>30</sup> Ibid.

<sup>31</sup> RDM, "Sustainability Report 2020", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>32</sup> RDM, "RDM Group's Materiality Matrix", at: <https://rdmgroup.com/wp-content/uploads/2020/05/RDM-GROUP-MATERIALITY-MARIX.pdf>

Since establishing a sustainability reporting protocol RDM has shown consistent advancements in both its reporting transparency, performance and strategy development. Overall, Sustainalytics considers that the SLBs will further support RDM in its sustainability efforts while noting that Group's sustainability strategy is still in its infancy.

### RDM's Environmental and Social Risk Management

While Sustainalytics recognizes that RDM's defined targets are impactful, it is acknowledged that the achievement of the SPTs bears broader environmental and social risks. Sustainalytics' ESG Risk Ratings – Industry Reports identify "Corporate Governance" and "Environmental and Social Impacts of Products and Services" as among the most significant key material ESG issues for the containers and packaging subindustry which RDM is a part of.<sup>33</sup> RDM's ability to mitigate these and other potential risks are described below.

RDM has in place a governance system that is aligned with the recommendations of the Italian Corporate Governance Code for Listed Companies as promoted by Borsa Italiana S.p.A. which has built into it ethical and social responsibility requirements.<sup>34,35</sup> The system incorporates a Remuneration Committee and a Control and Risk Committee, as well as the utilization of an external audit firm. RDM also has in place a code of ethics that addresses safety, environmental protection, conflicts of interest, antitrust and anti-corruption; and is committed to adherence to the Confederation of European Paper Industries' Code of Conduct for the European Paper Industry and the Code of Ethics and Charter of Values of Confindustria.<sup>36,37</sup>

To manage and mitigate the impacts of its products RDM relies exclusively on materials with internationally recognized certification schemes: Forest Stewardship Council<sup>38</sup> and the Programme for the Endorsement of Forest Certification.<sup>39,40</sup> Further, all RDM Group board mills and sheeting centers adopt ISO 9001 quality management systems, certified by independent third-party organizations to assure product safety.<sup>41</sup> All RDM Group board mills, except Blendeques, are also ISO 14001 certified<sup>42</sup> for their use of environmental management systems, and ISO 50001 certified<sup>43</sup> for energy management.<sup>44</sup> Regarding occupational health and safety, the Group adopts ISO 45001 management systems that utilize dedicated safety teams at both an organizational- and mill-level.<sup>45</sup>

In addition, as RDM operates primarily within the European market, it is bound to product governance code such as the EU's packaging and packaging waste directive. As of 2019, 66% of all packaging waste was recycled in the EU.<sup>46</sup> Moreover, 72% of paper packaging was recycled, and for paperboard packaging specifically, an 85% recycling rate was achieved. For paper packaging in 2019 a recycling rate of 72% was achieved, while for paperboard packaging specifically, an 85% recycling rate.<sup>47,48</sup>

It is also noted that no evidence of any major environmental or social controversies related to the Group have been identified.

Overall, Sustainalytics considers that RDM has sufficient management programs and policies to mitigate risks that could materialize in pursuit of the sustainability targets under the Framework.

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<sup>33</sup> Sustainalytics' ESG Risk Rating Industry Report – Containers & Packaging (2020).

<sup>34</sup> RDM Group, "The governance System", accessed 26 October 2021, at: <https://rdmgroup.com/governance/the-governance-system/>

<sup>35</sup> Borsa Italiana, "The Code", at: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.en.htm>

<sup>36</sup> RDM, "RDM Group's Code of Ethics", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM\\_CodiceEtico\\_DIGITALE\\_2021\\_EN.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM_CodiceEtico_DIGITALE_2021_EN.pdf)

<sup>37</sup> RDM, "Sustainability Report 2020", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>38</sup> Forest Stewardship Council (FSC), at: <https://fsc.org/en>

<sup>39</sup> Programme for the Endorsement of Forest Certification (PEFC), at: <https://www.pefc.org/>

<sup>40</sup> RDM, "Sustainability Report 2020", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>41</sup> RDM, "Sustainability Report 2020", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>42</sup> With the exception of the Blendeques, France plant.

<sup>43</sup> With the exception of the Arnsberg, Germany plant.

<sup>44</sup> Information was communicated by RDM Group to Sustainalytics.

<sup>45</sup> RDM, "Sustainability Report 2020", at: [https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020\\_ENG\\_LR.pdf](https://rdmgroup.com/wp-content/uploads/2021/05/RDM-Group-Sustainability-Report-2020_ENG_LR.pdf)

<sup>46</sup> European Environment Agency, "Recycling rates in Europe by waste stream", at: <https://www.eea.europa.eu/data-and-maps/figures/recycling-rates-in-europe-by>

<sup>47</sup> Confederation of European Paper Industries, "Key Statistics 2019: European pulp & paper industry" (2020), at: <https://www.cepi.org/wp-content/uploads/2020/07/Final-Key-Statistics-2019.pdf>

<sup>48</sup> Confederation of European Paper Industries, "Press Release: Sustainable future of paper-based products: First European recyclability guidelines for optimal packaging design" (2019), at: <https://www.cepi.org/press-release-sustainable-future-of-paper-based-products-first-european-recyclability-guidelines-for-optimal-packaging-design/>

## Section 3: Impact of the SPTs Chosen

### Importance of effective waste management in the EU's packaging sector

As of 2017 the amount of packaging waste produced per inhabitant of the EU reached 173 kg, the highest level ever, and was continuing to increase in over one third of all Member States.<sup>49</sup> In 2020 the European Commission adopted a Circular Economy Action Plan that includes strategy and targets to guide and drive Europe's adoption of a circular economy and address the growing waste management issues experienced across the region.<sup>50</sup> This plan includes a focus on packaging waste and recycled material content in packaging products that are to be adopted by Member States. By setting forth targets related to the recovery of waste materials in its production processes and by embedding the use of recycled materials into its products, Sustainalytics expects RDM's waste reduction activities to be supportive of EU goals on waste management and material recovery.

A range of waste materials from pulp and paper mills are generated in large quantities, including fly ash, lime mud, green liquor dregs and slaker grits.<sup>51</sup> Traditionally these waste streams have been disposed of at landfill, however new technologies have allowed for their utilization in construction, geotechnical and agricultural applications, among others.<sup>52</sup> Therefore, by financing processes and technologies to increase the proportion of recovered waste at its mills, RDM will contribute to environmental benefits such as reduced landfill use.<sup>53</sup> Further environmental benefits from increased recycling also include reduced air and water pollution, as well as greater energy efficiency in the manufacturing process of new paper products where recycled fibre is used rather than virgin materials.<sup>54, 55</sup>

### Importance of water conservation in the paper-product industry

According to the World Bank, global water supply is facing growing pressure from climate change and urbanization as well as from systemic issues, such as inadequate funding, ageing infrastructure and legacy processes.<sup>56</sup> In the EU, approximately 20% of the territory and 30% of the population are affected by water stress each year as of 2021.<sup>57</sup> This is particularly a concern in the region's south where seasonal river discharge is projected to decline by up to 40% under a 3°C temperature increase scenario.<sup>58</sup> RDM operates five of its mills in Spain and Italy, accounting for more than half of the Group's total manufacturing locations as of 2021.<sup>59</sup> Both Spain and Italy were identified in a 2020 World Resources Institute report as having "High" levels of baseline water stress, each ranking in the region's top 10 most water-stressed countries.<sup>60</sup>

The production of paper products is an inherently water-intensive process. Significant water-resources are required for the growing of the trees for fibre, the pulping processes used to convert the fibre into paper products, and for the bleaching used to create many consumer paper-products.<sup>61</sup> In total, a single A4 sheet of paper can require as much as 20 litres of water throughout its production cycle.<sup>62</sup> Water-intensity issues faced by the paper-product industry are well noted by environmental and industry groups, with improvements to water conservation being identified as necessary to the achievement of the sector's key environmental objectives by organizations such as the CEPI.<sup>63</sup>

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<sup>49</sup> European Commission, "A new Circular Economy Action Plan For a cleaner and more competitive Europe", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>

<sup>50</sup> Ibid.

<sup>51</sup> Quina, M. & Pinheiro, C. (2020) "Inorganic Waste Generated un Kraft Pulp Mills: The Transition from Landfill to Industrial Applications", at: <https://www.mdpi.com/2076-3417/10/7/2317/pdf>

<sup>52</sup> Ibid.

<sup>53</sup> Farzadkia et al. (2021) "Municipal solid waste recycling: Impacts on energy savings and air pollution", at: <https://www.tandfonline.com/doi/abs/10.1080/10962247.2021.1883770>

<sup>54</sup> European Commission, "A new Circular Economy Action Plan For a cleaner and more competitive Europe", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1583933814386&uri=COM:2020:98:FIN>

<sup>55</sup> EPA, "Common Wastes & Materials – Paper Recycling", at: <https://archive.epa.gov/wastes/conserves/materials/paper/web/html/index-2.html>

<sup>56</sup> World Bank, "World Bank Group Support for Water and Sanitation Solutions:", (2016), at: <https://www.worldbank.org/en/topic/water/brief/working-with-public-private-sectors-to-increase-water-sanitation-access>

<sup>57</sup> European Environment Agency, "Water resources across Europe – confronting water stress" (2021), at: <https://www.eea.europa.eu/publications/water-resources-across-europe-confronting>

<sup>58</sup> Ibid.

<sup>59</sup> RDM, "Products – Mills", at: <https://rdmgroup.com/products/plants/>

<sup>60</sup> World Resources Institute, "Aqueduct 3.0 Country Rankings", (2020), at: <https://www.wri.org/resources/data-sets/aqueduct-30-country-rankings>

<sup>61</sup> Environmental Paper Network, "The State of the Global Paper Industry" (2018), at: [https://environmentalpaper.org/wp-content/uploads/2018/04/StateOfTheGlobalPaperIndustry2018\\_FullReport-Final-1.pdf](https://environmentalpaper.org/wp-content/uploads/2018/04/StateOfTheGlobalPaperIndustry2018_FullReport-Final-1.pdf)

<sup>62</sup> Ibid.

<sup>63</sup> CEPI, "The Forest Fibre Industry – 2050 Roadmap to a low-carbon bio-economy", at: [https://www.cepi.org/wp-content/uploads/2020/08/2050\\_roadmap\\_final.pdf](https://www.cepi.org/wp-content/uploads/2020/08/2050_roadmap_final.pdf)

By reducing wastewater discharge from its mill operations, Sustainalytics expects RDM’s pursuance of the SPTs to position the Group to significantly reduce the water footprint of its products and contribute to regional water conservation goals.<sup>64,65</sup>

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability-linked bonds advance the following SDG goals and targets:

KPI	SDG	SDG Target
Group Greenhouse Gas Emissions; Scope 1 and 2 (tCO2e/ton of net saleable production)	9. Industrial Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Proportion of waste sent for recovery	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Wastewater discharge per ton of net saleable production (m³/ton)	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

**Conclusion**

RDM Group intends to issue a Sustainability-Linked Bond which will tie the coupon/margin rate of the bond to the achievements of the following SPTs:

- (1) 15% reduction of Group GHG emissions intensity by 2025 and 30 % by 2030 from a 2020 baseline.
- (2) Increase the proportion of waste sent for recovery to 81.5% by 2025 and 90% by 2030 from a 2020 baseline.
- (3) Reduction in wastewater discharge intensity by 10% by 2025 and 20% by 2030, from a 2020 baseline.

Sustainalytics performed a review of RDM Group’s Framework and considered the KPIs to be relevant and material and aligned with the Company’s sustainability strategy.

Sustainalytics considers KPI 1 – Group greenhouse gas emissions; scope 1 and 2 – to be strong given that it is a direct measure of RDM Group’s performance on a material ESG issue, and it follows a clear and consistent methodology. SPT 1 is considered ambitious as it is above the Company’s historical performance on scope 1 and 2 emissions intensity reductions and is aligned with its peers. Sustainalytics considers KPI 2 – Proportion of waste sent for recovery – to be strong given that it is an industry wide indicator that directly measures the Group’s waste management performance and covers the majority of process activities, despite not being able to be benchmarked. SPT 2 is considered highly ambitious as it is based on a beyond business-as-usual trajectory and is aligned with targets set by peers. Sustainalytics considers KPI 3 – Wastewater discharges per ton of net saleable production – to be strong given that it speaks to a material environmental issue with high scope of applicability and can be benchmarked against industry benchmarks, but it is an indirect measure of the Group’s water use. SPT 3 is considered moderately ambitious given that it only represents an improvement on historical performance. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers RDM Group’s Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPTs to be impactful.

<sup>64</sup> Environmental Paper Network, “The State of the Global Paper Industry” (2018), at: [https://environmentalpaper.org/wp-content/uploads/2018/04/StateOfTheGlobalPaperIndustry2018\\_FullReport-Final-1.pdf](https://environmentalpaper.org/wp-content/uploads/2018/04/StateOfTheGlobalPaperIndustry2018_FullReport-Final-1.pdf)

<sup>65</sup> European Commission, “Introduction to the EU Water Framework Directive”, at: [https://ec.europa.eu/environment/water/water-framework/info/intro\\_en.htm](https://ec.europa.eu/environment/water/water-framework/info/intro_en.htm)

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** RDM Group

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** November 12, 2021

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

At the launch of the bond, the structure is:

- a step-up structure  a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- assessed all the following elements (complete review)  only some of them (partial review):
- |   |   |
|---|---|
| <input type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input type="checkbox"/> Reporting                                |
| <input type="checkbox"/> Verification   |   |
- and confirmed their alignment with the SLBP.

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

RDM Group intends to issue a Sustainability-Linked Bond which will tie the coupon/margin rate of the bond to the achievements of the following SPTs:

- (1) 15% reduction of Group GHG emissions intensity by 2025 and 30 % by 2030 from a 2020 baseline.
- (2) Increase the proportion of waste sent for recovery to 81.5% by 2025 and 90% by 2030 from a 2020 baseline.

(3) Reduction in wastewater discharge intensity by 10% by 2025 and 20% by 2030, from a 2020 baseline. Sustainalytics performed a review of RDM Group’s Framework and considered the KPIs to be relevant and material and aligned with the Company’s sustainability strategy. Sustainalytics considers KPI 1 – Group greenhouse gas emissions; scope 1 and 2 – to be strong given that it is a direct measure of RDM Group’s performance on a material ESG issue, and it follows a clear and consistent methodology. SPT 1 is considered ambitious as it is above the Company’s historical performance on scope 1 and 2 emissions intensity reductions and is aligned with its peers. Sustainalytics considers KPI 2 – Proportion of waste sent for recovery – to be strong given that it is an industry wide indicator that directly measures the Group’s waste management performance. SPT 2 is considered highly ambitious as it is based on a beyond business-as-usual trajectory and is aligned with targets set by peers. Sustainalytics considers KPI 3 – Wastewater discharges per ton of net saleable production – to be strong given that it is an indirect measure of the Group’s water use, covers a majority of the environmental impact of the issue addressed, but cannot be benchmarked to external trajectories, SPT 3 is considered moderately ambitious given that it only represents an improvement on historical performance, and is not benchmarkable to science-based targets. Furthermore, Sustainalytics considers reporting and verification commitments to be aligned with market expectations. Based on the above, Sustainalytics considers RDM Group’s Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective of achievement of the SPTs to be impactful.

**Section 3. Detailed pre-issuance review**

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

**3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)**

**Overall comment on the section (if applicable):** RDM Group’s Sustainability-Linked Financing Framework includes three KPIs: Scope 1 and 2 GHG emissions intensity, proportion of waste sent for recovery and wastewater discharge intensity (see Table 1). Sustainalytics has assessed all three KPIs. All KPIs are considered to be clear and consistent, with externally recognized definitions. Further, KPIs 1 and 2 are direct measures of performance on material environmental issues and KPI 1 can further be benchmarked against external trajectories.

**List of selected KPIs:**

- Group scope 1 and 2 GHG emission intensity (tCO<sub>2</sub>e/ton of net saleable production)
- Proportion of waste sent for recovery (%)
- Wastewater discharge intensity (m<sup>3</sup>/ton of net saleable production)

**Definition, scope, and parameters**

- |                                     |  |                                     |                               |
|-------------------------------------|--|-------------------------------------|-------------------------------|
| <input checked="" type="checkbox"/> | Clear definition of each selected KPIs | <input checked="" type="checkbox"/> | Clear calculation methodology |
| <input type="checkbox"/>            | Other (please specify):                |                                     |                               |

**Relevance, robustness, and reliability of the selected KPIs**

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input type="checkbox"/> | Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> | Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                            | <input type="checkbox"/> | Evidence that the KPIs can be benchmarked        |
|                                     |  | <input type="checkbox"/> | Other (please specify):                          |

**3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)**

**Overall comment on the section (if applicable):** Sustainalytics considers the SPTs to be aligned with the Issuer’s sustainability strategy. Sustainalytics has assessed SPT 1 as ambitious, SPT 2 as highly ambitious, and SPT 3 as moderately ambitious. All SPTs represent improvements on historical performance. SPT 1 is further determined to be aligned with science-based decarbonization trajectories.

**Rationale and level of ambition**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <input type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline      |
|  | <input type="checkbox"/> Other (please specify):   |

**Benchmarking approach**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer’s peers |
| <input type="checkbox"/> reference to the science          | <input type="checkbox"/> Other (please specify):   |

**Additional disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> potential recalculations or adjustments description                       | <input type="checkbox"/> issuer’s strategy to achieve description |
| <input type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify):                  |

**3-3 BOND CHARACTERISTICS**

**Overall comment on the section (if applicable):** RDM Group will link the bond’s financial characteristics to the achievement of the SPTs through a coupon rate step-up or a premium payment at redemption. Specific details on the magnitude of the penalty or the applicable SPTs will be provided in the bond indenture.

**Financial impact:**

- variation of the coupon
- ...
- Other (please specify):

**Structural characteristic:**

- ...
- ...
- Other (please specify):

**3-4 REPORTING**

**Overall comment on the section (if applicable):** RDM Group commits to report annually on its performance relating to the KPIs on its website, disclosing any relevant information that affects the KPI performance. The reporting commitments are aligned with the SLBP.

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other (please specify):                  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Published to issuer’s website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the “useful links” section.

**Level of Assurance on Reporting**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance    |
|   | <input type="checkbox"/> Other (please specify): |

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)**

**Section 4. Post-issuance verification**

**Overall comment on the section (if applicable):**

**Information reported:**

- |  |  |
|--|--|
| <input type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance    |
|  | <input type="checkbox"/> Other (please specify): |



**Frequency:**

- Annual
- Semi-annual
- Other (please specify):

**Material change:**

- Perimeter
- KPI methodology
- SPTs calibration

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