S&P Global
Ratings

Environmental, Social, And Governance Evaluation

Renewi PLC

Summary

Renewi PLC is a waste management company headquartered in the U.K. It is the result of the 2017 merger of Shanks Group with Van Gansewinkel Group and has four main divisions: Commercial, Hazardous Waste, Monostreams, and Municipal. The company has around 6,000 employees and operates in Europe (Benelux countries, Germany, France, Portugal, and the U.K.).

Renewi's ESG evaluation score of 75 is supported by a strong and above-peer-average focus on recycling and waste management, which underpins its commitment to being a key contributor to the circular economy through its waste-to-product focus. This focus has led to 90% of the waste it has handled being either recovered or recycled. The company is therefore positioned to benefit from the ongoing shift from landfill and incineration toward recycling, driven by recent structural and regulatory changes, and is well placed to meet greater demand for sustainable products and greater use of secondary raw materials.

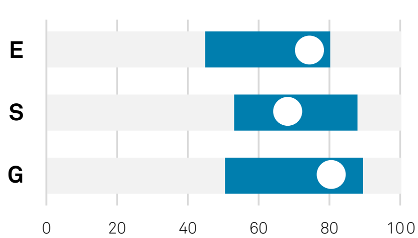
Renewi demonstrates adequate preparedness, supported by the company culture and the board's awareness of long-term material risks to the company. Renewi analyzes current and emerging risks, including rare events with high potential impact on the company (tail events) through scenario modeling, and implements mitigation and contingency plans. The company recognizes that law and regulatory changes can significantly affect its strategy and that it could face environmental liabilities arising from its business operations.

Entity	Renewi PLC
Location (HQ)	Milton Keynes, U.K.
Primary Operation Location(s)	U.K., Netherlands, Belgium
Publication Date	Jan. 15, 2020

Primary Contact	Paul O'Reilly +44-20-7176-7087 paul.oreilly@ spglobal.com
Secondary Contacts	Beth Burks +44-20-7176-9829 beth.burks@ spglobal.com
	Lorenzo Parisi +44-20-7176-8672 lorenzo.parisi@ spglobal.com

ESG Profile Score

75/100



Entity-specific attainable and actual scores

Preparedness Opinion

Adequate

Awareness	**Good**
Assessment	**Good**
Action	**Good**
Culture	**Excellent**
Decision-making	**Good**

ESG Evaluation

75/100

A higher score indicates better sustainability

Component Scores

Environmental Performance

Sector/Region Score	**30/50**
Greenhouse gases	**Strong**
Waste	**Strong**
Water	**Good**
Land use	**Good**
General factors (optional)	**9**
Entity-Specific Score	**44/50**
E-Profile (30%)	**74/100**

Social Performance

Sector/Region Score	**38/50**
Workforce and diversity	**Good**
Safety management	**Good**
Customer engagement	**Good**
Communities	**Good**
General factors (optional)	**0**
Entity-Specific Score	**30/50**
S-Profile (30%)	**68/100**

Governance Standards

Sector/Region Score	**35/35**
Structure and oversight	**Strong**
Code and values	**Good**
Transparency and reporting	**Good**
Cyberrisks and systems	**Strong**
General factors (optional)	**0**
Entity-Specific Score	**46/65**
G-Profile (40%)	**80/100**

ESG Profile (including any adjustments) **75/100**

Preparedness Summary

The company's adequate preparedness is supported by our assessment of its excellent bottom-up culture and new rebranding strategy with six core values, and senior leadership's strong focus on health and safety issues. Renewi appears to have identified many long-term material risks to the business and created several mitigation and contingency plans, as well as analyzing additional risk factors and tail events through scenario modeling. The company's strategy could be affected by changes in law and policy requirements and the implementation of new regulations, as well as potential environmental liabilities.

Preparedness Opinion **Adequate**

ESG Evaluation

ESG Profile	**75/100**
Preparedness Opinion	**Adequate**
Further Adjustment (if any)	

75/100

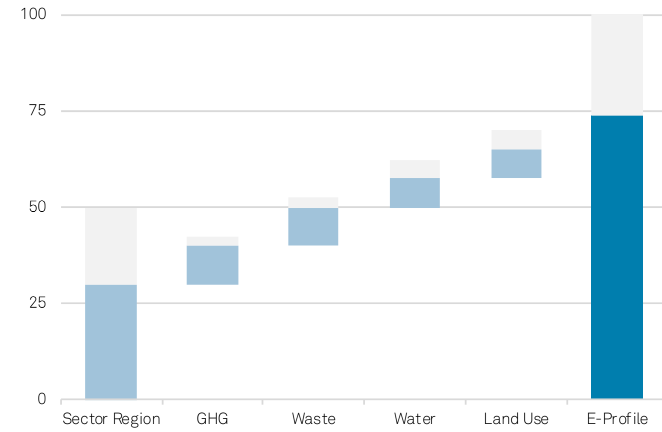
ESG Profile

75/100

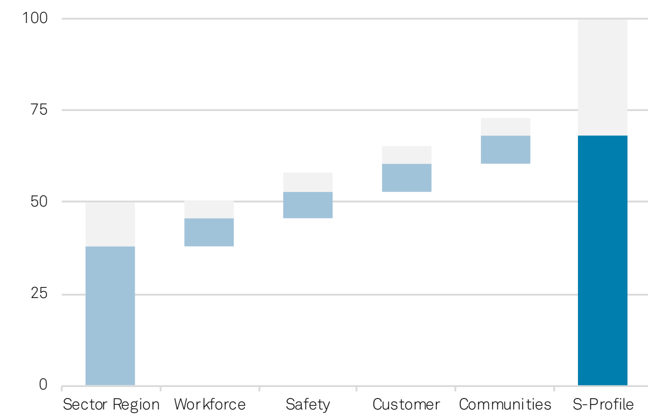
Overview

Component score (incl. adjustments) | Potential score | Profile score

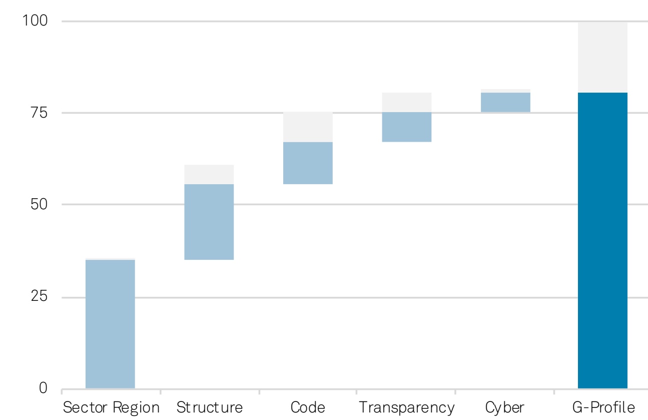
Environmental Profile (30%)



Social Profile (30%)



Governance Profile (40%)



Renewi's environmental profile reflects a focus on waste recycling and recovery. An average of 87% of waste handled was recycled and recovered over the past four years. The company's business model is an outlier compared to its environmental services peers given its explicit waste-to-product focus, and we view positively the limited presence of landfill sites and its strong commitment to being part of circular economy initiatives in its two biggest markets (The Netherlands and Belgium). The company is also reducing its environmental footprint by increasing production of green energy and reducing greenhouse gas (GHG) emissions on a net basis (net carbon emissions saved by Renewi's customers using reused/recycled inputs instead of virgin raw materials). However, the lack of specific policies on monitoring water and land usage somewhat constrains our environmental profile score.

Renewi's social score of 68 reflects a good workforce and diversity framework in terms of the gender pay gap and female employment at senior levels, although absolute female employment levels are relatively low. In addition, the group has had high voluntary turnover in recent years; however this has been trending down following the merger, and we expect that to continue. The company is strongly focused on safety and is committed to meeting its safety targets by 2020, although over the past year one fatality and one fatal road accident occurred. There are several initiatives and policies that incentivize sound safety management, especially at more senior levels. Moreover, the group is actively engaged in sharing the "waste no more" message among its customers and stakeholders to demonstrate to communities how they could create value from waste.

Renewi's governance profile score of 80 reflects the board's high engagement in many aspects of the business operations and a strong governance structure. Board members have a broad range of relevant skills for the sector. The code of conduct highlights environmental and social values and outlines the company's six core principles. Renewi has a transparent reporting system--the annual sustainability report is an example. Although cybersecurity is a low risk factor, management acknowledges it as potentially disruptive and has undertaken stronger mitigating efforts than we would expect given the relatively low inherent cyberrisks in the waste management sector.

Environmental Factor Analysis

Greenhouse gas emissions — Strong

- We consider the group's GHG emissions performance to be strong due to its focus on promoting circular economy principles to help reduce carbon emissions, putting it ahead of its environmental services peers. Renewi sets environmental objectives in five-year cycles and has a target to improve the carbon avoided per tonne of waste processed to 0.217 by 2020, from 0.214 in 2017-2018.
- Renewi's average scope 1 and 2 GHG emissions intensity is higher than the estimated sector median, largely because recycling requires more energy than landfill and other services such as consulting. However, it declined in 2017 after three consecutive years of growth. We expect further reduction in emissions intensity going forward.
- In 2017-2019, Renewi generated around 70% of its electricity consumption from green sources. It aims to increase its green electricity production to around 213,170 megawatt hours (MWh) by 2020, which is 10% higher than annual consumption. The company is replacing older vehicles with new vehicles to make its truck fleet more fuel efficient and is optimizing transport routes to further reduce its environmental footprint.

Waste — Strong

- Renewi's core business is waste recycling, which we consider to be a key strength in its environmental profile. In 2017-2018 the company handled around 14 million tonnes of waste, of which it recycled 66%. This reaches 89% including the materials recovered for energy production, with an average of 87% over the past four years. This metric places Renewi well above the estimated sector median of 63%.
- The company is strongly committed to being part of the circular economy goal in its biggest markets (The Netherlands and Belgium). The Netherlands has a stated goal of being 50% circular by 2030 and a full circular economy by 2050.To support this, the company aims to achieve a 90% recycling and recovery rate and 70% recycling rate by 2020.
- Renewi is not currently reporting air pollution from its incineration activities; however, it is covered by permits and has improvement targets.

Water — Good

- Renewi does not have a water management policy given its negligible water usage. In addition, there are no specific water-related regulatory issues that significantly affect the company. Further, because the company has few landfill assets, risk of fresh water contamination is lower than global peers. The company decreased its water intensity by 17% from 2012-2016. As a result, according to data from Trucost, Renewi's water intensity (in cubic meters/million U.S. dollars) is 35% better than the median of its peers.
- In line with large sector peers' business models, Renewi treats contaminated water and soil, much of which is done in its specialized plant in Moerdijk (ATM). In particular, the Hazardous Waste division specializes in handling and treating highly contaminated water from heavy industries.
- We could move the score to strong from good if reporting on water improves and we see evidence of improved management.

Land use — Good

- Limited landfill sites (only seven open sites with less than 5% of revenue derived from them) are a positive factor in our assessment of land use. However, the main event risk relating to the group's impact on land and biodiversity comes from potential leakage of contaminated material from its production facilities, although there have not been any significant leaks from its sites.
- Despite relatively few landfills, our assessment of land use is constrained by the relative absence of specific risk management policies around land use and the prevention of hazardous leaks. That said, the company has sought to improve the traceability of treated land from its facilities following the investigation into the use of treated soil from its ATM facility that ended up contaminating waterways. We will continue to monitor developments on this case.
- Moreover, the company operates specialized landfill services to manage unique waste streams at a landfill site in Rotterdam among others. The company is trying to extend the permit for this specialized landfill.

General factors (9)

- We make a nine-point adjustment to reflect lower environmental risk exposure for this company than others in the sector given its focus on recycling and limited landfill assets. We believe regulators will be more supportive of this business model than that of other environmental services companies.

Social Factor Analysis

Workforce and diversity — Good

- The group's gender balance compares well with the European sector as a whole. Renewi has proportionately good levels of female seniority, with 21% of senior management positions occupied by female staff. However, the company lags the sector mean in female employment levels (16% of full-time employees versus 20% for the sector). The groupwide gender pay gap of 4% compares very favorably to sector peers in the region where it operates (around 30% in the U.K.).
- Renewi does not have formal policies and procedures on workplace diversity objectives. However, it does have some positive initiatives, for instance in Belgium the company provides work to people with special needs and offers candidates the opportunity to develop their skills, such as communication and timekeeping, which we believe supports workplace diversity.
- We expect the relatively high level of voluntary staff turnover in 2017 (10%) and 2018 (5%) to continue to trend down as the merger solidifies. We consider 5% to still be high compared with voluntary turnover rates across the waste management sector globally and given that over 85% of Renewi's staff are permanent and unionized.

Safety management — Good

- Given its commitment to improving 2018 safety performance (marred by two fatalities), we assess Renewi's safety management as good compared to global peers. Several factors support our expectation of improved performance: senior leaders carry out two onsite health and safety visits every quarter, the company strengthened its accident rate 2020 target after meeting it early, and safety performance is linked to senior management's variable compensation. However, performance on safety metrics is mixed.
- Safety is considered the first of Renewi's six core values. The company improved its ">3 day accident rate," which tracks employees being off work for more than three days, by 14% in 2018 compared with 2017. In addition, the accident severity rate decreased by 45% to 17.4 in 2018. However, fatalities and an increase in the injury rate constrain Renewi's performance.
- Fire represents a key risk in this sector. Therefore, appropriate fire risk management is crucial. Though fires have occurred, the severity has decreased due to advanced detection technologies.

Customer engagement — Good

- We view Renewi's customer engagement as good given client communication initiatives regarding the environmental benefits of the waste services it provides and its customers' own circular economy efforts.
- Renewi engages with its local government and commercial customers and other stakeholders by participating in local events and festivals to showcase how to create value from waste and the benefits of a circular economy.
- Due to new initiatives aimed at implementing business practices for a circular economy, the company is also advising some of its customers on how to meet their own sustainability targets and is collaborating with some start-ups to innovate on the concept of circular economies.

Communities — Good

- Renewi's interactions with communities are supported by policies, risk management, and metrics tracking its performance. Waste management sites are often a sensitive topic for local residents and odor is the primary concern. Renewi operates in highly populated areas and for this reason has some initiatives to show residents the impact of its operations on the neighborhood. Renewi's risk management of this impact is supported by careful monitoring using sensing technologies that alert managers to issues.
- In 2017-2018, the number of environmental complaints received decreased by 36.5% to 306, reducing the average number of complaints per site from 2.3 to 1.5, with a public target of 1.4 per site by 2020. Around 86% of the complaints are odor-related, indicating that the site activities may pose issues for nearby communities.
- Renewi has human rights policies and complies with the U.K.'s Modern Slavery Act (which seeks to fight human trafficking and slavery in businesses and supply chains).

General factors (0)

- We have not adjusted our social profile for additional elements.

Governance Factor Analysis

Structure and oversight — Strong

- We consider this factor to be strong due to the board of directors' frequent meetings at operational sites and high attendance rates, which enable them to maintain close oversight of the group's operations. Furthermore, we consider the board to be well balanced, with the CEO and chief financial officer (CFO) as executive directors alongside six independent nonexecutive directors, including the chairman and committee members.
- Board attendance rates are around 95% and members regularly visit the main sites to oversee safety and training requirements and meet with operational management. We believe this enhances their understanding of the group's operations and provides more effective oversight.
- We believe the board has comprehensive experience in the sector and a proven commitment to the environment, which we expect to support the company's environmental profile.
- Renewi's appointment of a senior independent director demonstrates global best practices of governance. Management is in charge of bringing issues to the board for every meeting, which always commences with a discussion about the safety, health, environment, and quality report. The senior independent director acts as a contact point for key stakeholders.

Code and values — Good

- Last year Renewi conducted the first companywide employee engagement survey, which showed that over 75% of employees who responded (62%) are engaged with their jobs. It also highlighted several areas of improvement, such as safety, communication, and learning opportunities. The company announced that it will create action plans to address these issues.
- A percentage of the executive directors' remuneration for the year is linked to metrics for safety improvements, although over the past year these objectives were only partially met. Around one-third of the annual bonus is share-based and deferred for at least three years, promoting long-term incentives for value creation, which is in line with typical practices.
- Renewi is implementing a new code of conduct that leverages the values decided upon by its employees: safety, innovation, sustainability, accountability, customer focus, and staying together. The waste services sector has exposure to corruption, so Renewi's whistleblowing procedures, which provide 24/7 confidential reporting, are critical to ensuring good code and values throughout its business. Renewi also monitors integrity violations.

Transparency and reporting — Good

- We believe Renewi is a very transparent company that discloses substantial information in its public reporting in line with global best practices. Transparency includes an annual sustainability report, which includes all nonfinancial metrics on ESG factors and additional documentation on the company's website. However, air pollution metrics are not included publicly and water provision is reported using Olympic swimming pools as a unit, which is an atypical unit.
- Renewi tracks relevant information about its audit, nomination, and remuneration committees, gender pay gap, directors' compensation, and it applies carbon dioxide emissions accounting, although it does not report a country breakdown of taxes.
- The company also conducts disclosures in line with other listed companies in terms of financial reporting and other matters, such as corporate governance and strategic reports.

Cyberrisks and systems — Strong

- Renewi operates in a low-risk sector for cyberattacks; however we consider management's actions mitigate this risk to be particularly strong given the low inherent risk.
- The company is experimenting with increasing digitization, including with customer and supplier interfaces. As a result, the company identifies information and communications technology (ICT) failure and cyberthreats as key risks that could cause loss or business interruption.
- To mitigate this, Renewi has taken measures against cyberrisks and systems failure, including business continuity plan testing, assessing ICT resilience, and centralizing ICT systems. In addition, the group's IT director is the main point of contact for ICT issues and is part of the executive team, reporting to the board.

General factors (0)

- We have not adjusted our governance profile for additional elements.

Preparedness Opinion

Preparedness	Low	Emerging	**Adequate**	Strong	Best in class

Awareness	Developing	**Good**	Excellent
Assessment	Developing	**Good**	Excellent
Action	Developing	**Good**	Excellent
Culture	Developing	Good	**Excellent**
Decision-making	Developing	**Good**	Excellent

Summary

Renewi's long-term strategy is to continue to provide recycling and waste recovery for its core markets in Western Europe. To fulfill this strategy the company is streamlining its activities, as well as investing in new technologies and digitizing its interface with customers to address challenges associated with delivering on the EU's circular economy plan. Overall, we view Renewi's preparedness as adequate because the recent merger shows a well-defined direction in line with the company's long-term strategy. The board and senior management are largely focused on implementing the current strategy and more immediate risks and opportunities.

Awareness	Developing	**Good**	Excellent

We assess Renewi's awareness as good because we believe that the company has identified several long-term material risks to its business and the board periodically reviews business performance, competition, and progress against strategic objectives at its frequent meetings. Some of these key risks include trends in the recycling industry, price fluctuations in recovered products, carbon emissions, green energy production, regulation, human rights, and cyberthreats.

In particular, regulatory changes are one of the biggest disruptions, because with the EU's new regulation on circular economies, barriers to entry in this industry will likely become lower and competition will increase as new, smaller players enter the market. Therefore, to increase risk awareness, management maintains a presence in waste associations and the board closely monitors regulatory updates.

Also, absent stricter regulation, there is a risk of incurring uncertain environmental liabilities in the handling, treatment, and disposal of waste or contaminated materials. As demonstrated by the recent investigation of thermally treated soil at the ATM site in Moerdijk, any product or process-related safety issues might be material to the business. Renewi has put more emphasis on this risk in terms of higher likelihood and impact in its risk management report, which shows the company increasing awareness of how disruptive it might be for its current assets and business activities.

We believe that the company could include in its risk discussions the long-term impact on local communities, particularly in light of climate change and the potential for further odor-related complaints from local residents.

Assessment	Developing	**Good**	Excellent

We believe Renewi’s self-assessment of the potential impact of risks and opportunities on business operations is good based on the materiality of the risks, which the company frames using the Global Reporting Initiative standards, and of its key mitigation measures. The company has also developed a materiality matrix based on several ESG principles, which highlights key themes for internal and external stakeholders. The risk committee reviews specific risks and performs a root-cause analysis. Additionally, the company assesses new opportunities, but only pursues the ones where it believes it has a marked competitive advantage and that support its long-term financial objectives.

The company further analyzes risk factors by modeling tail events (such as the shutdown of facilities) and their impact on business operations. One of the key risks is fluctuations in the market price of recovered products. Renewi’s approach to assessing this risk is to forecast and model price dynamics where these fluctuations could have a material impact on the business.

The board has adopted a three-year period for risk assessment, with strategic planning over five years. While this time horizon is typical for most corporates, it demonstrates a more near-term focus, meaning that the company is focusing on the first three years, which are crucial for integrating synergies following its recent merger. The scenario modeling involves four main severe but plausible risks and their impact on the company's ability to continue meeting its liabilities. These "what if" scenarios pertain to a hard Brexit, challenges in the off-take markets, pricing restrictions, and a shutdown of its largest operating asset. We expect future scenario planning to include the long-term regulatory risks in the recycling industry.

Action Plan	Developing	**Good**	Excellent

We view Renewi’s action plans as good due to the mitigation and contingency plans it has for longer-term risks. The company has a systematic approach to address these risks; the directors get involved on issues related to strategy, risk management, and engagement at divisional levels. For example, the company has focused on mitigating the rising risk of fires--an inherent risk in waste management--at its treatment plants in recent years to reduce their severity. These actions have been broadly successful because even though the incident rate increased, fires are less severe. We view this as an emerging and evolving risk for the waste management sector because fires in recycling facilities are more likely to affect communities than those in landfills due to their relative proximity.

Renewi’s strategic planning is also demonstrated by the careful selection of which waste markets to serve from an ESG perspective. For example, Renewi has sought to trace the use of its products further down the supply chain to manage the reputation risk associated with using reconstituted waste materials.

The company is mainly affected by changes in law and policy and the implementation of new regulations. Although Renewi works with national and local authorities to shape new legislation, we believe that, as demonstrated by the ATM case, the company can also be reactive when dealing with risks, thus adapting to (more than anticipating) potential disruptions to its business.

Culture	Developing	Good	**Excellent**

We assess Renewi’s culture as excellent because senior management encourages the adoption of ESG practices and objectives at all levels. Our excellent assessment is underpinned by the bottom-up development of the group's six core values following the merger of Shanks and Van Gansewinkel, which demonstrates that ESG concerns permeate all levels of the group.

Renewi developed its six core values through 150 management-led roundtables in the organization in which participants selected the most relevant and recurring ideas from employees. The company highlighted safety, innovation, sustainability, accountability, customer-focus, and staying together as its core values. Renewi has also embedded employee engagement into its merged company values and both managers' and employees' incentives have an individual component where each is assessed against the new post-merger value. Health and safety is a key objective for all employees across the organization, with upwards of 17% of senior management bonuses depending on health and safety objectives. We consider this to be further evidence that ESG factors are well embedded in Renewi's culture.

Additionally, the company is dedicated to changing the public's perception of waste and waste recycling through initiatives such as partnerships with companies to share circular economy practices or to help other companies to meet their sustainability targets. Renewi also supports nongovernmental organizations on socially relevant issues and is engaged in campaigns to raise awareness among consumers about waste management. The company has also made a commitment to the UN's Sustainable Development Goals and it reports on ESG performance-related metrics.

Decision-making	Developing	**Good**	Excellent

Renewi's decision-making is assessed as good because the company has focused for years on the importance of ESG issues in its daily operations. The group has set long-term corporate social responsibility (CSR) objectives with the introduction last year of new green finance scorecard targets, which reduce interest rates on Renewi's borrowing when carbon avoidance, recycling, and pollution reduction targets are met. In addition, the group has a track record of revising key performance indicators (KPIs) following feedback from key stakeholders (for example, on energy efficiency and pollution prevention). The CSR objectives are set in five-year cycles and are incorporated into every part of the business so that the decision-making process is compatible with these targets. If the company achieves a KPI target before the end of the cycle, it sets more ambitious targets (as mentioned in the Safety Management section of the Profile assessment).

In terms of executive performance, in 2018 the CEO and the CFO remuneration was also linked to the successful implementation of safety measures throughout Renewi. However, according to the remuneration committee's assessment of the performance, this objective was not met and we do not have any additional evidence of management's compensation alignment with relevant ESG metrics.

Sector And Region Risk

Primary sector(s)	Environmental services
Primary operating region(s)	U.K.

Sector Risk Summary

Environmental exposure

Key factors for the environmental services sector reflect climate change as an environmental risk, as well as opportunities for waste handlers to provide customers with GHG-reducing services like waste reduction consulting, recycling, and low-emission collection services. We base this assessment on the sector's inherent exposure to GHG emissions, climate change, waste, pollution, toxicity, and land use. For example, the use, waste treatment, storage, transfer, and disposal contains the risk of significant environmental liabilities. Under applicable environmental laws and regulations, these companies could be liable if their operations cause environmental damage, particularly air, drinking water, or soil contamination. However, because the waste industry has been among the most heavily regulated from the mid-1970s on, the regulatory structure is generally mature. It is also relatively stable because the statutory mandates governing the industry have been established by federal regulation and are delegated to states for enforcement. Nevertheless, we generally expect more GHG emissions, but environmental policies would somewhat help curtail this. In addition, while climate change hurts solid waste services companies via inefficient waste collection routes and associated costs arising from weather disruptions, waste companies also benefit because population growth creates more waste. Also as a partial mitigating factor, the industry has been converting large portions of its collection fleets to natural gas-powered fuel trucks. This trend not only materially reduces GHG emissions but also fuel, labor, and maintenance costs.

Social exposure

Human capital management and safety management are key areas within social risks for the environmental services sector. The social risk assessment reflects the sector's exposure to human capital and safety management. Safety management is relevant because environmental and waste management services, including constructing and operating landfills, requires large machinery and complex work sites. These can result in truck accidents, equipment defects, malfunctions, and failures. Nevertheless, the sector continues to mitigate labor and safety issues by automating where possible the collection vehicle operations, which reduces costs associated with injuries and improves collection efficiency because fewer drivers are generally required.

Regional Risk Summary

Renewi operates in several countries in Europe. In 2017 the company derived 58% of revenues in the Netherlands, 26% in Belgium, 11% in the U.K. (where it is headquartered), and the remaining 5% in France, Portugal, Germany, and Hungary.

Appendix

U.K.

The U.K. benefits from strong institutions and corporate governance practices. This includes robust and independent institutions and high rule-of-law standards, as well as very low actual and perceived levels of corruption. Governance guidelines are primarily based on the U.K. Code of Corporate Governance published by the Financial Reporting Council. The Code, revised and strengthened in 2018, provides a broad set of recommendations, including executive remuneration and board composition, follows a comply-or-explain model, and is widely regarded as best practice internationally. The recent version strengthened provisions on the role of the audit and nomination committees, chair tenure, and stakeholder engagement. Overall levels of corporate disclosure on ESG are strong and the country benefits from a very active institutional investor base, which has been fueling the demand for better disclosure and corporate engagement. Legislation taking effect in fall 2019 will also require pension funds to disclose the financial risks they face arising from ESG factors.

This report does not constitute a rating action.