

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Itelyum

10 September 2021

### VERIFICATION PARAMETERS

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<b>Type(s) of instruments contemplated</b>	Sustainability-Linked Bonds
<b>Relevant standard(s)</b>	Sustainability-Linked Bond Principles (“SLBP”), as administered by the International Capital Market Association (“ICMA”)
<b>Lifecycle</b>	Pre-issuance verification
<b>Validity</b>	As long as Itelyum’s Sustainability-Linked Bond Framework (as of September 6 <sup>th</sup> , 2021 version) and benchmarks for the Sustainability Performance target(s) do no substantially change

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## SCOPE OF WORK

Itelyum (“the issuer” or “the company”) commissioned ISS ESG to assist with its Sustainability-Linked Bond Framework by assessing three core elements to determine the sustainability quality of the instruments:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are relevant, core and material to the issuer’s business model and sector, and whether the associated targets are ambitious.
2. Itelyum’s Sustainability-Linked Bond Framework (as of September 6<sup>th</sup>, 2021) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (“SLBP”), as administered by the International Capital Market Association (“ICMA”).
3. Sustainability-Linked Bond’s link to Itelyum’s sustainability strategy – drawing on Itelyum’s overall sustainability profile and related objectives.

## ITELYUM BUSINESS OVERVIEW

Itelyum is a European Circular Economy player, specialized in recycling complex streams of hazardous waste.

The set of industrial assets can provide a growing integrated and sustainable offer of processes, products and services, according to a circular economic model that, through continuous regeneration, extends the life cycle of products and creates partnerships in the market segments served.

Itelyum offers sustainable solutions for the regeneration of used lubricating oils, the purification of solvents and chemical waste and environmental services for industry. These three lines constitute the central strategic pillars through which it aims to pursue the creation of shared value for business partners, society and the environment:

- **Regeneration:** used oil regeneration with 89% market share in Italy and the largest installed capacity in Europe.
- **Purification:** production of solvents, thinners and starting materials from both the purification of pharma waste streams and pure raw materials, with 50% market share in pharma solvent recycling in Italy, the largest installed capacity in Europe and global commercial reach.
- **Environment:** one-stop-shop collection service provider for hazardous waste producers.

As of 2020 the company can treat around one million tons of special waste per year, achieving circularity rates of over 90%.

The issuer’s 2021-2025 Business Plan is focused on circular economy, with the aim to increase current treatment capacity towards environmentally friendly uses with organic growth and to help new acquired companies to achieve its high profile of circularity indexes.

## ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>1</sup>
<p><b>Part 1.A:</b></p> <p><b>KPI selection and SPT calibration</b></p>	<p><b>KPI selection: Relevant, core and material to issuer’s business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Ambitious against issuer’s past performance</b></li> <li>• <b>Limited information available for comparison against peer group</b></li> <li>• <b>Limited information available for comparison against international targets</b></li> </ul>
<p><b>KPI 1</b></p> <p>“Gross tCO<sub>2</sub>e avoided emissions”</p> <p><b>SPT 1</b></p> <p>“Gross avoided emissions to increase 25% by 2025 vs 2020 base year”</p>	<p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model. The KPI selected is consistent with the overall company’s sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. In addition, it covers a material scope of the operations and activities of Itelyum. However, the KPI is only to a limited extent benchmarkable as there is lack of information on comparable peers and no broadly accepted framework to measure avoided emissions (commonly also referred to as Scope 4).</p> <p>ISS ESG finds that the SPT calibrated by Itelyum is ambitious compared to the issuer’s past performance on this metric. However, though tons of products have been verified by an external auditor for the baseline year 2020, and the calculation factors K1 and K2 determined in studies by the two research institutions ifeu and ETHOS, it is noted that the KPI 1 baseline as well as the the historical data have not been externally verified. This limits conclusions on the target level of ambition against past performance. Further, due to the lack of benchmarkability of the associated KPI, no conclusive assessment of the target’s ambition towards sectorial peers or international targets could be performed. Apart from these constraints, the target is set in a clear timeline.</p>
<p><b>Part 1.B:</b></p> <p><b>KPI selection and SPT calibration</b></p>	<p><b>KPI selection: Relevant, core and material to issuer’s business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Ambitious against issuer’s past performance</b></li> <li>• <b>Limited information available for comparison against peer group</b></li> <li>• <b>Limited information available for comparison against international targets</b></li> </ul>
<p><b>KPI 2</b></p> <p>“Quantity of waste sent to circular treatments”</p>	<p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers. The KPI covers a material scope of the operations and activities of Itelyum.</p> <p>ISS ESG finds that the SPT calibrated by Itelyum is ambitious against the company’s past performance. However, it is noted that this assessment has taken into account qualitative considerations, as from a pure quantitative perspective, the calibrated target would not be considered ambitious.</p>

<sup>1</sup> ISS ESG’s evaluation is based on the engagement conducted in August/September 2021 and on Itelyum’s Sustainability-Linked Bond Framework (as of September 6th 2021).

<p><b>SPT 2</b></p> <p>“Increase quantity of waste collected and delivered to circular treatments (regeneration, recycling, wastewater treatment and recovery) to increase by 25%”</p>	<p>Additionally, the historical data on this KPI have not been externally verified beyond the baseline year, further limiting conclusions on the ambition of this target. In the absence of sufficient available data, no conclusive assessment of the target’s ambition towards sectorial peers or international targets could be performed. Apart from these constraints, the target is set in a clear timeline and supported by a credible strategy and action plan.</p>
<p><b>Part 2:</b></p> <p><b>Alignment with the SLBP</b></p>	<p><b>Aligned with ICMA Sustainability-Linked Bond Principles</b></p> <p>The issuer has defined a formal framework for its Sustainability-Linked Bonds regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPTs), Sustainability-Linked Bond characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA.</p>
<p><b>Part 3:</b></p> <p><b>Link to issuer’s sustainability strategy</b></p>	<p><b>Consistent with issuer’s sustainability strategy</b></p> <p>Itelyum is a leading circular economy player, focusing on regeneration of waste oils for the production of lubricating bases, purification of chemical wastes for the production of solvents, production of solvents from high-purity materials, industrial waste services, and industrial wastewater treatment.</p> <p>Itelyum identifies climate change mitigation and circular economy as two of its priority long-term goals. This is achieved through commitment to material recovery, water purification and decarbonisation. In 2020, Itelyum updated its materiality analysis with a structured process aligned with the GRI requirements, by questioning external stakeholders (e.g. employees, customers, suppliers, shareholders) and top and senior managers within the Group. The result of this matrix reflects the high relevance of climate change emissions and mitigation and circular economy to the company and its stakeholders. Thus, ISS considers the KPIs selected by the issuer as consistent with the overall company’s sustainability strategy.</p>

## ISS ESG SPO ASSESSMENT

### PART 1.A. KPI SELECTION & SPT CALIBRATION

#### KPI 1 'Gross tCO<sub>2</sub>e Avoided Emissions'

##### 1.1. KPI selection

###### KPI selected by the issuer

###### FROM ISSUER'S FRAMEWORK

- **KPI 1:** Gross tCO<sub>2</sub>e avoided emissions
- **SPT 1 (2025):** increase in gross CO<sub>2</sub> avoided emissions by 25% by 2025 (with 2020 being the baseline year).
- **Long-term goal:** The company has currently not defined a clear long-term goal beyond the 2025 target.
- **Rationale:** This KPI represents the main impact of Itelyum's activities on Climate Change as it reflects the avoided emissions generated by the use of Itelyum's regenerated and purified products in substitution to virgin ones, measured in tons of CO<sub>2</sub> equivalent.
- **Relevant methodology:** The KPI aims to quantify the CO<sub>2</sub> saving related to the use of Itelyum's regenerated and purified products. It is calculated through life cycle analysis methodologies provided by ifeu<sup>2</sup>, for waste oil regeneration and ETHOS<sup>3</sup> for waste solvent purification. Based on these methodologies<sup>4</sup>, Itelyum can quantify the avoided emissions generated through the substitution 1:1 of virgin products, which allows to avoid the extraction, transport and refinery of crude oil, and the transformation in virgin finished products (solvents and base oils) (all energy intensive activities).

Formula:  $X \text{ (tons of CO}_2\text{)} = ((\text{regenerated base oils [ tons of product ]} * K_1 \text{ [ tons of CO}_2\text{/tons of product ]}) + (\text{purified solvents [ tons of regenerated product ]} * K_2 \text{ [ tons of CO}_2\text{/tons of product ]}))$

Where:

K<sub>1</sub>: specific avoided emissions from virgin oils

K<sub>2</sub>: specific avoided emissions from virgin solvents

- **Baseline:** 430 449 tCO<sub>2</sub>e avoided
- **Baseline period:** 2020
- **2025 goal:** 538 062 tCO<sub>2</sub>e avoided
- **Scope:** This KPI applies to 100% of Itelyum's Regeneration and Purification divisions, representing 94% of the company's total GHG emissions in tons.

<sup>2</sup> ifeu is a leading German research institute focused on environmental and sustainability issues. It has contributed to estimate avoided emissions for waste oil regeneration using a Life Cycle Assessment (LCA) approach. Source: <https://www.ifeu.de/en/>

<sup>3</sup> ETHOS Research is a UK based sustainable development consultancy specialised in Carbon Footprinting, Life Cycle Analysis, Sustainability Assessment and Corporate Social Responsibility. Source: <https://www.ethosresearch.co.uk/>

<sup>4</sup> According to the issuer, ifeu and ETHOS methodologies have been peer reviewed (ISO 14044) and are commonly used in the sector being shared by the two European industry groups bringing together waste oil regenerators and solvent recyclers, respectively the GEIR (Groupement Européen de l'Industrie de la Régénération) and the ESRG (European Solvent Recycler Group).

## Materiality and Relevance

Climate change mitigation, energy management and resource efficiency are considered key ESG issues faced by the Water and Waste Utilities sector according to key ESG standards<sup>5</sup> for reporting and ISS ESG assessment.

Through KPI 1, Itelyum intends to set a target to capture the increase of avoided emissions, which it determines based on the quantity sold of its two main products, regenerated base oils and purified solvents.

More particular, with respect to the calculation methodology of this KPI, the issuer cites two studies by ifeu and ETHOS, which suggest that the LCA carbon footprint for virgin base oil is 1.2 tons of CO<sub>2</sub> per ton of product; for a virgin solvent it is 4.2 tons of CO<sub>2</sub> per ton of product<sup>6</sup>. The above displayed calculation formula takes these factors into account when determining the amount of avoided emissions by calculating the difference in the LCA footprint between virgin production of the base oil/solvent (that all rely on relatively energy-intensive activities) and the regenerated product sold by Itelyum.

It is important to note that the selected KPI does not focus on the company's scope 1-3 emissions, but mainly the avoided emissions that arise from the issuer's product. According to the issuer, these emissions, commonly also referred to as scope 4 emissions<sup>7</sup>, are considered to be the most material issue to a circular economy company like Itelyum.

ISS ESG finds that KPI 1 'Gross tCO<sub>2</sub>e avoided emissions' selected by the issuer is:

- **Relevant** to Itelyum's business as companies in the Water and Waste Utilities sector are responsible for and exposed to risks and opportunities related to climate change mitigation.
- **Core** to the issuer's business. This KPI affects two central business divisions of the company, regeneration and purification, which combined account for 93% of the issuer's total revenue. An increase in the quantity produced by these two divisions will affect key operations processes.
- **Material** from an ESG perspective. Though the KPI does not specifically focus on reducing scope 1-3 emissions of the company, avoided emissions are considered as a central ESG focus within the circular economy space. Moreover, according to the calculation methodology provided by the issuer, this category of emissions far surpasses Itelyum's scope 1-3 emissions, which amount to ~180,000 tCO<sub>2</sub>e in 2020, compared to the calculated ~430,000 tCO<sub>2</sub>e of avoided emissions in the same year.

<sup>5</sup> Key ESG Standards include SASB and TCFD, among others.

<sup>6</sup> Further information can be found under the two following links:

<https://esrg.de/pages/esrg-study-carbon-footprint.php>;

<https://www.geir-rerefining.org/ecological-and-energetic-assessment-of-re-refining-waste-oils-to-base-oils-substitution-of-primarily-produced-base-oils-including-semi-synthetic-and-synthetic-compounds/>

<sup>7</sup> Further information can be found in this working paper by the World Resources Institute:

[https://ghgprotocol.org/sites/default/files/standards/18\\_WP\\_Comparative-Emissions\\_final.pdf](https://ghgprotocol.org/sites/default/files/standards/18_WP_Comparative-Emissions_final.pdf)

## Consistency with overall company's sustainability strategy

Itelyum identifies climate change mitigation as one of its priority long-term goals and is focused on circular economy. This is achieved through commitment to material recovery, water purification and decarbonisation. Hence, the definition of a KPI that addresses an increase in avoided CO<sub>2</sub> emissions is consistent with Itelyum's long-standing strategy of mitigating climate change.

Furthermore, in 2020, Itelyum updated its materiality analysis with a structured process aligned with the GRI requirements, by questioning external stakeholders (e.g. employees, customers, suppliers, shareholders) and top and senior managers within the Group. The result of this matrix reflects the high relevance of climate change emissions and mitigation to the company and its stakeholders. ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

## Measurability

- **Material scope and perimeter:** The selected KPI covers material operations and activities of the issuer, belonging to the Regeneration and Purification divisions that represent 94% of the company's total GHG emissions in tons.
- **Quantifiable:** The KPI is clearly defined and calculated by the issuer. It is calculated with the following formula:  $X \text{ (tons of CO}_2\text{)} = ((\text{regenerated base oils [tons of product]} * K1 \text{ [tons of CO}_2\text{/tons of product]}) + (\text{purified solvents [tons of regenerated product]} * K2 \text{ [tons of CO}_2\text{/tons of product]}))$   
K1: specific avoided emissions from virgin oils<sup>8</sup>  
K2: specific avoided emissions from virgin solvents
- **Externally verifiable:** Tons of products are calculated by Itelyum and have been verified by an external auditing company for the baseline year 2020. In addition, the factors K1 and K2 have been determined in studies by the two research institutions ifeu and ETHOS. However, though the issuer notes that the KPI 1 baseline has been calculated in good faith, it has not been independently verified. The issuer commits to get a third-party verification of the KPI considered under this transaction annually and for any date/period relevant for assessing the trigger of the SPT performance leading to a potential adjustment in the instrument characteristics.
- **Only to a limited extent benchmarkable:** The KPI is benchmarkable with limitations as there is currently no broadly accepted framework in place that harmonizes the measurement of avoided (scope 4) emissions. The calculation methodology of this indicator is proprietary (though stems from industry-relevant research institutions and is publicly available) and cannot be compared with reporting from competitors with comparable metrics or financing frameworks. ISS ESG can only provide a limited assessment of the targets with respect to sectorial peers. Benchmarking of the SPT in relation with this KPI has been analysed in section 2.

<sup>8</sup> As noted above, the issuer states that these two factors (K1 & K2) have been calculated by research institutions through LCA methodologies and have been peer-reviewed (ISO 14044).

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model. The KPI selected is consistent with the overall company's sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. In addition, it covers a material scope of the operations and activities of Itelyum. However, the KPI is benchmarkable with limitations as there is lack of information on comparable peers and no broadly accepted framework to measure avoided emissions.

## 1.2. Calibration of SPT

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>9</sup>

**Sustainability Performance Target:** Gross avoided emissions to increase by 25% by 2025 vs 2020 base year.

**Sustainability Performance Target Trigger:** This is calculated as follows: the avoided CO<sub>2</sub> emissions for the year ended 2025 with the following formula:

$$X \text{ (tons of CO}_2\text{)} = ((\text{regenerated base oils [ tons of product] } * K1 \text{ [ tons of CO}_2\text{/tons of product ] } ) + (\text{purified solvents [ tons of regenerated product ] } * K2 \text{ [ tons of CO}_2\text{/tons of product ]}))$$

where:

K1: specific avoided emissions from virgin oils

K2: specific avoided emissions from virgin solvents

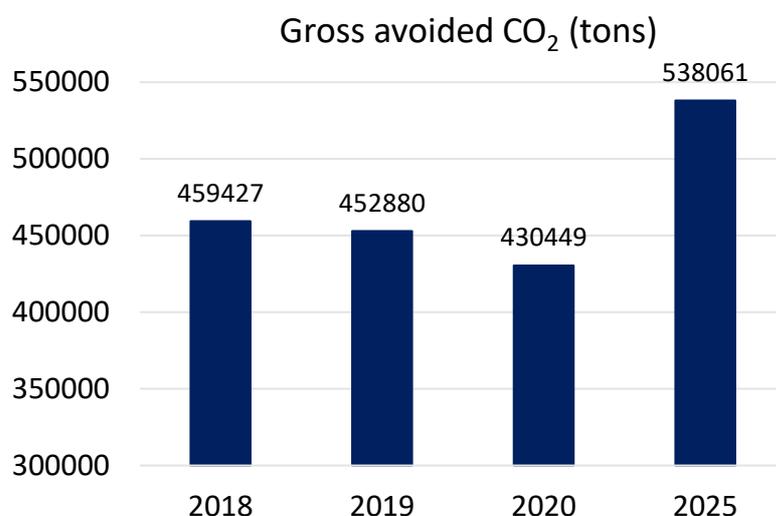
**Sustainability Performance Target Observation Date:** December 31, 2025

**2025 Target:** 538 062 tCO<sub>2</sub>e avoided

**Strategic 2030 Goal and selection of methodology for calculating the SPT:** This SPT aligns with Itelyum's 2025 Goal of increasing avoided CO<sub>2</sub> emissions by 25%.

**Risks to the target:** Failure to obtain external authorization for capacity expansion investments.

<sup>9</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and has been copied over in this report by ISS ESG for clarity.



*Source: Itelyum SLB Framework (September 6<sup>th</sup>, 2021 version)*

## Ambition

### Against company's past performance<sup>10</sup>

Indicator	2018	2019	2020	2025 - Target	CAGR '18-'20	CAGR Baseline-'25
Gross CO <sub>2</sub> e avoided emissions (measured in tons)	459 427	452 880	430 449	538 061	-3,9%	4,6%
YoY growth (%)		-0,143%	-4,95%			

*Source: Itelyum as of September 6<sup>th</sup>, 2021*

From the baseline year of 2020 to 2025, the compound annual growth rate is 4.6%. In absolute terms, this will be a 25% increase of the performance data associated with the KPI, from 430 449 tCO<sub>2</sub>e in 2020 to 538 061 tCO<sub>2</sub>e in 2025. However, as noted above, only tons of products have been verified by an external auditing company for the baseline year 2020. Though the issuer notes that the KPI 1 baseline has been calculated in good faith, it has not been independently verified.

ISS ESG concludes that the SPT is ambitious compared to the issuer's past performance on gross avoided emissions (as per the described calculation methodology), though this assessment is limited given the lack of external verification on the baseline as well as historic gross CO<sub>2</sub>e avoided emissions

### Against company's sectorial peers

The KPI selected and associated with this SPT is only to a certain extent benchmarkable as there is limited information available on competitors that have used comparable metrics or financing frameworks.

<sup>10</sup> The growth projected in the table is indicative and does not represent exact expected values for the company from 2021 to 2025.

Furthermore, there is currently no broadly accepted framework in place that harmonizes the measurement of avoided (scope 4) emissions.

Thus, ISS ESG concludes that no evidence is available on whether this SPT is ambitious against targets on decarbonisation set by sectorial peers.

### Against international targets

#### Paris Climate Goals

As stated above, the KPI selected and associated with this SPT is benchmarkable only to a limited extent.

Accordingly, ISS ESG concludes that no evidence is available on whether this SPT is ambitious against the Paris Climate Goals.

### Measurability & Comparability

- **Historical data:** The issuer provided three years of historical data. The issuer selected 2020 as the baseline year for the SPT as this is the most recent available data.
- **Benchmarkable with limitations:** The KPI selected and associated with this SPT is benchmarkable to a limited extent, as there is little information available on sectorial peers that use comparable metrics or financing frameworks.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPT's measurement.

### Supporting strategy and action plan

To reach this SPT Itelyum will rely on an action plan including expected investments in:

- Regeneration plants in terms of (i) process efficiency and (ii) product mix (increase in Group II base oil<sup>11</sup> that means higher CO<sub>2</sub>e saving in respect of comparable virgin product)<sup>12</sup>
- Purification in terms of capacity expansion (on existing plan as well as new potential plant) in order to increase waste solvent to be recycled

More specifically, the company intends to invest in the following four main projects:

- Upgrading of Regeneration Ceccano plant for producing GPII bases with an estimated "direct" investment of about 3.5m€;
- Increasing production capacity in Purification Landriano plant with an estimated investment of about 5m€ by 20.000 thousand tons per year<sup>13</sup>. In this way Itelyum could recycle waste solvent that today are sent to incineration;

<sup>11</sup> These refer to base oils with a viscosity index of 80 to 120 and are typically manufactured through the process of 'hydrocracking', a more complex procedure than the simple refining that is done for Group I base oils.

<sup>12</sup> When referring to waste oils regeneration, almost all waste oils sent for regeneration return as new products or water. This explains why the company has decided to focus on expanding its capacity in existing and new plants.

<sup>13</sup> It is noted that these projects are currently awaiting authorization by the relevant authorities.

- Investing in Corden Pharma solvent unit plant with an important revamping of the existing plant and an increased solvent purification capacity. The total estimated investment is of about 10m€.

**Opinion on SPT calibration:** *ISS ESG finds that the SPT calibrated by Itelyum is ambitious compared to the issuer's past performance on gross avoided emissions. However, the historical data on this KPI have not been externally verified thus limiting conclusions on the ambition of this target. Due to the limitations of benchmarkability of the associated KPI, no conclusive assessment of the target's ambition towards sectorial peers or international targets could be performed. Apart from these constraints, the target is set in a clear timeline.*

## PART 1.B. KPI SELECTION & SPT CALIBRATION

### KPI 2 'Quantity of Waste Sent to Circular Treatments'

#### 1.3. KPI selection

##### KPI selected by the issuer

###### FROM ISSUER'S FRAMEWORK

- **KPI 2:** Quantity of waste collected and delivered to circular treatments
- **SPT 2 (2025):** Increase quantity of waste collected for circular treatments by 25% by 2025 vs 2020 base year
- **Long-term goal:** The company has currently not defined a clear long-term goal beyond the 2025 target.
- **Rationale:** This KPI represents the impact of Itelyum's activities on Circular Economy, as it reflects the total amount of waste managed by Environment BU's companies in a year sent to circular treatments.
- **Relevant methodology:** This KPI is calculated as the quantity of waste collected and delivered to circular treatments measured in tons per year. Circular treatments include regeneration, recycling, waste water treatment and recovery.
- **Baseline:** 574 184 tons of waste
- **Baseline period:** 2020
- **2025 goal:** 717 730 tons of waste
- **Scope:** This KPI applies to Itelyum's Environment division only, which is responsible for waste collection and management.<sup>14</sup>

##### Materiality and relevance

Increasing the quantity of waste collected for circular treatments enables the company to address other key ESG issues for the sector such as the environmentally-safe operation of plants and infrastructure as well as energy management and resource efficiency.

ISS ESG finds that KPI 2 'Quantity of waste sent to circular treatments' selected by the issuer is:

- **Relevant** to the issuer's business as companies in the Water and Waste Utilities sector are responsible for and exposed to risks related to this KPI.
- **Core** to the issuer's business as waste management and circular economy are considered key topics<sup>15</sup> for the company. To reach its target, Itelyum will focus on investments in capacity expansion to increase particular volumes of liquid and solid waste to be treated (e.g. industrial wastewater, emulsion and sludges). Specifically, Itelyum will focus on the investment of some of its plants' treatment capacity, in particular solid waste in North-West Italy and solid waste, as well as industrial wastewater (including the company's Temix project) in North-East /

<sup>14</sup> Unlike Regeneration and Purification divisions providing products, the Environment division provides services, hence the rationale for not including it in the KPI1 perimeter but instead use it as a relevant perimeter for KPI2.

<sup>15</sup> As indicated in the materiality matrix in Itelyum's 2020 Sustainability report: [https://www.itelyum.com/wp-content/uploads/2021/07/Itelyum-Sustainability-report-2020\\_ENG.pdf](https://www.itelyum.com/wp-content/uploads/2021/07/Itelyum-Sustainability-report-2020_ENG.pdf)

Centre Italy. In case the company should receive authorization, it will increase the capacity of its solvent purification plant, Landriano, from 90,000 tons to 120,000 tons. However, it is worth noting that Itelyum's plants already use Best Available Technologies (BAT) with respect to waste treatment, the treatment and regeneration of solvents as well as that of waste oils. However, it is noted that beyond production capacity increase, key processes of the company will not be affected by an action plan to reach the SPT associated with the target.

- **Material** to the issuer's business as the KPI covers the total waste collected and delivered to circular treatments (regeneration, recycling, recovery and waste water purification) divided by the total waste managed by the company's 'Environment' business unit.<sup>16</sup> As of 2020, 88% of the company's total waste managed by its Environment division was sent to the recovery of operations or returned to the environment as purified water. In addition, the associated processes represent around 70% of the company's total operations (regardless of division) and constitute nearly one third of company revenue. As the company already uses BAT and operates close to a full cycle, it considers it difficult to further increase the circularity index.

### Consistency with overall company's sustainability strategy

Itelyum considers circular economy as one of its priority long-term goals. This is achieved through commitment to material recovery, water purification and decarbonisation.

In 2020, Itelyum updated its materiality analysis with a structured process aligned with the GRI requirements, by questioning external stakeholders (e.g. employees, customers, suppliers, shareholders) and top and senior managers within the Group. The result of this matrix reflects the high relevance of circular economy to the company and its stakeholders.

Thus, ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

### Measurability

- **Material scope and perimeter:** The KPI selected covers material scope of operations and activities of the company as it applies to 100% of the waste collected for circular treatments in the Environment division<sup>17</sup>.
- **Quantifiable:** The KPI selected is measurable and quantifiable. It is expressed in tons and its calculation is based on the total waste managed by the Environment division and sent to circular treatments.
- **Externally verifiable:** The circularity index of the issuer, as well as the baseline year, has been verified by an auditing company in 2020. The issuer commits to get a third-party verification of the KPI considered under this transaction annually and for any date/period relevant for assessing the trigger of the SPT performance leading to a potential adjustment in the instrument characteristics.

<sup>16</sup> Please note that here, the waste sent to minor uses such as landfills and incineration, are not included.

<sup>17</sup> Environment division is responsible for waste collection and treatment as per Itelyum's business organisation

- Benchmarkable:** The company follows a clear calculation methodology (as described above), which means the KPI can be easily benchmarked against other companies that disclose the quantity of waste collected for circular treatment. However, it is benchmarkable with limitations such as the lack of similar indicators made publicly available by peers and the fact that the SPT is set in absolute numbers which makes benchmarkability challenging when looking at companies that use waste intensity measures.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers. The KPI covers a material scope of the operations and activities of Itelyum.

#### 1.4. Calibration of SPT

##### SPT set by the issuer

###### FROM ISSUER’S FRAMEWORK<sup>18</sup>

**Sustainability Performance Target (2025):** Increase quantity of waste collected for circular treatments (regeneration, recycling, waste water treatment and recovery) to increase by 25%.

**Sustainability Performance Target Trigger:** The amount of waste collected in 2025

**Sustainability Performance Target Observation Dates:** December 31, 2025

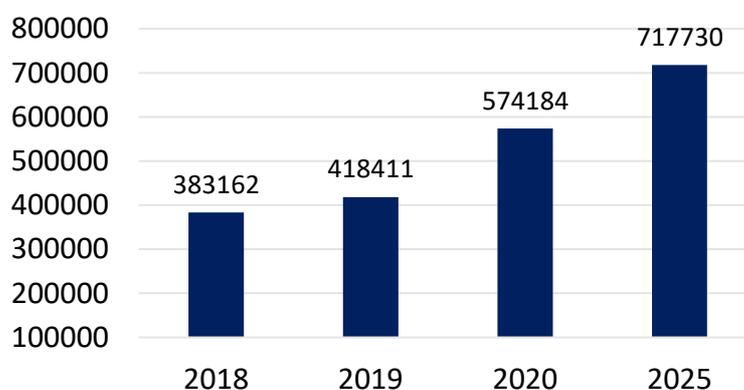
**2020 Baseline:** 574 184 tons of waste

**Strategic 2030 Goal and Selection of Methodology for Calculating the SPT:**

The company has currently not defined a clear long-term goal beyond the 2025 target.

**Risks to the target:** Failure to obtain external authorization for capacity expansion investments

Quantity of waste sent to circular treatments (tons)



<sup>18</sup> This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

*Source: Itelyum as of September 6<sup>th</sup>, 2021*

## Ambition

### Against company's past performance<sup>19</sup>

Indicator	2018	2019	2020	2025 - Target	CAGR '18-'20	CAGR Baseline-'25
Quantity of waste collected for circular treatment (measured in tons)	388 162	418 411	574 184	717 730	22,4%	4,6%
YoY growth (%)		9,2%	37,2%			

*Source: Itelyum as of September 6<sup>th</sup>, 2021*

Itelyum has provided three years of historical performance regarding the quantity of waste collected for circular treatment (regeneration, recycling, waste water treatment and recovery). Past performance has varied during those years with a 9.2% increase in performance from 2018-2019 and 37.2% improvement in performance from 2019-2020. On average between 2018-2020, there was a trajectory of improvement, with a total increase of 22.4% in performance. To achieve its 2025 objective, Itelyum's required compound annual growth rate will be 4.6%, compared to the baseline line of 2020. In absolute terms, this will be a 25% increase in the quantity of waste collected for circular treatment, from 574 184 tons during the baseline period to 717 730 tons in 2025. On a quantitative level, this SPT would not be considered ambitious compared to the company's past performance as the annual growth rate of the SPT is 17.85% lower than in the period from 2018 to 2020.

However, these figures also take into account acquisitions the company has made in the past, which distort the quantitative assessment. On a more qualitative level, and a like-for-like analysis with figures that Itelyum provided to ISS ESG, the SPT is deemed to be ambitious to the issuer's past performance. Nonetheless, there are limitations to this assessment as the past years prior to the baseline have not been externally verified.

### Against company's sectorial peers

Itelyum's most comparable peer<sup>20</sup> in the Water and Waste Utilities sector has disclosed a target on the total amount of waste treated (municipal + special), including the preparation prior to recovery, aimed at recovering material at the Group's plants. However, due to the lack of available information on other comparable peers due to the in-house calculation of SPT and the fact that the SPT is set in absolute numbers which makes benchmarking challenging, ISS ESG is not able to assess the level of ambition of Itelyum's target against sectorial peers.

### Against international targets

As of today, there is no industry-specific target available as a reference point in terms of absolute waste collected for circular treatment.

<sup>19</sup> The growth projected in the table is indicative and does not represent exact expected values for the company from 2021 to 2025.

<sup>20</sup> Most comparable peer as defined by the company due to business model similarities

- However, some companies in the sector<sup>21</sup> have partnered with GEIR<sup>22</sup>, the European Waste Oil Re-refining Industry Association, to develop action plans focused on the circular economy that is based on the 2016 Waste Framework Directive which broadly targets 100% collection of waste oils of the produced and collectable waste oils and 85% of re-refined waste oils of the produced and collected waste oil in all Member States<sup>23</sup> by 2025.
- According to the European Commission's Waste Framework Directive<sup>24</sup>, "for the purposes of separate collection of waste oils and their proper treatment, Member States may, according to their national conditions, apply additional measures such as technical requirements, producer responsibility, economic instruments or voluntary agreements." However, it is unclear to what extent Itelyum aligns with local standards and whether specific quantitative objectives are in place for the quantity of waste collected for circular treatment for the purposes of regeneration, recycling, waste water treatment and recovery.
- The United Nations Sustainable Development Goal 12 "Responsible Consumption and Production" define the following sub-targets: "12.4 by 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment", "12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse" and "12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle". However, no quantitative targets have been set focused on the quantity of waste collected for circular treatments.

The SPT defined by Itelyum contributes to goal of circular economy. However, no quantitative international or local targets have been set specific to the quantity of waste collected for circular treatments.

Thus, ISS ESG concludes that the SPT cannot be compared with international targets.

### Measurability & comparability

- **Historical data:** The issuer provided three years of historical data. The issuer selected 2020 as the baseline year for the SPT, however, there are certain limitations as the historical data prior to the baseline year has not been externally verified.

<sup>21</sup> GEIR member companies include: Lubrica, AVISTA Green, STR Tecoil, Osilub, Puraglobe, AVISTA OIL AG, LPC S.A, Itelyum Regeneration Srl, R.A.M. Oil, Enviroil, EGEO Oil, DVCH-Management FLCC, Green Oil and Lubes, Sertego, Cator, TAYRAŞ, Electrical Oil Services (EOS), Whelan Refining Limited

<sup>22</sup> GEIR, the European Waste Oil Re-refining Industry Association represents 14 waste oil re-refining companies in 7 Member States, i.e. Germany; Italy; Spain; Denmark; Greece; Portugal and Bulgaria. GEIR member companies are active throughout Europe in supporting the collection of used oils and the re-refining of waste oils back to valuable lubricant base oils. About 80 per cent of Europe's waste oil re-refining industry is represented by GEIR. GEIR is a sector group of UEIL, the Union of the European Lubricants Industry. UEIL is the strongest representative body for independent manufacturers of lubricants in Europe. <https://www.geir-rerefining.org/about-us/>

<sup>23</sup> 7 Member States, i.e. Germany; Italy; Spain; Denmark; Greece; Portugal and Bulgaria

<sup>24</sup> [https://ec.europa.eu/environment/topics/waste-and-recycling/waste-framework-directive\\_en](https://ec.europa.eu/environment/topics/waste-and-recycling/waste-framework-directive_en)

- **Benchmarkable:** The SPT could be benchmarked against targets set by other companies as the tons of waste collected for circular treatment can be compared with the data reported by other companies around waste sent to circular treatment, but with several limitations:
  - The SPT is set in absolute numbers, which makes benchmarkability challenging when looking at companies with waste intensity targets.
  - There is limited data available to benchmark this SPT against other targets, namely the lack of comparable peers.
- **Timeline:** The issuer has defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPT measurement.

### Supporting strategy and action plan

To reach this SPT Itelyum will rely on an action plan including investments in capacity expansion in order to increase in particular volumes of liquid waste to be treated: industrial wastewater, emulsion and also sludges.

This action plan is perceived as credible to support the achievement of the SPT set by Itelyum.

**Opinion on SPT calibration:** ISS ESG finds that the SPT calibrated by Itelyum is ambitious against the company's past performance. In the absence of sufficient available data, no conclusive assessment of the target's ambition towards sectorial peers or international targets could be performed. The historical data on this KPI have not been externally verified beyond the baseline year thus limiting conclusions on the ambition of this target. Apart from these constraints, the target is set in a clear timeline and supported by a credible strategy and action plan.

## PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

### Rationale for Framework

#### FROM ISSUER'S FRAMEWORK

Sustainability is at the core of Itelyum's business, nevertheless, for the company this is only a starting point: the aim is to export its sustainable business model to other companies and markets.

Circular economy is gaining momentum, at the same time circular products should strive in highly competitive markets. Itelyum strongly believe in the opportunity given by this trend and in its capability to leverage on its expertise.

To further support its sustainability ambitions and commitments, Itelyum intends to link its financing strategy to the achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability objectives.

By establishing this Sustainability-Linked Bond Framework Itelyum intends to further demonstrate its sustainability ambitions to a wide range of stakeholders, including the investor community.

**Opinion:** ISS ESG considers the Rationale for Issuance description provided by Itelyum as aligned with the SLBP. The issuer has created and committed to publicly disclose the framework and relevant documentation in a comprehensive and credible manner.

### 2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

**Opinion:** ISS ESG considers the Selection of KPIs as per the description provided by Itelyum as aligned with the Sustainability-Linked Bond Principles.<sup>25</sup>

- **KPI 1:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model. The KPI selected is consistent with the overall company's sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable. In addition, it covers a material scope of the operations and activities of Itelyum. However, the KPI is only to a limited extent benchmarkable as there is currently no broadly accepted framework in place that harmonizes the measurement of avoided (scope 4) emissions.
- **KPI 2:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is benchmarkable with some limitations mainly due to the lack of similar indicators made publicly available by peers. The KPI covers a material scope of the operations and activities of Itelyum.

<sup>25</sup> Though we note the discussed limitations of benchmarkability across the two KPIs.

## 2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

**Opinion:** ISS ESG considers the Calibration of Sustainability Performance Target (SPT) description provided by Itelyum as aligned with the Sustainability-Linked Bond Principles.

- **SPT 1:** ISS ESG finds that the SPT calibrated by Itelyum is ambitious compared to the issuer's past performance on avoided emissions. Due to the lack of benchmarkability of the associated KPI, no conclusive assessment of the target's ambition towards sectorial peers or international targets could be performed. The historical data on this KPI have not been externally verified thus limiting conclusions on the ambition of this target. Apart from these constraints, the target is set in a clear timeline.
- **SPT 2:** ISS ESG finds that the SPT calibrated by Itelyum is ambitious against the company's past performance. In the absence of sufficient available data, no conclusive assessment of the target's ambition towards sectorial peers or international targets could be performed. The historical data on this KPI have not been externally verified beyond the baseline year thus limiting conclusions on the ambition of this target. Apart from these constraints, the target is set in a clear timeline and supported by a credible strategy and action plan.

## 2.3. Sustainability-Linked Bond Characteristics

### FROM ISSUER'S FRAMEWORK

**Use of Proceeds:** Unless otherwise stated, proceeds of any SLB will be used for general corporate purposes.

**Financial impact upon trigger event:** The financial characteristics of the instrument will be impacted depending on the achievement or failure to reach the SPTs indicated in the previous section of this Framework. The applicable sustainability-linked adjustment mechanism is further detailed within the relevant transaction documentation for any prospective SLB.

The financial impact for the non-achievement of the SPTs could include, but is not limited to, a coupon-step up or higher repayment amount at maturity.

**Trigger event:** The trigger event is the result of the observation whether a KPI has achieved or not a given predefined SPT that may cause a change in the financial characteristics of the bond.

In this case, a Step-up Redemption Premium may occur pursuant to the failure by the Group to meet one or more Sustainability Performance Targets on the relevant Testing date or failure by the Issuer to deliver an Officer's Certificate or an Assurance Letter to the Trustee on or prior to the relevant Certification Date.

where

Assurance Letter means a customary assurance letter from an External Reviewer confirming that the Gross CO<sub>2</sub>e Avoided Emissions target and/or the Quantity of Waste for Circular Treatments target has or have

been met on the relevant Testing Date. The applicable trigger event is further detailed within the relevant transaction documentation for any prospective SLB.

**Exceptional events consideration:** Any acquisition or divestment by the Group shall be taken into account in the calculation but shall not result in a change of the calculation methodology or a recalibration of the Sustainability Performance Targets or the SLB Baselines.

**Opinion:** *ISS ESG considers the Sustainability-Linked Bond Characteristics description provided by Itelyum as aligned with the Sustainability-Linked Bond Principles. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPIs, associated SPTs and their calculation methodologies.*

## 2.4. Reporting

### FROM ISSUER'S FRAMEWORK

**Frequency:** At least on an annual basis and in any case at target Observation Date.

**Annual reporting:** Itelyum will disclose the performance of the selected KPI(s) on an annual basis within the sustainability report. Annual information on the performance of the selected KPIs may include:

- Up-to-date and externally verified information on the performance of the selected KPI(s), including baselines, scope and calculation methodology where relevant.
- Any updated information relevant to the analysis of the KPIs and the progress against the SPTs.

When feasible and relevant, Itelyum may also provide:

- Qualitatively or quantitatively explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis.
- Illustration of the positive sustainability impacts of the performance improvement.
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

**Target observation date reporting:** Additionally following any target Observation date, Itelyum will provide a verification assurance certificate confirming the performance of each KPI against the associated SPT - See section '2.5 Verification' below for more details.

**Transparency:** Itelyum will keep the Annual Sustainability Report readily available and easily accessible on its website ([www.itelyum.com](http://www.itelyum.com)).

**Opinion:** ISS ESG considers the Reporting description provided by Itelyum as aligned with the Sustainability-Linked Bond Principles. The issuer states that this will be made publicly available annually and include relevant information, as described above.

## 2.5. Verification

### FROM ISSUER'S FRAMEWORK

**Pre-Issuance:**

**Frequency:** Prior to issuance and subsequently in case of material change to this Framework.

**Reporting Content:** Itelyum will appoint a leading Second Party Provider to conduct an external review of this Sustainability-Linked Bond Framework and issue a Second-Party Opinion confirming its alignment with the Sustainability-Linked Bond Principles.

**Transparency:** The Second Party Opinion document will be made publicly available on Itelyum's website ([www.itelyum.com](http://www.itelyum.com)).

**Post-Issuance:**

**Frequency:** At least on an annual basis and in any case at target Observation Date.

**Reporting Content:** Itelyum will seek independent and limited assurance on the annual performance of the KPIs included in the annual Sustainability Report. Additionally and following any target Observation date, Itelyum will obtain a verification assurance certificate from auditors confirming whether the performance of the KPIs meets the relevant SPTs.

**Transparency:** The verification of the performance against the SPTs will be made publicly available

**Opinion:** *ISS ESG considers the Verification description provided by Itelyum as aligned with the Sustainability-Linked Bond Principles. The issuer plans on having all annual values of the SPT published and verified. This will outline the performance against the SPT, and the related impact and timing of such impact on the securities' financial characteristics.*

## PART 3: LINK TO ITELYUM'S SUSTAINABILITY STRATEGY

*Methodological note: Please note that Itelyum is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the 'Water and Waste Utilities' sector, based primarily on publicly available information. The below is not based on an ISS ESG Corporate Rating, but considers ISS ESG Research's methodology.*

**Industry classification:** Water and Waste Utilities

**Key Issues of the industry:**

1. Energy management and resource efficiency
2. Environmentally safe operations of plants and infrastructure
3. Accessibility and reliability of energy and water supply
4. Business ethics and government relations
5. Workers safety and accident prevention

*Indicative ESG risk and performance assessment:*

Itelyum is engaged in the regeneration of waste oils for the production of lubricating bases, purification of chemical wastes for the production of solvents, production of solvents from high-purity materials, industrial waste services, and industrial wastewater treatment.

In terms of environmental risks, the company is mainly exposed to risks in the context of emissions and residues from waste treatment and disposal sites – there is very limited information in this regard. In terms of eco-efficiency, the company has recorded decreasing trends in its energy intensity, greenhouse gas emission (GHG) intensity, nitrogen oxide emission intensity, sulphur oxide emission intensity, and freshwater use intensity over the last years. Further, the company implements environmental management systems that are certified to the ISO 14001 standard in almost all its production sites. However, the company does not appear to have a comprehensive climate change mitigation strategy including quantitative GHG emissions reduction targets.

The environmental services sector is also prone to worker safety risks. Some of Itelyum's production sites have health and safety management systems that are certified to ISO 45001. The company's employee accident rate is at an average industry level and has decreased over the last years. Furthermore, Itelyum has zero employee and contractor fatalities. There is not much publicly available information on the company's business ethics policies and compliance procedures.

*Sustainability impact of products and services portfolio*

- **Social impact of the product portfolio:**

The company provides wastewater treatment services to industrial customers which is relevant to the social objective of ensuring health. However, this does not constitute the main business of the company.

- **Environmental impact of the product portfolio:**

Itelyum produces products from waste oils and chemical wastes which are relevant to the environmental objective of optimizing material use. The revenue share of products made from recycled materials is estimated at around 40%. The company also provides wastewater treatment services to industrial customers which is relevant to the environmental objective of conserving water. However, this does not constitute the main business of the company.

*Key controversy risks for the industry*

Based on a review of controversies in the period of 1 January 2019 – 23 August 2021, the greatest risk reported against companies operating in the Environmental Services industry relate to activities that may have adverse impacts on the environment and labor rights. This is closely followed by activities related to human rights. The top three issues that have been reported against companies within the industry are as follows: alleged poor waste management, failure to prevent water pollution and failure to assess environmental impacts. This is closely followed by the alleged failure to respect the right to safe and healthy working conditions, failure to respect the right to just and favorable conditions of work and failure to prevent air pollution.

*Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the KPIs selected by the issuer for its Sustainability-Linked Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Water and Waste Utilities sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Net CO <sub>2</sub> avoided emissions	✓	✓	Contribution to a material objective
Quantity of waste sent to circular treatments	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the KPIs linked to this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing sustainability-linked bonds is clearly described by the issuer.*

## DISCLAIMER

1. Validity of the SPO: For Itelyum's Sustainability-Linked Bond issuances as long as the Sustainability-Linked Bond Framework (as of September 6<sup>th</sup>, 2021 version), SPTs benchmarks and structural bond characteristics described in this document do not substantially change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

### Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Bond Framework of Itelyum, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. These principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Itelyum's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

### Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against Itelyum's own past performance (according to Itelyum's reported data), and, to the extent possible, against Itelyum's peers (as provided by the issuer), international benchmarks such as the Paris agreement and the UN SDGs (according to the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Itelyum.

## ANNEX 2: Quality management processes

### SCOPE

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

### CRITERIA

Relevant Standards for this Second Party Opinion

- Sustainability-Linked Bond Principles, as administered by ICMA

### ISSUER'S RESPONSIBILITY

Itelyum's responsibility was to provide information and documentation on:

- Framework

### ISS ESG'S VERIFICATION PROCESS

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

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Bond to be issued by Itelyum based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Itelyum took place from August to September 2021.

### ISS ESG'S BUSINESS PRACTICES

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

## About ISS ESG SPO

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

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

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

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

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