S&P Global
Ratings

Environmental, Social, And Governance Evaluation

Renewi PLC

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Summary

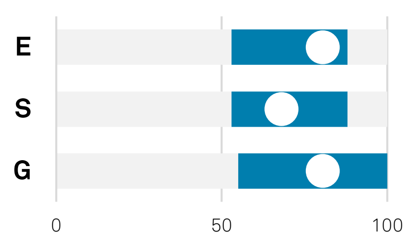
Renewi PLC is a waste-to-product company with operations in the Benelux region. It has 174 operating sites that turn waste into useful materials such as paper, metal, plastic, glass, wood, building materials, compost, and energy. In 2020, the company streamlined its business operations from four divisions to three: Commercial Waste, Mineralz and Water, and Specialities, for a leaner and more operationally effective structure. The company has around 6,550 employees and operates mainly in The Netherlands and Belgium, where it generated 87% of its revenue in fiscal (FY) 2020.

Renewi's ESG evaluation of 83 reflects an above-average focus on recycling and waste management, which underpins its commitment to being a key contributor to the circular economy. In FY2020, the company reprocessed or recycled 90% of the waste volumes it handled. The company is therefore well positioned to benefit from the ongoing shift in waste management--from landfill and incineration toward recycling--driven by recent structural and regulatory changes. It is also well placed to meet greater demand for sustainable products and greater use of secondary raw materials.

Renewi demonstrates strong preparedness, supported by the company culture and the board's awareness of long-term material risks. It analyzes current and emerging risks, including rare events with high potential impact on the company through scenario modelling, and implements mitigation and contingency plans. Renewi recognizes that current law and regulations support its ability to innovate new waste recycling techniques. We believe Renewi's strong oversight of plausible long-term risks supports its ability to effectively manage disruptions from a sudden shift in the regulatory environment, or from environmental liabilities.

ESG Profile Score

77 /100



Company-specific attainable and actual scores

Preparedness Opinion (Scoring Impact)

Strong (+ 6)

ESG Evaluation

83/100

A higher score indicates better sustainability

Component Scores

Environmental Profile

Sector/Region Score		38/50
	Greenhouse gas emissions	Strong
	Waste and pollution	Leading
	Water use	Good
	Land use and biodiversity	Strong
	General factors (optional)	None
Entity-Specific Score		43/50
E-Profile (30%)		**81/100**

Social Profile

Sector/Region Score		38/50
	Workforce and diversity	Good
	Safety management	Good
	Customer engagement	Good
	Communities	Good
	General factors (optional)	None
Entity-Specific Score		30/50
S-Profile (30%)		**68/100**

Governance Profile

Sector/Region Score		35/35
	Structure and oversight	Strong
	Code and values	Good
	Transparency and reporting	Good
	Financial and operational risks	Neutral
	General factors (optional)	None
Entity-Specific Score		46/65
G-Profile (40%)		**81/100**

ESG Profile (including any adjustments) **77/100**

Preparedness Summary

Renewi is strongly prepared to thrive as the world pivots toward a circular economy, thanks to its ability to extend the economic life of the waste it handles, including hard-to-recycle items such as mattresses. The company's preparedness is further boosted by its location in regulatory environments that support innovation in waste management, and its pureplay business model that enables it to forge strategic partnerships with large corporations focused on sustainability. Waste collections in city centers will need to adapt as municipalities embed zero-emission zones and restrict traffic over the next decade and beyond, and we believe Renewi's board has plans to navigate this upcoming disruption and those less certain.

Capabilities	
Awareness	Excellent
Assessment	Good
Action plan	Good
Embeddedness	
Culture	Excellent
Decision-making	Good

Preparedness Opinion (Scoring Impact) **Strong (+ 6)**

ESG Evaluation **83/100**

Note: Figures are subject to rounding.

Environmental Profile

81/100

Sector/Region Score (38/50)

The environmental services industry, which Renewi operates in, has a relatively moderate exposure to environmental risks compared to other industrial sectors. Its most material environmental risks involve greenhouse gas (GHG) emissions, energy consumption, waste, and pollution. Renewi faces lower environmental risk exposure than sector peers, given its focus on recycling and limited landfill assets.

Entity-Specific Score (43/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Strong	**Leading**	**Good**	**Strong**	**None**

Our view of Renewi's solid environmental performance reflects its role as an active enabler of the circular economy as a company, and in partnership with other companies and the community. Renewi is a leading player in enabling the circular economy, with its operations mainly in the Netherlands and Belgium where waste recovery and recycling is very advanced. Its core business is waste recycling and its service aims to reduce waste and pollution across its value chain, which we consider to be a key strength in its environmental profile. Over the past five years, Renewi's average recycling rate was 67%, placing it well above its peers on resource recycling (49% recycling rate on average). It actively innovates and engages with other companies to produce secondary raw materials such as cellulose, plastics, and other polymers that can be used to make a variety of products. The company plans to quadruple the innovative secondary materials produced by 2025, using FY2020 as the baseline. We view this innovation using advanced technologies and engagements on circular economy principles as industry-leading.

We view Renewi's GHG emissions performance as stronger than that of peers considering its focus on promoting circular economy principles to help reduce carbon emissions. Recycling avoids the carbon emissions that usually result from the use of virgin raw materials to make new products. Renewi's scope 1 and 2 GHG emissions intensity, normalized by revenue, is lower than that of waste management peers and declined in the past five years. Despite the company's high energy consumption intensity, largely because recycling is more energy-intensive than other environmental services such as landfills, the energy consumption has been decreasing. We anticipate emissions to continue declining as Renewi invests in renewable energy (solar and wind) production at its operational sites and in the electrification of its fleet. We view positively the company's progress on greening of its fleet by deploying emission-free electric trucks and fuel-efficient Euro6 trucks. Finally, Renewi sets advanced targets in five-year cycles and aims to improve its carbon avoidance to 275 kilograms of carbon dioxide per ton of waste handled by 2025, from 257 in FY2020.

We view the company's exposure to land use risks as limited compared with that of peers, because Renewi derives less than 5% of its revenue from landfills, where most land use risks lie for an environmental services company. The main risk comes from potential leaks of contaminated material from its facilities; however, there have not been any significant leaks from its sites.

Renewi has lower exposure to water use. In addition, there has not been any specific water-related regulatory issues that significantly affect the company. The risk of freshwater contamination is lower than industry peers considering few landfill assets.

Social Profile

68/100

Sector/Region Score (38/50)

Environmental services companies face moderate inherent social risks. The sector generally has a higher exposure to safety risks since fleet movement is inevitable during waste collection, and processing of various waste flows could lead to fire risks. Community-related issues might be pertinent, especially since the sector is intrinsically connected with the local population.

Entity-Specific Score (30/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Good	**Good**	**Good**	**Good**	**None**

Renewi is committed to improving its safety performance but fell short of its FY2020 targets. The company recorded a rate of accidents involving more than three days' absence of 1,504, above its target of 1,355. However, compared to other industry peers globally, Renewi's lost-time injury frequency rate of 9.6 per million hours worked in FY2020 is moderately better than the average of 11.3. We believe it is a positive incentive for Renewi to improve its safety performance considering the safety, health, environment, and quality (SHEQ) committee reports to both the executive committee and the board, and because senior management's variable compensation is linked to safety metrics. In addition, senior leaders carry out two on-site health and safety visits every quarter. We view positively Renewi's investments in high technology fire equipment at its operational sites, which stands out from others in the industry.

Renewi has introduced a diversity and inclusion board, with plans to increase female representation and improve diversity in its workforce. The company's female representation in its workforce (19%) and senior management (20%), though somewhat low, compares well with that of the European environmental services sector (about 18%). Renewi does not have a formal workplace diversity policy but has introduced initiatives that supports workplace diversity. For example, its operations in Belgium employ people with special needs, allowing them to develop skills. Turnover rates remain consistent with those of peers, although we note a minor increase in total staff turnover over the past three years. Finally, we anticipate Renewi's employee engagement will improve: first, because Renewi tracks its employee engagement through its "Pulse" survey and targets to double employee engagement by 2025 from FY2020; and second, because part of the variable pay of executives is linked to the success of increasing employee engagement.

The company maintains good customer engagement on the environmental benefits of the services it provides and its customers' circular economy efforts. We view positively that Renewi uses its technical capabilities and knowhow to collaborate with customers, to offer sustainable innovative solutions, such as initiatives on providing new secondary materials tailored to its customers. These new secondary materials include furniture filling and gym floorings from the recycling of old mattresses to virgin polymers from plastic waste.

Renewi has a meaningful exposure to community-related risks because waste management sites are often a sensitive topic and odor is the primary risk. The company operates in highly populated areas and has introduced some initiatives to show residents the impact of its operations on the neighborhood. Renewi's risk management of such impacts is supported by the deployment of advanced odor sensing technologies, which have reduced environmental complaints to 2.7 complaints per site from 2.9 the previous year, but remains above Renewi's target of 1.4. The absence of a longer track record on the efficacy of these technologies also constrains our score.

Governance Profile

81/100

Sector/Region Score (35/35)

Renewi is headquartered in the U.K. and operates mainly in the Netherlands and Belgium. We view the corporate governance standards in these countries as high with strong institutions and rule of law.

Entity-Specific Score (46/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Strong	**Good**	**Good**	**Neutral**	**None**

Renewi's governance features a strong board composition and high engagement in many aspects of business operations. The board is well balanced with six nonexecutive independent directors and two executive ones, the CEO and CFO. The board has a diverse skillset that reflects the business' needs, and tenures are healthy with an average of four years, with the maximum tenure at eight. Female representation of 25% at board level is somewhat low, but about in line with the U.K.'s median of 27%. In addition, the directors' origins are generally representative of Renewi's operational territories, aligned with international best practices. Board-level committees are fully independent, and the near-full attendance rates at board (99%) and committee (98%) meetings in FY2020 demonstrates board members' assiduity and commitment. We view the appointment of a new chair and independent director as positive because this refresh can bring about new perspectives on business transformation and sustainability and a balance to the other long-standing directors. As the company enters the age of digitalization, the board has acknowledged technology's potential disruptiveness and has undertaken mitigating efforts, including hiring a chief information officer to oversee cyber risks or possible system failures within its business operations. We view this to be in line with international best practices.

Renewi has established a well-articulated code of conduct across its business operations, that leverages on the values decided upon by its employees: safety, innovation, sustainability, accountability, customer focus, and staying together. We view positively the group's remuneration structure, which includes a significant performance-related proportion and incentivizes good safety management. In addition, Renewi has introduced an ESG metric in its long-term incentive plan that rewards improvement of recycling rates, which is more advanced than that of peers.

Disclosure and reporting practices are in line with global standards, covering a wide range of financial and nonfinancial metrics. Renewi releases an annual report and a sustainability report, together with other relevant documentation such as gender pay gap report (U.K.), a sustainability data report, every year, and discloses its corporate governance and strategic reports. Reported sustainability data includes a breakdown per business stream and data over the last three years, allowing trend analysis. However, the lack of external assurance and adoption of internationally recognized frameworks differentiates Renewi from the most advanced peers.

Preparedness Opinion

Strong
(+ 6)

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

Renewi is well prepared to thrive as the world pivots towards a circular economy thanks to its ability to extend the economic life of the waste it handles, including hazardous and hard-to-recycle items. The company's long-term strategy is to provide recycling and waste recovery services and be a leader in the production of secondary materials, thereby contributing to circular economies in the Benelux region. The company estimates it processes approximately a quarter of the waste generated in the region, and increasingly finds ways to inject it back into the economy. The group continues to invest in new techniques to improve recycling rates of often hard-to-recycle materials. These include face masks and other personal protective equipment (PPE) or mattresses, which would previously have been incinerated or landfilled.

The Benelux region's regulations protect Renewi's strategy and support its execution. In particular, the Netherlands' National Waste Management Plan sets out a policy framework to increase innovation and high-value recycling with the aim of promoting a transfer to the circular economy. In Belgium, the in-force Flemish Regulation on sustainable management of material cycles and waste (VLAREMA) defines waste streams that require sorting and separate collection for recycling, minimizing the amount of incinerated waste. Renewi's larger size (€1.7 billion revenue in FY2020) relative to that of often specialized or local recycling players allows the company to invest heavily in scaling up of new recycling technologies and access more diversified sources to fund its capital needs. Furthermore, it is entirely financed by green instruments, a rare accolade in 2021, and has its core business in recycling. Its material recovery from nonhazardous waste practices meet the thresholds requirements in the EU taxonomy for eligible green activities (Renewi recycled 65% in FY2020, compared with the 50% threshold).

Emerging opportunities and potential business disruptions are a key area of focus at board level. Recent discussions focused on how core markets will evolve through to 2030, specifically in logistics and the market for advanced secondary materials, such as low-grade plastics. Renewi's green credentials make it an attractive strategic partner for large corporations focused on improving their sustainability. These partnerships are a valuable source of information in informing the board's view of secondary material markets. In our view, this supports the company's ability to select opportunities. For example, Renewi's partnership with consumer goods giant Unilever and with SABIC (Saudi Basic Industries Corp., the world's fourth-largest chemicals company) looks to close the loop on low-grade plastics, and its Shell-Nordsol project will be the first in the Netherlands to turn methane from food waste into bio-liquefied natural gas (LNG). In addition, Renewi engages with external parties such as researchers for an independent and more objective opinion on key discussions. We view positively the fact that Renewi not only considers megatrends, but also implements a "Soft Risk Culture Framework" that identifies behavioral risks within the group.

In our view, the board and Renewi's risk management and strategic planning carefully consider sustainability and governance. We favorably view the board's engagement on governance controls on the aforementioned collaborative projects. Furthermore, the company recognizes the increased risk of frequent fires due to changes in waste composition (more e-waste, for example), and has recently focused on mitigating such risks and reducing the severity of fires in its treatment plants. Renewi spends 3%-4% of its capital expenditure annually (about €2.7 million) in investing on advanced fire-fighting equipment to mitigate fire risks, including leveraging on artificial intelligence (AI) technology in cameras to identify gas bottles at operational sites. These actions have been broadly successful because although the incident rate has increased, fires have been 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. Indeed, the board factors into its planning the long-term impact climate change will have on Renewi's operations, including the potential increase of fire risk and challenges of low river levels on barge logistics. Overall, Renewi sees climate mitigation as a strategic opportunity for the company.

ESG considerations are at the forefront of Renewi's collaborative culture, which we view as a particular strength in our overall preparedness assessment. The group's six core values were developed bottom-up, with employees encouraged to submit ideas to rally recycling rates to 75%. In addition, Renewi organizes training and seminars targeted at its drivers to communicate the importance of their role to the process of circular economy. It also actively engages its waste collection drivers in discussions with the innovation team for ideas, which we view as best practice. We view positively that all employees are included in various communications and innovation initiatives in the company. Adherence to the group's core values is a component of both employee and management incentive schemes. ESG factors also contribute meaningfully to senior management bonuses, with performance against health and safety objectives accounting for upward of 17% of the total.

Sector And Region Risk

Primary sector(s)	Environmental Services
Primary operating region(s)	Netherlands Belgium

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 haulers to provide customers with GHG-reducing services like waste reduction consulting, recycling, and low emissions 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 contain 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. Labor unions will likely continue. 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

Netherlands

The Netherlands has strong institutional effectiveness and rule of law. It has a very active pension fund industry that has been a leader in sustainable investing and stewardship, creating an advanced ecosystem for sustainable finance. In terms of reporting, companies of over 500 employees are implementing the EU Non-Financial Reporting Directive, which mandates disclosing ESG (including diversity) risk. Compared to other European countries, the Netherlands has more dispersed ownership structures with few controlled listed companies. The Frijns Committee (Corporate Governance Code Monitoring Committee) publishes the Dutch Corporate Governance Code, last edited in 2017. The code follows the stakeholder model and focuses on long-term sustainability. There is high compliance with the code's recommendations. Equally, the new Dutch Stewardship Code, went into effect January 2019, considers all stakeholders' interests, not just shareholders'. In February 2019, the government completed a consultation period on a bill proposal to implement a 250-day thinking period for boards. The proposal, which could be an anti-takeover mechanism, raised concerns about shareholder rights because it would give the supervisory board 250 days if shareholders submit a proposal to appoint or remove a director, or if there's a takeover bid. Shareholder rights provisions are otherwise strong, including a binding vote on executive remuneration.

Belgium

Belgium has strong institutions and rule of law. The Belgian Companies Code forms the legislative framework for corporate governance and the Belgian Code on Corporate Governance (BCCG) is the reference document for best practices. In May 2019, the Corporate Governance Committee published the third edition of the BCCG based on a comply-or-explain model. The 2020 BCCG took effect on Jan. 1, 2020. Changes include guidance on a new option for listed companies to adopt a two-tier board structure similar to the German model, a focus on long-term strategy, and further provisions for board and executive remuneration. Companies of over 500 employees are implementing the EU Non-Financial Reporting Directive's recommendations, which mandate disclosing ESG (including diversity) risk. As in other European countries, ownership is quite concentrated. To promote gender diversity on boards, all listed companies must have at least one-third of any gender on the board.

Related Research

- The ESG Risk Atlas: Sector And Regional Rationales And Scores, July 22, 2020
- Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide, July 22, 2020
- Environmental, Social, And Governance Evaluation: Analytical Approach, Dec. 15, 2020
- How We Apply Our ESG Evaluation Analytical Approach: Part 2, June 17, 2020

This report does not constitute a rating action.