S&P Global
Ratings

Environmental, Social, And Governance Evaluation

Renewi PLC

Summary

Headquartered in the U.K., Renewi PLC is a waste-to-product company operating predominantly in the Benelux region. It operates 162 sites through its three divisions, Commercial Waste, Mineralz and Water, and Specialities, to transform waste into secondary raw materials. Such materials include paper, metal, plastic, glass, wood, building materials, compost and energy. In fiscal 2022 (ended March 31, 2022), Renewi generated €1.87 billion in revenue, of which 86% was from operations in the Netherlands and Belgium. It also processed 12.4 million tonnes (mT) of waste and employed 6,641 people.

Renewi's ESG Evaluation of 83 reflects a solid environmental performance, given its above-average focus on recycling and waste management and the fundamental benefits associated with its circular economy business model. The company is well positioned for regulatory-driven opportunities as waste management shifts from landfill and incineration toward recycling. The company recently launched a program it calls Renewi 2.0, involving more active engagement with customers and customized offerings for the secondary materials market. Such initiatives help Renewi strengthen customer relationships, while meeting the increasing demand for sustainable products and greater use of secondary raw materials. To manage safety and fire risks, the company invests in state-of-the-art technologies including artificial intelligent cameras and deluge water systems.

Renewi's strong preparedness is supported by the company culture and the board's awareness of long-term material risks. Renewi has a robust ability to analyse current and emerging risks, including rare events with high potential impact on the company through scenario modelling, and implement mitigation and contingency plans. The regulatory environment in which Renewi operates provides an incentive for continuous innovation in recycling. Its oversight of long-term risks, including transition and physical risks, combined with its ongoing culture of innovation, should allow the company to effectively manage its business in future even in the event of any liabilities associated with its activities.

PRIMARY ANALYST

Evian Wee
Singapore
+65-6239-6363
evian.wee
@spglobal.com

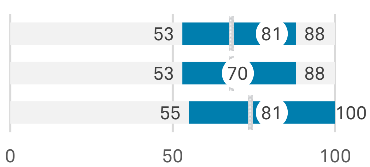
SECONDARY ANALYSTS

Beth Burks
London
+44-20-7176-9829
beth.burks
@spglobal.com

Guillaume Colomer
Milan
+39-34-0211-6723
guillaume.colomer
@spglobal.com

ESG Profile Components (figures subject to rounding)

Entity-specific assessment			Sector/region analysis			Achieved and attainable scores
E (30%)	43	+	E (30%)	38	=	E
S (30%)	32	+	S (30%)	38	=	S
G (40%)	46	+	G (40%)	35	=	G



Entity within its primary sector/region

Entity's sectors/ regions versus all sectors/ regions

Min and max scores possible given sectors/regions. The gray line represents performance in line with industry standards.

ESG Profile 77

Preparedness +6

Low	Emerging	Adequate	**Strong**	Best in class

ESG Evaluation

83

A higher score indicates better sustainability. Figures subject to rounding.

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	Strong
Communities	Good
General factors (optional)	None
Entity-Specific Score	**32/50**
S-Profile (30%)	**70/100**

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 likely to thrive as the world shifts toward a more circular economy. The company has good technical capabilities to extend the life of waste it handles, including hard-to-recycle items such as medical equipment. It has gained market share in the waste industry. The company's preparedness for the future is underpinned by its location in environmentally conscious regulatory environments that support innovation in waste management, and by its pure play business model which focuses on strategic partnerships with other corporations focused on sustainability. Renewi will increase its investments in advanced technologies over the next three years. Additionally, climate change is both a risk and an opportunity for Renewi's business. The board has credible plans to navigate this upcoming period of disruption and uncertainty.

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

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

ESG Evaluation **83**

Note: Figures are subject to rounding.

Environmental Profile

81/100

Sector/Region Score (38/50)

The environmental services industry faces more environmental risks than other types of business and consumer services companies. Environmental services companies are heavily exposed to greenhouse gas (GHG) emissions, energy consumption, waste, and pollution issues. Renewi faces lower environmental risks than other waste management companies, given its focus on recycling and limited reliance on landfills.

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**

Renewi's solid environmental performance reflects its role as a key enabler of the circular economy, in collaboration with partnering companies and the community. Its core business of waste recycling reduces waste and pollution across its value chain, including its customers'. Renewi's waste recycling rate of 67% is well above its peers' average of 41%. In fiscal 2021, the company launched Mission75, targeting a recycling rate of 75% and to produce 1 mT of innovative materials by fiscal 2025 (fiscal 2022: 282,500 tonnes). The company will invest more than €100 million into innovations for circular economy. It will collaborate with other companies to produce high quality secondary materials from plastics, glass, organics and building materials, among others. Its investments in advanced sorting technologies will help Renewi achieve its recycling target, while ensuring its customers comply with new waste regulations. We view Renewi's commitments on circular economy through innovation, and the benefits its offerings bring across the value chain as credible and industry leading.

Renewi's operations contribute to lower GHG emissions throughout the value chain, given its focus on circular economy. Recycling helps avoid the carbon emissions that usually result from the use of virgin raw materials to make new products. The company's GHG emissions intensity, normalized by total revenues, has been declining in the past five years (266 tCO2e/$ mil. revenues in fiscal 2022) and is one quarter of global peers' average. Renewi's carbon footprint will continue to decline as it invests in the greening of its fleet by deploying emissions-free electric trucks. It plans to use only fuel-efficient Euro6 trucks and optimize waste collection routes. It has partnered with other large waste collection companies to consolidate waste collection in the Netherlands. Renewables such as solar and wind energy contributes to 33% of Renewi's energy mix, doubling from fiscal 2021. This will increase as the company adds on-site renewable energy production. Renewi met its fiscal 2025 carbon intensity target in fiscal 2022 and intends to set new carbon targets, which will be aligned with the Science Based Targets initiative (SBTi).

Renewi's exposure to land use and biodiversity risks is limited, since it derives less than 5% of revenue from landfills. Its main risk stems from potential leaks of contaminated materials handled at its facilities. However, there have been no significant leaks from its sites in the past three years. Renewi intends to improve the traceability of treated materials from its Mineralz and Water division.

Renewi may face increasing exposure to water risks in the long term. In its latest taskforce on climate-related financial disclosures (TCFD) assessment, the company has identified water scarcity as an emerging risk to its business, especially for its Dutch operations, which rely on barging. It intends to quantify water stress and develop mitigation plans in the near future.

Social Profile

70/100

Sector/Region Score (38/50)

Environmental services companies face moderate social risks. The sector has higher exposure to safety risks stemming from the collection and transportation of waste, and fire risks from processing various waste flows. Community-related issues such as odor management are also pertinent, especially since the sector is intrinsically connected with the local population.

Entity-Specific Score (32/50)

Note: Figures are subject to rounding.

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

Renewi's focus on health and safety improved its safety performance in fiscal 2022. In that year, the company recorded zero fatalities, a 36% reduction in its lost-time injury frequency rate to 8.9 per million hours worked, in line with the peers' median, and 25% reduction in major fire incidents. To mitigate fire risks, Renewi invested in high-tech fire equipment, such as artificial intelligence cameras, and upgraded deluge systems at its operational sites. The company also engages with industry peers and regulators to improve handling of flammable waste. Safety remains a top priority for the company, including at the highest level of Renewi--it has recently appointed a group-wide safety, health, environment, and quality director, to enhance co-operation across divisions; senior leaders participate in site visits and audits; and safety performance is factored into the executives' variable compensation--a standard practice. Still, the lack of a longer track record of positive safety performance constrains our view.

Renewi continues to promote diversity and inclusion, while focusing on programs to enhance employee engagement. Female representation in the company's workforce (20%), and senior management (22%), has improved since fiscal 2021, although it is still lower than the global peers' average of 23% and 27%, respectively. Renewi targets 25% female representation in the total workforce and 30% women in higher management by fiscal 2025, and it has established a diversity and inclusion board. Turnover rates have remained somewhat stable at 11% and better than peers' average of 19%, suggesting initiatives have been broadly effective. For example, Renewi's leadership development program provides training to employees to take on leadership roles and RenewiGO, a digital communication channel, encourages employee engagement.

Renewi has intensified its dialogue and collaboration with customers, and is diversifying and tailoring its product offerings. The company introduced the Renewi 2.0 program to streamline and make customer service more proactive, reducing customer complaints by 20% over the last fiscal. In another step to protect and expand its customer base, Renewi has committed more than €100 million for innovation over three years to maintain its technical leadership. It is increasingly co-developing tailored solutions for customers, contributing to stickiness of its client relationships. That said, the company does not disclose net promoter scores from its product customers.

Renewi has material exposure to community-related risks since waste management sites are often a sensitive topic. Since its facilities are located within highly populated areas, the company has actively dialogued with local communities to identify and manage issues relating to odor, dust, and noise pollution. The reduction in number of environmental complaints to 0.96 per site from 2.7 last year reflects Renewi's success in managing such community impacts, which includes the deployment of advanced odor sensing technologies, for example.

Governance Profile

81/100

Sector/Region Score (35/35)

Renewi is headquartered in the U.K. and operates mainly in the Netherlands and Belgium. Corporate governance standards in these countries are 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 structure features strong board composition and the company maintains a high level of engagement in many aspects of its business operations. The board is well balanced with six independent nonexecutive directors and two executives, the CEO and CFO, and separate CEO and chair roles. The directors have diverse and relevant backgrounds, including energy, chemicals, transport, investments, finance, and sustainability. The appointment of two new female board members in fiscal 2022 raised gender diversity, with current female representation of 37.5% comparing favorably with the U.K.'s median of 30%. The directors' citizenships are also representative of Renewi's geographic footprint. Tenures remain healthy with an average of three years, and the maximum at five years. Board-level committees are fully independent. In fiscal 2022, Renewi introduced a safety, health and environment committee, reflecting the importance of these issues at the highest level of the organization. The full attendance rates at board and committee meetings in fiscal 2021 also demonstrate high levels of commitment from board members.

Renewi has established a well-articulated code of conduct across its operations that is integrated in its leadership's remuneration structure. The company's code of conduct is publicly available, and employees receive online mandatory training on its application. The code reflects the values decided upon by Renewi's employees: safety, innovation, sustainability, accountability, customer focus, and staying together. The group's remuneration structure includes a significant performance-related proportion and incentivizes good safety management. Renewi's long-term incentive plan's objectives include environmental and social targets that reward the improvement of recycling rates, safety performance, and implementation of its digital program, Renewi 2.0, 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 non-financial metrics. Renewi releases an annual report and a sustainability review each year, together with other relevant documentation such as gender pay gap report (U.K.), its sustainability Global Reporting Initiative (GRI) content index, and more recently its CDP climate change questionnaire. The company also publishes corporate governance and strategic reports, and an annual modern slavery statement. Reported sustainability data is comprehensive, includes a breakdown per business division, and covers historical data over three years. The lack of external assurance on its ESG performance 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, given the company's strong capabilities in extending the economic life of the waste it handles. The company's long-term strategy is to provide recycling and waste recovery services and be a leader in the production of secondary materials, while contributing to circular economies in Benelux. Renewi estimates it processes about a quarter of the waste generated in the region. The group continues to invest in new technologies to improve recycling rates of often hard-to-recycle materials, including face masks and medical equipment, which would previously have been incinerated or landfilled.

The Benelux region's regulations support Renewi's strategy and 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 further promoting 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 (€1.8 billion revenue in fiscal 2022) relative to that of often specialized or local recycling players allows the company to maintain its technological edge--it has committed more than €100 million over three years to innovation and scaling up of new recycling technologies across organics, building materials, plastics, and advanced sorting, among others. As a recycling pure-play, Renewi relies on green instruments for its funding.

Recent board discussions focused on how core markets will evolve through 2030, specifically in logistics and advanced secondary materials, such as low-grade plastics and organics. 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 for the board of secondary material markets, and also support the company's ability to select opportunities. For example, Renewi's partnership with Shell and Nordsol on the bio-liquefied natural gas (LNG) plant is the first in the Netherlands to turn methane from food waste into a useful product. Renewi considers megatrends and also implements a "Soft Risk Culture Framework" that identifies behavioral risks within the group.

The board and Renewi's risk management and strategic planning consider sustainability and governance, notably in relation with collaborative projects. Furthermore, the company recognizes the increased risk of fires due to changes in waste composition (more e-waste, for example), and has prioritized mitigating and reducing the severity of fires in its treatment plants. These actions have been successful because the incident rate of major fires has decreased by 25% from last year. The board factors in the long-term impact of climate change on Renewi's operations, including the potential increase of fire risk and challenges of low river levels on barge logistics. While Renewi sees climate change as a strategic opportunity for its business, it has more recently identified water scarcity as an emerging risk through its inaugural TCFD assessment.

Renewi's culture emphasises a focus on ESG considerations. The group's six core values were developed bottom-up, with employees encouraged to submit ideas to rally recycling rates to 75%. It also engages its waste collection drivers with the innovation team for ideas, which we view as a best practice. ESG factors contribute meaningfully to the leadership's bonuses, with performance against health and safety objectives accounting for upward of 15% of the total.

Sector And Region Risk

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

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 management companies 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. Waste 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, in particular air, drinking water, or soil contamination. However, because the waste industry has been among the most heavily regulated from the mid-1970s, the regulatory structure is generally mature. We generally expect more GHG emissions, but environmental policies would somewhat help curtail this. While climate change could impact waste services companies via inefficient waste collection routes and associated costs arising from weather disruptions, these companies may also benefit from population growth creating more waste. As a partial mitigating factor, the industry has been converting large portions of its collection fleets to more fuel efficient or electric trucks. This trend not only materially reduces GHG emissions but also fuel, labor, and maintenance costs.

Social exposure

The social risk assessment reflects the environmental services 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. Waste collection services also expose employees to road accidents. Nevertheless, the sector continues to mitigate labor and safety issues by automating the operation of collection vehicles, where possible, which reduces costs associated with injuries and improves collection efficiency.

Appendix

Regional Risk Summary

Netherlands

The Netherlands has strong institutions and rule of law, with free flows of information throughout society and open debate on policy decisions. Checks and balances between institutions are generally effective. Compared with 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. Also, the 2019 Dutch Stewardship Code, considers all stakeholders' interests, not just majority shareholders'. In 2021, the parliament and senate approved a bill to implement a 250-day thinking period for boards if shareholders submit a proposal to appoint or remove a director, or if there's a takeover bid. While this could act as an antitakeover mechanism, shareholder rights provisions are otherwise strong, including a binding vote on executive remuneration. On diversity, a hard gender quota came into force in January 2022, requiring a minimum one-third of board seats to be held by the least-represented gender. The Netherlands ranks 8 out of 180 on Transparency International's 2021 Corruption Perceptions Index.

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. The third edition of the BCCG took effect in January 2020 and is based on a comply-or-explain model. Changes include guidance on a new option for listed companies to adopt a two-tier board structure like the German model, a focus on long-term strategy, and further provisions for board and executive remuneration. The transposition into law of the Shareholder Rights Directive II in 2020 means the introduction of a new binding vote on a company's remuneration policy at least every four years, and increased disclosure of policy details. Companies with more than 500 employees are implementing the EU's Non-Financial Reporting Directive's recommendations, which mandate disclosing ESG (including diversity) risks. 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. Private and public sector corruption levels are low. Belgium ranks 18 of 180 on Transparency International's 2021 Corruption Perceptions Index.

United Kingdom

The U.K. benefits from strong corporate governance practices. Brexit-related policy uncertainties still linger, including disagreements with the European Union on the implementation of the Northern Ireland Protocol, which may lead to friction. Still, in our view, the U.K. benefits from 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 (FRC) and updated in 2018. The revised and strengthened code provides a broad set of recommendations, including executive remuneration and board composition, and follows a comply-or-explain model, and is widely regarded as best practice internationally. A recent version strengthened provisions on the role of the audit and nomination committees, chair tenure, and stakeholder engagement. An updated version of the U.K. Stewardship Code published by the FRC also came into effect on Jan. 1, 2020. It sets out principles for investors. Overall levels of corporate disclosure on ESG are strong and the country benefits from a very active institutional investor base, which has been fuelling the demand for better disclosure and corporate engagement. Legislation that took effect in 2019 will also require pension funds to disclose the financial risks they face arising from ESG factors. The U.K. ranks 11 of 180 on Transparency International's 2021 Corruption Perceptions Index.

Related Research

- Environmental, Social, And Governance Evaluation: Analytical Approach, Dec. 15, 2020
- 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
- How We Apply Our ESG Evaluation Analytical Approach: Part 2, June 17, 2020

This report does not constitute a rating action.