

# GREEN BOND REPORT

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STENA METALL GROUP, NOVEMBER 2018





# INTRODUCTION

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The Stena Metall Group issued its first green bonds on May 23, 2018. The amount was SEK 800 million, with a term of five years. The net proceeds have been exclusively used for sustainable investment at the Stena Nordic Recycling Center, one of Europe's most advanced and efficient recycling facilities. This is the first yearly report. It presents the allocation of green net proceeds and adherence to the Green Terms.

The issue was preceded by the publication of the green bond framework, a second opinion by Cicero and a well attended investor presentation in Stockholm and global investor calls.

Stena Metall's green bond framework states that the sole use of proceeds is to finance and refinance expenditure and future investments at the Stena Nordic Recycling Center. The main green bond principles are pollution prevention and control followed by a subset of secondary categories. All categories have been mapped towards the UN's Sustainable Development Goals and are highlighted in the framework. The framework contains a list of predefined reporting metrics, allowing environmentally conscious investors to monitor the performance of the financed assets.

Handelsbanken acted as sole green structuring adviser to Stena Metall. Interest from investors was considerable when the bonds were issued.

On September 3, there was a listing ceremony at Oslo Børs. Stena Metall had the honor of ringing the bell at the opening of the market.

"This was a special day, as it was the first time a company listing a bond was granted this privilege. Previously, only companies listing shares were allowed to do this," says Peter Gustafsson, CEO of Stena Metall Finans.

The development of the Stena Nordic Recycling Center is proceeding according to plan. The recycling processes at the facility deliver high quality raw materials in line with production expectations.

## ORGANIZATIONAL CHANGES FROM SEPTEMBER 1

With greater production collaboration between Stena Recycling and Stena Technoworld and increasingly similar market logistics, Stena Metall has chosen to integrate the Recycling and Electronics Recycling Business Areas from the start of the 2018/19 financial year. The change will not affect the process for project evaluation and selection.

## DARK GREEN RATING BY CICERO

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A second opinion on the Green Bond Framework has been provided by Cicero. The full report is publicly available on the Group's website. Below is an extract of the summary.

"Stena Metall's Green Bond Framework provides a clear and sound framework for climate-friendly investments. The framework lists eligible categories of "Green Projects", such as pollution prevention and control connected to waste recycling activities at the Stena Nordic Recycling Center (SNRC) in Halmstad, Sweden. /.../ These activities clearly promote a transition to

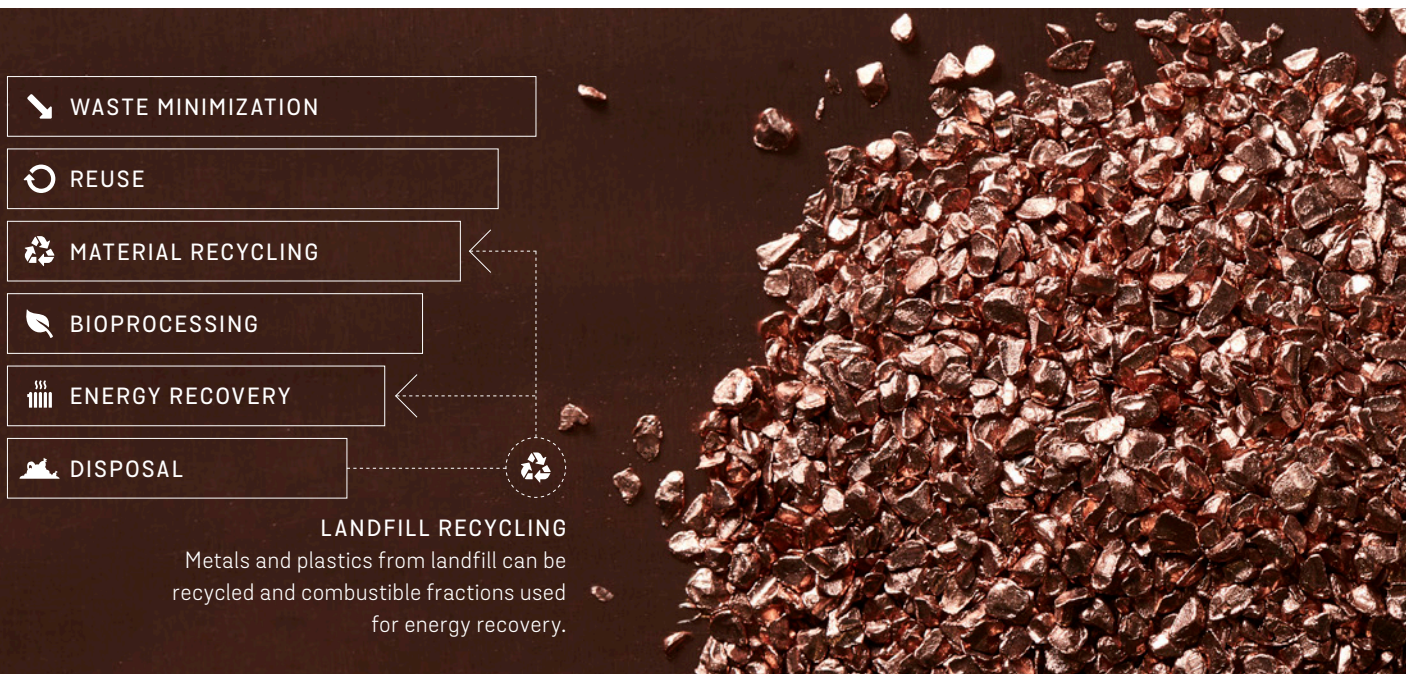
low-carbon and climate-resilient growth and are an essential part of the green transition. /.../

CICERO found that the framework was aligned with the Green Bond Principles. Based on the overall assessment of the project types that will be financed by the green bond and governance and transparency considerations, Stena Metall's Green Bond Framework is rated CICERO Dark Green."

# STENA NORDIC RECYCLING CENTER

The Stena Nordic Recycling Center, in Halmstad, is the main hub of the Group’s industrial recycling infrastructure. The operations are carried out by Stena Recycling AB\*. The facility represents a great leap forward in efficient resource management, which benefits customers and the environment. Since its inauguration in October 2016, the facility is evolving according to plan.

\*Previously also Stena Technoworld AB, which has been merged into Stena Recycling AB, as of September 1, 2018



## UPWARDS IN THE WASTE HIERARCHY

The recycling and energy recovery processes at the Stena Nordic Recycling Center move large amounts of material up the waste hierarchy. Thanks to the improved recycling rates it achieves, energy savings and environmental benefits

increase. Annually, approximately 120,000 tonnes of ferrous and non-ferrous metals are supplied to smelters around the world. 230,000 tonnes of waste is processed, including about 200,000 cars. The facility reduces landfill by 40 percent (compared to the technology that was used in the plant preceding Stena Nordic Recycling Center).

“This plant makes it possible to reduce waste, improve recycling rates and produce pure grades of raw material. We are expanding the market for recycled raw materials that compete with virgin raw materials. That’s why this plant is a game-changer in our business.”

Kristofer Sundsgård, Managing Director of Stena Recycling AB



## FUTURE OUTLOOK

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To maintain its position as the leading industrial recycling company, and to meet the changing demands of the manufacturing industry, Stena Recycling is investing in further processes at Stena Nordic Recycling Center. A process for soft plastics was recently introduced. Next, will be a recycling process for cables and one for plastics from electronic products.



Plastic pellets produced from recycled material at Stena Nordic Recycling Center.

### COLLABORATING ON NEW SOLUTIONS

In close cooperation with universities, Stena Recycling continues seeking solutions to future recycling challenges. As well as work on plastics, research on recycling of lithium-ion batteries is done. While investigating new and improved battery recycling solutions, processes for safe handling of vehicle batteries are offered. This includes reuse (as energy storage devices) and eventual recycling, when the batteries have no further capacity.

At the Stena Nordic Recycling Center, we have also created the Stena Recycling Lab, a testing arena for new recycling technology and the development of sustainable products. This serves as a meeting place for entrepreneurs, researchers, students and companies and acts as a catalyst for innovation and development in the field of recycling.

# USE OF PROCEEDS

The net proceeds from the issue of the Green Bonds will be used exclusively to finance and refinance investment in Stena Nordic Recycling Center.

From September 2013 until August 31, 2018, the Group has invested SEK 772.5 million in the Stena Nordic Recycling Center. These investments are built on collaborations with customers and partners, not least vehicle manufacturers and suppliers of electrical and electronic goods.

Major investments (SEK 234.8 million) in the facility's first few years have included adaptations to make the site suitable for industrial recycling and meet environmental and workplace safety requirements.

The single largest investment (SEK 241.9 million) has been in non-ferrous metal (NF) processing - sorting metals from other material and from each other.

One fifth of the investment (SEK 166.6 million) was used to create Europe's largest precious metals recycling (PMR) facility, where precious metals are extracted from electronic products. Before being fed into the process, hazardous substances are removed at a pre-treatment unit. The pre-treatment unit was moved from another facility and, therefore, incurred costs of only SEK 0.8 million.

An innovative process for recycling shredder light fraction (SLF) investment SEK 94 million. SLF is a difficult to recycle mix of plastic, metal, rubber, textiles and other material, in

small fragments, that results when cars and other products are ground up in a hammer mill.

During the autumn, soft plastic recycling was initiated. The process produces plastic raw material in the form of pellets, which act as an effective substitute for plastic produced from virgin sources. At the same time, a process for recycling plastic from electronic products is also being created. So far, these investments amount to SEK 10/11 million, respectively.

During the autumn, new sensor technology was introduced at the Stena Nordic Recycling Center, in order to extract chlorine-rich material from the fractions used for energy recovery. This improves the quality of the fuel fed into in energy production processes and reduces wear on equipment.

A new material planning system has also been implemented at the facility. This ensures better control and monitoring of the large volumes of material being processed. The system enables more efficient management and increased utilization of the facility's processes.

These two investments are accounted for as Other (SEK 13.4 million).

## INVESTMENTS

PROJEKT	AMOUNT (SEK MILLION)
PMR	166.6
Plastic (from electronic products)	10
First treatment	0.8
Property	234.8
NF	241.9
SLF	94
Plastic (Soft plastics)	11
Other	13.4
<b>TOTAL</b>	<b>772.5</b>

# IMPACT AND PERFORMANCE METRICS

For its investment in the Stena Nordic Recycling Center, the Stena Metall Group has developed relevant impact and performance metrics, in accordance with the main Green Bonds Principles category Pollution Prevention and Control and the secondary categories (i) Waste Management and Waste Recycling, (ii) Environmental Monitoring and Reduction of Negative Environmental Externalities, (iii) Eco-efficient, Circular and Value Added Products from Waste and Remanufacturing as well as (iv) Energy and Resource Efficiency.

Presented in the tables below are the key figures for the financial year 2017/18.

## KEY FIGURES

1	Processed waste (tonnes)	231,970 tonnes
2	Fractions and volumes of sorted waste (numbers and tonnes)	
	Fe (incl stainless steel)	44,570 tonnes
	Al	50,858 tonnes
	Cu	13,191 tonnes
	Other metals	9,808 tonnes
	Plastic	4,136 tonnes
	Glass	1,539 tonnes
	Other reuse and recycling	1,675 tonnes
	Total material recovery	125,778 tonnes
3	Processed number of cars per year	235,099 tonnes
4	Percentage of recyclable materials from cars (%)	95.5 %
5	Prevented CO <sub>2</sub> e emissions due to recycled material (tonnes)	800,000 tonnes
6	Water consumption, per tonne of material processed (cbm).	0.093 cbm
7	Energy consumption and GHG emissions	
	<b>ENERGY TYPE</b>	<b>CONSUMPTION</b>
	District Heating	6,682,559 kWh
	Electricity	14,981,866 kWh
	Diesel, machinery	237,545 liters
	<b>Total</b>	<b>-</b>
		<b>EMISSIONS</b>
		735 tonnes CO <sub>2</sub> e
		124 tonnes CO <sub>2</sub> e
		704 tonnes CO <sub>2</sub> e
		<b>1563 ton CO<sub>2</sub>e</b>

## DEFINITIONS

- Total amount of waste processed at SNRC. Calculated as the sum of all outbound fractions from the processes at SNRC.
- Material recovery from waste processed at SNRC. Calculated from outbound fractions and contents of processed materials.
- Number of recycled end-of life vehicles (ELV) from which waste is processed at SNRC. Calculated as the sum of processed ELVs at the shredders that delivers material to SNRC for further upgrading.
- Recycling rate of ELV material processed at Stena Recycling shredders and SNRC. The recycling rate for car bodies delivered to Stena Recycling is based on batch tests at Stena shredders and SNRC. Data regarding disassembly before delivery to Stena comes from Bil Sweden reporting.
- Prevented CO<sub>2</sub>e emissions when recycled material is used instead of virgin material. Calculated based on the amounts of materials recovered at SNRC and established factors for CO<sub>2</sub>e prevention for different materials.
- Water consumption at SNRC per tonne of processed material. Calculated with input from KPI 2 and input from reading of flowmeters (water) also confirmation from supplier invoice.
- Total energy consumption and GHG emissions from SNRC.

# POSITIVE IMPACT ON THE CLIMATE

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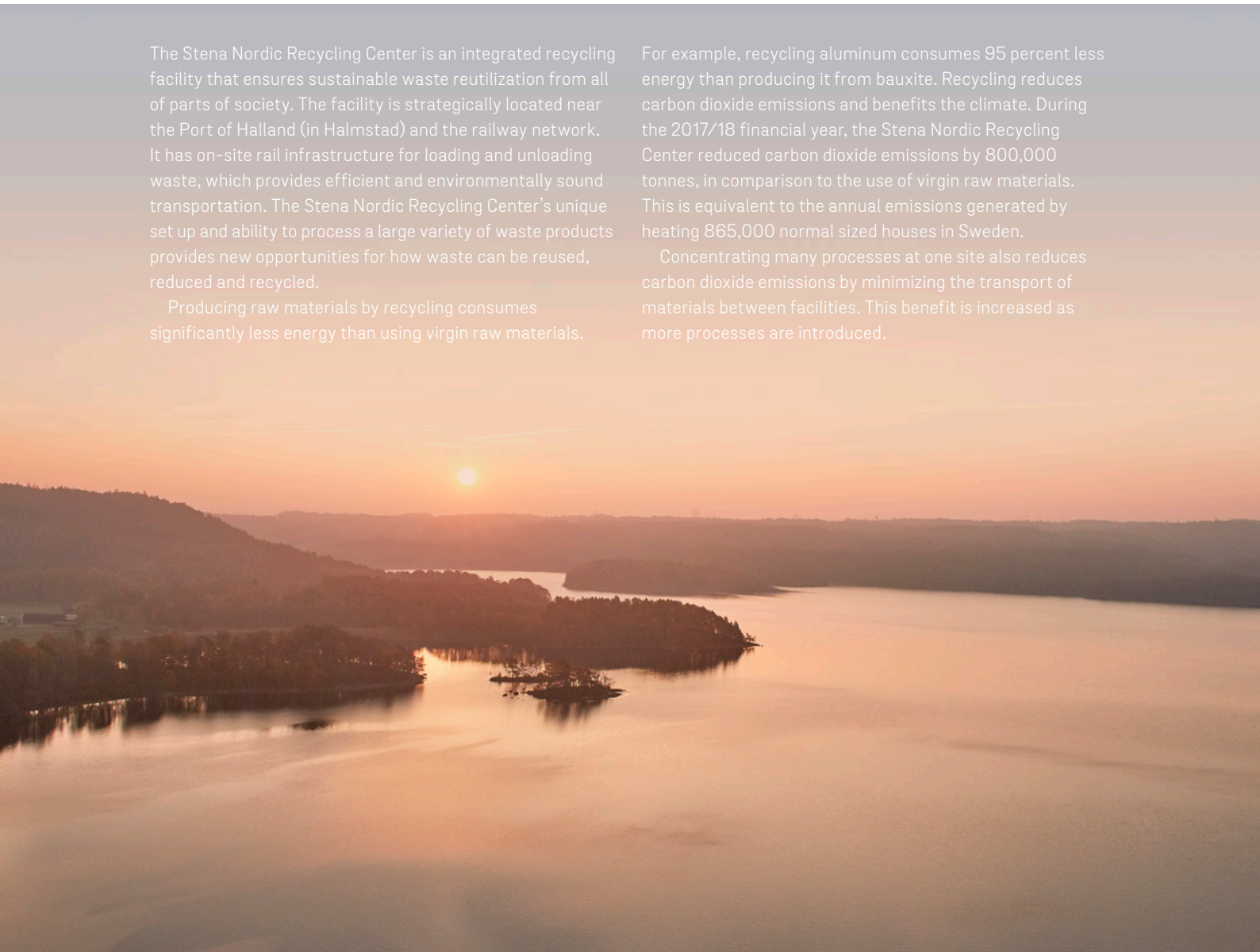
With the aid of advanced technology and efficient processing, the Stena Nordic Recycling Center achieves higher recycling rates than were previously possible. Producing raw materials from recycled material helps to conserve the earth's resources and reduce carbon dioxide emissions. Gathering many processes at one site also reduces transportation.

The Stena Nordic Recycling Center is an integrated recycling facility that ensures sustainable waste reutilization from all of parts of society. The facility is strategically located near the Port of Halland (in Halmstad) and the railway network. It has on-site rail infrastructure for loading and unloading waste, which provides efficient and environmentally sound transportation. The Stena Nordic Recycling Center's unique set up and ability to process a large variety of waste products provides new opportunities for how waste can be reused, reduced and recycled.

Producing raw materials by recycling consumes significantly less energy than using virgin raw materials.

For example, recycling aluminum consumes 95 percent less energy than producing it from bauxite. Recycling reduces carbon dioxide emissions and benefits the climate. During the 2017/18 financial year, the Stena Nordic Recycling Center reduced carbon dioxide emissions by 800,000 tonnes, in comparison to the use of virgin raw materials. This is equivalent to the annual emissions generated by heating 865,000 normal sized houses in Sweden.

Concentrating many processes at one site also reduces carbon dioxide emissions by minimizing the transport of materials between facilities. This benefit is increased as more processes are introduced.



**Further reading:**

[https://www.stenametall.com/siteassets/investor-relations/arsredovisning/stena\\_annual-review\\_and\\_sustainability\\_report\\_2017-18\\_eng.pdf](https://www.stenametall.com/siteassets/investor-relations/arsredovisning/stena_annual-review_and_sustainability_report_2017-18_eng.pdf)

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## Independent Auditor's Limited Assurance Report

To Stena Metall Group

We have been engaged by Stena Metall Group ("Stena Metall") to undertake a limited assurance engagement of the Stena Metall Group *Green Bond Report 17/18* (dated November 2018), concerning the Stena Metall Green Bond issued in May 2018.

### Responsibilities of the management

The management of Stena Metall is responsible for evaluating and selecting eligible investments, for the use and management of bond proceeds, and for preparing a Green Bond Report that is free of material misstatements, whether due to fraud or error, in accordance with the *Stena Metall Group Green Bond Framework* (per April 2018, available on the Stena Metall website, [www.stenamettall.com](http://www.stenamettall.com)).

### Responsibilities of the auditor

Our responsibility is to express a limited assurance conclusion on the Green Bond Report based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the management of bond proceeds and for the preparation of the Green Bond Report, and applying analytical and other limited assurance procedures, including inspection of documentation, and limited sample testing of selected information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

### Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Group Management as described above. We consider these criteria suitable for the preparation of the Green Bond Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Green Bond Report is not prepared, in all material respects, in accordance with the reporting criteria.

Gothenburg, November 28, 2018

PricewaterhouseCoopers AB

Johan Rippe  
Authorised Public Accountant

Fredrik Ljungdahl  
Sustainability Expert Member of FAR