



# Syctom Green Bond Framework

**March 2020**



## 1. Introduction

### 1.1 Presentation of Syctom

Syctom, the metropolitan agency for household waste, is a public administrative body responsible for the 85 municipalities of Île-de-France. It provides services to nearly 6 million people in five departments: Paris, Hauts-de-Seine, Seine-Saint-Denis, Val-de-Marne and Yvelines. Its purpose is the treatment and recovery of household waste produced in its territory.

As a leading European public operator of household waste treatment and recovery, Syctom processes and recovers more than 2.3 million tonnes of household and similar waste (household waste, selective collection of packaging, bulky objects) per year.

To ensure its public service mission in the heart of the metropolis, Syctom has 10 treatment units located close to waste production sites: 3 energy recovery units (ERV), 6 recycling collection centers, 1 center for the transfer of residual household waste and a network of waste disposal centers. To contribute to first-rate waste management and ensure the continuity of public services, in a constantly changing territorial and regulatory context, Syctom adapts and develops its industrial tools.

Syctom pursues one objective above all else: "ever greater waste recovery". Its goal is the reduction and sorting of waste and assisting member cities and territories in the implementation of prevention and awareness actions.

Syctom combines innovation, industrial performance and environmental responsibility. Its cumulative energy recovery capacity reaches 250 tonnes / hour, and produces renewable energy in the form of steam for district heating networks in Paris and the suburbs, and electricity to power its facilities. Syctom also supports the development of food waste collection and develops treatment solutions for biowaste. Committed to the ecological transition and the deployment of a circular economy, Syctom thus takes responsibility for building a sustainable city, respectful of the environment and its inhabitants.

Syctom is ruled by a union committee composed of 90 local representatives representing 11 territories of Greater Paris Métropole and the Versailles Grand Parc Urban Community. This body defines the union's policy, votes on the budget, decides on the investments and the management of the service, decides on the applications for membership and withdrawal from the communities, elects the members of the Bureau and the members of the call for tenders' Commission.

### 1.2 Responsibility

As a responsible public service player, Syctom strives to optimise and modernise its operations to tackle new environmental and economic challenges. Its commitment is evident as much in its daily mission of waste treatment, as in the attention it pays to the quality of work life of its agents.

#### **A CSR Approach in full swing**

Syctom's corporate social responsibility policy, initiated at the end of 2015, has several objectives: to adapt to an ever-changing regulatory, economic, societal and territorial context, to better plan for the future, but also to explore new, increasingly more responsible and best practices, especially in terms of dialogue with stakeholders. In 2017, Syctom created a CSR committee and officially launched its CSR policy, and the following year it deployed eight major operational projects and initiated the first concrete actions.



To increase its impact, Syctom has structured its CSR strategy around four major themes. These guidelines contribute to 13 of the 17 Sustainable Development Goals (SDGs), as identified by the United Nations as part of the 2030 Agenda. Syctom chose to use the SDGs as a management tool in an effort to adopt universally shared indicators.

### **1.3 Rationale for setting up a green bond framework for Syctom**

Waste treatment and recovery is an essential part of the circular economy and sustainable development. Syctom has developed a strategy aimed at aligning its global waste management strategy and its financing strategy. To this end, Syctom implemented a green loan framework and obtained its first green loan to finance its sorting centre in Paris XVII in early 2019. In order to further develop this strategy and expand the scope of the projects financed or refinanced, Syctom has now opted to set up a Green Bond Framework.

## **2. Green Bond Framework**

Syctom has elected to create a Green Bond Framework (the “Framework”) which is in accordance with the Green Bond Principles 2018 and under which Syctom can issue Green Bond(s).

For each Green Bond issued, Syctom asserts that it will adopt the following as set out in this Framework:

- 1) Use of Proceeds,
- 2) Project Evaluation and Selection,
- 3) Management of Proceeds, and
- 4) Reporting

### **2.1 Use of Proceeds<sup>1</sup>**

The proceeds from any Syctom Green Bond will be applied, in part or in full, to finance or refinance projects that meet the following Green Eligible Categories:

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<sup>1</sup> Green Bond Principles 2018 - <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

Project Category	Eligibility Criteria	Alignment with the UN SDG targets <sup>2</sup>
<u>Pollution prevention and control</u>   	<ul style="list-style-type: none"> <li>• Waste collection, management and treatment projects <ul style="list-style-type: none"> <li>○ Recycling and waste diversion programmes</li> <li>○ Processing waste in a sustainable way, avoiding landfill</li> </ul> </li> <li>• Waste-to-energy projects <ul style="list-style-type: none"> <li>○ Generation of green energy from waste</li> </ul> </li> </ul>	<p><b>SDG 9.4:</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p><b>SDG 11.6:</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p><b>SDG 12.2:</b> By 2030, achieve the sustainable management and efficient use of natural resources</p> <p><b>SDG 12.4:</b> 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</p> <p><b>SDG 12.5:</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>

### ***Excluded Projects***

For each Green Bond issued, Syctom asserts that it will not use the proceeds for:

- Landfills without biogas extraction system (if applicable).
- Incineration activities:
  - Waste-to-energy (WtE) facilities that incinerate recyclable materials (included WtE projects only treat rejections of treatment facilities and / or non-recyclable materials from selective waste collection)
  - WtE facilities with an R1 value of energy efficiency < 0.65

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<sup>2</sup> UN Sustainable Development Goals - <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

## 2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Systom Green Bond(s) are allocated to projects that meet the criteria set out above in section 2.1, Use of Proceeds.

A project steering committee dedicated to responsible financing ("The Committee") has been set up. It selects and validates the eligible projects that are allocated to the green loan(s), and its role will be expanded to the selection and validation of eligible projects that will be allocated to the green bond(s). The monitoring of these allocations over time will also be carried out in this instance.

Systom's Financial Direction will allocate the proceeds of the Green Bond to the selected portfolio of Eligible Green Projects in accordance with the use of proceeds section described above.

On an annual basis, potential Eligible Projects will be submitted to the Committee dedicated to responsible financing for review. The Committee will evaluate their compliance with the eligibility criteria outlined in the Use of Proceeds section in this Framework, in order to approve the allocation of proceeds. The Committee will ensure that allocations are aligned with this Framework. It will be chaired by the General Manager of Services.

On an annual basis, the Committee will review the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary.

## 3. Management of proceeds

The net proceeds will be allocated to the new projects and / or refinancing of existing projects identified under the use of proceeds section above. To manage the proceeds of Systom Green Bond(s), Systom will establish a Green Financing Register.

The proceeds of each Systom Green Bond will be earmarked against the pool of eligible projects and expenditures identified in the Green Financing Register. At the end of each year the net proceeds will be reduced by the amounts invested in eligible green projects within the annual period.

The Financial Direction has set-up a dedicated tracking process in the internal information systems and database to monitor and account for the allocation of the proceeds.

The Green Financing Register will be reviewed annually by the Committee to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool. The Green Financing Register will contain relevant information including:

(1) **Details of the Bond(s):** key information including transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number etc.;

(2) **Details of Use of Proceeds, including:**

- Summary detail of eligible projects/expenditures to which the proceeds of the Bonds have been earmarked in accordance with this Framework;
- Amount of allocation made;
- Any unallocated Bond proceeds yet to be earmarked against eligible projects/expenditures;
- Estimated environmental and social impact, where available;
- Other necessary information

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with Systom's general liquidity guidelines until allocation to Eligible Green Projects. Systom intends to allocate the proceeds of a given green bond issuance to Eligible Green Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

## 4. Reporting

Within approximately one year from the date of the bond issuance and thereafter on an annual basis, Systom will provide information on the allocation and impact of the net proceeds of any outstanding Green Bond(s) on its website. Such information will be provided until all the net proceeds of outstanding Green Bond(s) have been allocated.

### 4.1 Allocation Reporting

The information will be externally reviewed and will contain at least the following details:

- I. Confirmation that the Use of Proceeds of each Green Bond complies with this Framework
- II. A list of Eligible Projects financed through Systom's Green Bond(s), including amounts allocated;
- III. Allocated amount vs. total amount by project category, and
- IV. The remaining balance of unallocated proceeds.

### 4.2 Impact Reporting

Systom will provide impact reporting using the metrics recommended under the Harmonized Framework for Impact Reporting for Green Bonds<sup>3</sup>. The relevant metrics could include:

Eligible Project Sub Categories	Potential Impact Metrics
<b>Waste collection, management and treatment projects</b>	<ul style="list-style-type: none"> <li>• Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste)</li> <li>• Number of tons sorted per hour</li> <li>• Avoided CO2 emissions (tons) via the reuse of material or the installation of vegetated surfaces</li> <li>• Tonnage of total recovered material versus total tonnage collected</li> </ul>
<b>Waste-to-energy projects</b>	<ul style="list-style-type: none"> <li>• Annual energy generation from waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of net energy generated p.a.<sup>6</sup></li> <li>• GHG emissions from waste management in tCO2e</li> <li>• R1 value of energy efficiency</li> </ul>

The allocation and impact reporting will be included in Systom's audited annual report.

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<sup>3</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>



## 5. External Review

### 5.1 Second-Party Opinion

Syctom has obtained a Second Party Opinion from Vigeo-Eiris to confirm the alignment of this Framework with the GBP, and assessing its environmental added value. The second party opinion will be available on Syctom's website.