

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Instruments

Modulaire Group
1 October 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds (SLB) and Sustainability-Linked Loans (SLL)
Relevant standard(s)	Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association “ICMA” Sustainability-Linked Loan Principles (SLLPs), as administered by the Loan Market Association “LMA”
Lifecycle	Pre-issuance verification
Validity	As long as Modulaire’s Sustainability-Linked Financing Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

Modulaire Group (“Modulaire”) commissioned ISS ESG to assist with its Sustainability-Linked Financing by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the Key Performance Indicator (KPI) selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector, and whether the associated target is ambitious.
2. Modulaire’s Sustainability-Linked Financing Framework (06.09.2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association's (ICMA) and the Sustainability-Linked Loan Principles (SLLPs), as administered by the Loan Market Association (LMA).
3. Sustainability-Linked Financing link to Modulaire’s sustainability strategy – drawing on Modulaire’s overall sustainability profile and related objectives.

MODULAIRE BUSINESS OVERVIEW

Modulaire Group is a provider of modular services and infrastructure, offering flexible, cost-effective, high-quality and timely solutions to help customers in a variety of end-markets efficiently meet their needs for space and remote accommodation.

Modulaire is the market-leading modular services and infrastructure provider in Europe and APAC based on installed fleet base, with approximately 271,000 modular space and portable storage units and approximately 3,400 remote accommodation rooms, representing a gross book value of €2.3 billion as at June 30, 2021.

The Group operates as Algeco in Europe and Scandinavia, Elliott, Advanté, Carter and ProComm in the United Kingdom, BUKO Huisvesting, BUKO Bouw & Winkels and BUKO Bouwsystemen in the Netherlands, Tecnifor and Locabox in Italy, Ausco in Australia, Portacom in New Zealand, and Algeco Chengdong in China.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1:</p> <p>KPI selection and SPT calibration</p>	<p>KPI selection: <i>Relevant</i> and <i>core</i> to issuer’s business model and sustainability profile. <i>Material</i> to the company’s direct operations but <i>not material</i> to the whole corporate value chain as the KPI does not include Scope 3 emissions.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Limited information available to assess the level of ambition against issuer’s past performance • Ambitious against issuer’s sectorial peer group • Limited information available to assess the level of ambition against international targets
<p>KPI 1</p> <p>“Scope 1 & 2 GHG Emissions”</p>	<p>ISS ESG finds that the KPI is core, relevant and consistent with its sustainability strategy. It is considered material to the company’s direct operations and activities as it covers 100% of Scope 1 & 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions, which are estimated to represent approximately 60-85% of Modulaire’s total emissions. ISS ESG therefore concludes moderate materiality of the KPI. However, it is worth noting that Modulaire is currently working on a specific target for Scope 3 emissions. In addition, the KPI is appropriately measurable, quantifiable, externally verifiable and benchmarkable.</p>
<p>SPT 1</p> <p>“Reduce Scope 1 & 2 GHG Emissions by 10% by 2025 & 16% by 2028”</p>	<p>ISS ESG concludes that the SPT set by the issuer is ambitious against its peer group. The results of a quantitative comparison of the absolute Scope 1 & 2 emission reductions targets set by Modulaire rank the issuer among the top three competitors within the selected peer group of 11 companies. In addition, there are qualitative aspects worth noting, such as the selection of a more recent baseline year and a combination of short and long-term goal setting by Modulaire.</p> <p>Given the lack of available historical data on Scope 1 & 2 emissions, the level of ambition of the SPT against past performance cannot be determined. In addition, limited information is available to verify whether the SPT is ambitious against the Paris Agreement. Still, it is relevant to note that the issuer is investigating the potential to set Science Based Targets in 2023, including Scope 3 emissions. Further, the issuer is shadowing the Planet Mark certification and following RIBA guidelines.</p>

¹ ISS ESG’s evaluation is based on the engagement conducted in September 2021, on Modulaire’s Sustainability-Linked Financing Framework (06.09.2021 version).

<p>Part 2:</p> <p>Alignment with the SLBPs and the SLLPs</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles and with LMA Sustainability-Linked Loan Principles</p> <hr/> <p>The Issuer has defined a formal framework for its Sustainability-Linked Securities regarding the selection of KPI, calibration of Sustainability Performance Target (SPT), Sustainability-Linked Securities characteristics, reporting and verification. The Framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLPs) administered by the LMA.</p>
<p>Part 3:</p> <p>Link to issuer's sustainability strategy</p>	<p>Consistent with issuer's sustainability strategy</p> <hr/> <p>Environmental impacts of services and supplies is considered as a key ESG issue faced by the "Commercial Support Services" sector according to ESG standards for reporting and ISS ESG assessment. Companies in this sector are energy-intensive, namely in the operation of their facilities, buildings, construction activities and transportation fleet.</p> <p>Modulaire has taken steps to address climate-related risks, e.g., setting the target to reduce the Group's greenhouse gas emissions by 10% by 2025 compared to 2020 emission levels and set out to reach a long-term goal of Net Zero by 2050. Hence, the company focuses on increasing the resource efficiency of its modular solutions, particularly through their 'Loops within Loops' model that prioritizes the use of recyclable low-carbon building materials and the reduction of waste produced. Energy-efficient design specifications are also offered by the company to further decrease the environmental impact of their modular units.</p> <p>The KPI selected by the issuer is related to climate change. The environmental impact of services and supplies has been defined as one of the key priorities for the industry Modulaire operates in, making it a material sustainability topic for the issuer. ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the KPI's clear link to one of the key sustainability priorities of the issuer. The credibility of the strategy will be further strengthened by having the targets verified by the SBTi, which the issuer intends to obtain in 2023.</p>

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1.1. KPI selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

- **KPI:** Scope 1 & 2 GHG emissions across Modulaire's operations as a percentage of reduction in tCO₂e vs 2020 baseline
- **SPT:** Reduce Scope 1 & 2 GHG Emissions by 10% by 2025 & 15.8% by 2028
- **Long-term target:** Net Zero emissions by 2050

Methodology for KPI measurement: the Corporate Scope 1 & 2 GHG emissions are calculated in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The company adopted the conventional approach in calculating its carbon emissions through the collection of primary source data in their appropriate units (e.g. kilowatt hours (kWh), litres (L), kilogrammes (kg), kilometres (km) etc.) and converting into the associated carbon emissions using the relevant emissions factors.

Modulaire has used the following factors to calculate the emissions for the 12 months to 31 December 2020:

- i. Scope 1 - The UK Government Greenhouse gas reporting: conversion factors 2020 (Defra 2020 factors) have been used for fuel consumed in all countries to determine Scope 1 emissions
- ii. Scope 2 - Under the location-based method, Defra 2020 factor has been used for the UK operations and International Energy Agency's Emission Factors 2020 Edition (IEA 2020 factors) have been used for all other countries

Under the market-based method, the most precise emissions factor has been used following the hierarchy below in line with the GHG Protocol Scope 2 Guidance:

- Supplier-specific emissions rate
- Residual mix factor for relevant country, taken from Association of Issuing Bodies' (AIB) European residual mix 2019 (AIB 2020)
- Grid average factor for relevant country, taken from the sources as described above for the location-based method

No offsets are applied for the achievement of this KPI.

Rationale: whilst Modulaire's product and circular 'Loops within Loops' model have environmental benefits, especially when considered in comparison to traditional buildings, it is Modulaire's ambition

to reach Net Zero ²carbon both within their business and their supply chain going forward.

The KPI ties into Modulaire's strategy to decouple the growth of their business from the growth in GHG emissions. This ambition to decouple growth from emissions is also why Modulaire has opted for an absolute GHG emissions reduction target rather than an intensity-based one. Modulaire recognizes that in order to meet the Paris Agreement goals, companies need to reduce their absolute emissions.

For the purpose of this framework, Modulaire has chosen to focus on absolute Scope 1 & 2 emissions as these are in their direct control.

Modulaire will establish a Scope 3 group operational carbon baseline in 2022 and will look to roll out a Group-wide strategy to reduce Scope 3 emissions in the following year. The Group is also seeking to establish Science Based Targets going forward and aims to have this process completed by 2023.

Baseline: 24,571tCO₂ in 2020 split between 12,549tCO₂ for Scope 1 and 12,022tCO₂ for Scope 2

Baseline year: 2020

2025 goal: Reduce Scope 1 & 2 GHG Emissions by 10.0%

2028 goal: Reduce Scope 1 & 2 GHG Emissions by 15.8%

Scope: Scope 1 & 2 emissions resulting from Modulaire's operations (under the Operational Control approach) arising from Group companies and subsidiary entities over which Modulaire has operational control are included.

Materiality and relevance

Environmental impacts of services and supplies are considered as key ESG issues faced by the "Commercial Support Services" sector for reporting and ISS ESG assessment. Companies in this sector, and more broadly the construction sector, are energy-intensive, namely in the operation of their facilities, buildings, construction activities and transportation fleet, and thus a highly GHG-emitting industry.

Modulaire has taken steps to address climate-related risks, e.g. setting the target to reduce the Group's Scope 1 & 2 GHG emissions by 10% by 2025 and by 15.8% by 2028 compared to 2020 emission levels. Hence, the company focuses on increasing resource efficiency of its operations and its modular solutions, particularly through their 'Loops within Loops' model that prioritizes the use of recyclable low-carbon building materials and the reduction of waste produced. Energy-efficient design specifications are also offered by the company to further decrease the environmental impact of their modular units.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Modulaire's business as environmental impacts of services and supplies are a key issue of the industry Modulaire operates in.

² The issuer's ambition to Net Zero carbon is aligned with the definition in use by the UNFCCC's Race to Zero campaign which can be summarized as follows:

- Covers all greenhouse gas emissions including those Scope 3 sources which are both material and where data availability allows them to be measured sufficiently;
- Prioritizes reducing emissions, limited any residual emissions to those that are not feasible to eliminate;
- Ensuring that any offsetting of residual emissions achieve robust outcomes for additionality, permanence, and accounting, and do not undermine social justice or harm biodiversity.

Core to the issuer's business as GHG emission reduction measures affect key processes and operations that are core to the business model of the issuer. Modulaire's activities involve significant energy consumption, especially in the buildings that the company operates and transport activities. Thus, this KPI will have an impact on the core processes and operations of the company. In order to achieve this initiative, Modulaire will need to invest in renewable energy and resource efficiency, for example through energy consumption reduction measures and green logistics, to lower Scope 1 & 2 GHG emissions.

- **Moderately material** to Modulaire from an ESG perspective:
 - The KPI is material to the company's direct operations, because the KPI focuses on Scope 1 & 2 emissions covering 100% of activities by the company.
 - However, indirect GHG emissions throughout the upstream and downstream value chain (i.e., Scope 3 emissions) represent an estimated 60-85% of total emissions of the company and are a significant issue to the industry the issuer is operating in, for example the embodied carbon emissions in the building materials and emissions during the use phase by their customers. As the selected KPI does not cover Scope 3 emissions, it is considered not material to the whole Corporate Value Chain of the company due to the fact that Scope 3 could represent the majority of the company's total reported GHG emissions, based on sector information. It is however worth noting that targets for Scope 3 emissions will be established in 2023 with a Scope 3 group operational carbon baseline in 2022.
 - Even though the company does not include Scope 3 emissions in its target setting for the KPI, the company recognizes the importance of reducing its value chain emissions. Modulaire strives to minimize carbon emissions of their customers and the Group and manage material risks and opportunities. Through their 'Loops within Loops' model, the company further develops the circular nature of their modular solutions, meaning that their products are reusable, flexible and reconfigurable, thereby maximizing the lifespan of material and reducing waste. The company estimates that up to 96% of their material is recyclable and that a typical modular space unit uses 65% less the embodied carbon of a traditional building. Over the coming years, Modulaire intends to focus on activities to keep materials within the loops.

Consistency with overall company's sustainability strategy

Modulaire identified minimizing carbon emissions as one of its priority long-term goals. The definition of a GHG emission reduction KPI is consistent with Modulaire's long-standing strategy of mitigating climate change.

The company states to be committed to building a long-term sustainable business. The Group's Environment, Social and Governance and Sustainability (ESGS) Policy and Sustainability Report cover topics such energy, water, waste, carbon, diversity, inclusion and circular economy³. Modulaire describes several long-term goals, such as reaching 100% renewables and total circularity by 2030

³ For more information <https://www.modulairegroup.com/sustainability>

and reaching Net Zero by 2050. The KPI defined for this transaction is an intermediate step to reach these longer-term GHG reduction targets.

Moreover, the company has defined a Resource Efficiency Roadmap, detailing several initiatives to minimize impacts on the environment, such as conserving energy through improvements in the workplace, and green logistics by switching to electric car fleets, forklifts and machinery where possible.

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 a material scope (100%) of the operations and activities of the issuer, including the Group's companies and subsidiary entities over which Modulaire has operational control. However, the KPI does not cover Scope 3 emissions representing approximately 60-85% of the issuer's total reported GHG emissions.
- **Quantifiable:** The KPI is measurable and quantifiable. Modulaire will track Scope 1 & 2 GHG emissions as a percentage of reduction in tonnes of Carbon Dioxide equivalent (tCO₂e) vs the 2020 baseline. The emissions are calculated in accordance with the requirements of the "GHG Protocol". More specifically, the issuer calculates its carbon emissions through the collection of primary source data and converts these into the associated carbon emissions based on the relevant emission factors. These are based on guidance from the UK government as well as the International Energy Agency (IEA).
- **Externally verifiable:** The baseline for the KPI, Scope 1 & 2 emissions in the year 2020, has been audited by PWC. The 2020 baseline has been selected as this was the first year for which the new, externally verified figures were available.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI could be compared to similar data reported by other companies that disclose their Scope 1 & 2 GHG emissions. The KPI is benchmarkable with peers who are reporting data covering their Scope 1 & 2 GHG emissions as well. Notably, the SBTi sets clear market standards regarding the calculation of emissions. The issuer has committed to looking at benchmarking the KPI against the SBTi in 2023.

Opinion on KPI selection: ISS ESG finds that the KPI is core, relevant and consistent with its sustainability strategy. It is considered material to the company's direct operations and activities as it covers 100% of Scopes 1 and 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions that are estimated to represent 60-85% of Modulaire's total emissions. ISS ESG therefore concludes moderate materiality of the KPI. In this context, it is worth noting that Modulaire is currently working on a specific target for Scope 3 emissions. The KPI is appropriately measurable, quantifiable and externally verifiable. Further, the KPI is overall benchmarkable with some limitations, but the issuer commits to having the KPI benchmarked against the SBTi in order to align with the Paris Agreement.

1.2. Calibration of SPT

SPT set by the issuer

FROM ISSUER'S FRAMEWORK

- **Sustainability Performance Target:** reduce Scope 1 & 2 GHG Emissions by 10% by 31 December 2025 vs a 2020 baseline and reduce Scope 1 & 2 GHG Emissions by 15.8% by 31 December 2028 vs 2020 baseline. Modulaire aims for 22,917 tCO₂e of Scope 1 & 2 GHG emissions in 2025 and 20,689 tCO₂e in 2028
- **Sustainability Performance Target Trigger:** Scope 1 & 2 GHG emissions
- **Sustainability Performance Target Observation Date:** 31 December 2025 and 31 December 2028
- **2020 Baseline:** 24,571 tCO₂ in 2020 split between 12,549 tCO₂ for Scope 1 and 12,022 tCO₂ for Scope 2. The 2020 baseline has been selected as this was the first year for which the new, externally verified figures were available. The 2020 baseline has been audited by PWC.

Rationale for selecting the target selection: Modulaire will seek to decrease its absolute emissions whilst seeking to grow its underlying business by 4.5% per annum, thereby decoupling business growth and emissions through to 2028 and beyond.

Modulaire is in the process of formulating targets for 2030, with the ultimate goal of becoming Net Zero by 2050.

Action Plan related to Scope 1 & 2:

- Resource Efficiency – tackle resource efficiency opportunities everywhere in the company's operations e.g. switching to LED's, power efficient tools, insulation and heating, using innovative technology and behaviour change programmes. This will enable a more robust plan for renewables.
- Renewable Energy – source 100% of renewable electricity for the Group where available from 2023 onwards. The company's strategy is to investigate in depth across their geographies where certifiable Renewable energy is available and then implement the renewable plan which makes strategic, operational and financial reasoning, fully backed by REGO certificates.
- Energy Efficient Buildings – the new Frankfurt Branch to be designed and built using best available technologies. The main assembly building is expected to receive a BREEAM 'Outstanding' accreditation.
- Behavioural Change – Implementing employee awareness programme for resource efficiency, employee feedback and standardised processes to increase resource efficiency.

As aforementioned, in addition to the measures aimed at tackling Scope 1 & 2 emissions, Modulaire is seeking to reduce its Scope 3 emissions as part of its Net Zero pledge. The figures and targets for Scope 3 are being worked on and will be established in the following years.

The inability to achieve a decoupling of business growth from emissions required to meet the SPT may result from:

- Inability to source sufficient renewable energy to power Modulaire's operations
- Regulatory or criteria changes
- Demand pull for Low Carbon Solutions from customers weakens
- Climate change supply chain issues

The following outside factors could support the achievement on the SPT:

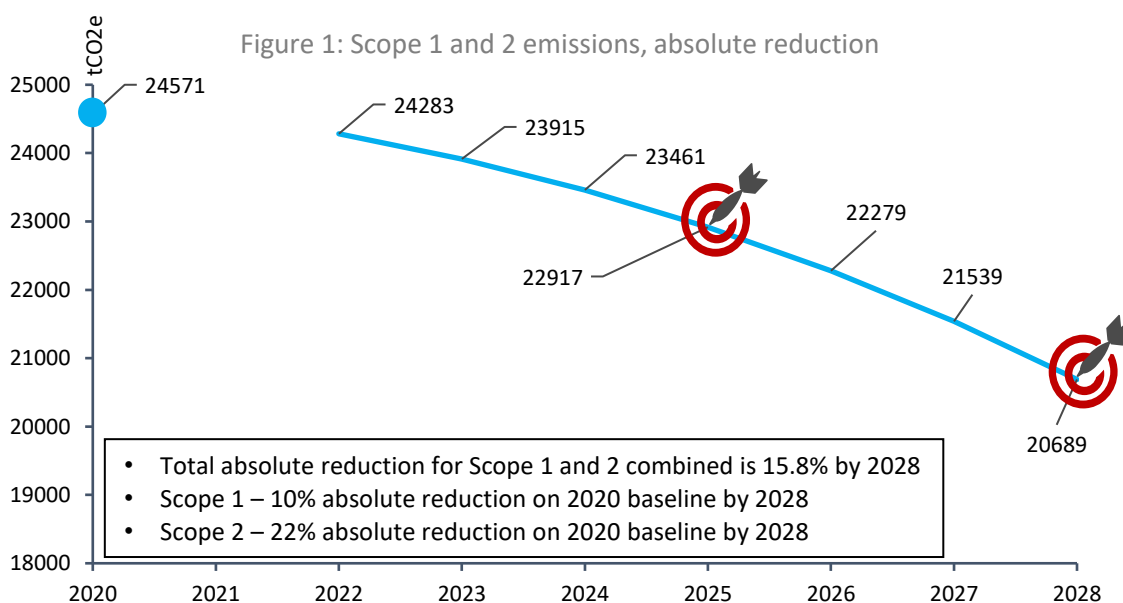
- Increase in the proportion of renewable energy in the grid
- Supportive regulatory changes

Ambition

Against company's past performance

The company discloses data on its Scope 1 & 2 GHG emissions for the first time in 2020⁴. This data will form the baseline of the KPI and is externally verified. However, due to lack of available historical data on Scope 1 & 2 emissions, no assessment of the targets with respect to past performance can be provided by ISS ESG.

It is worth noting, however, that the issuer has set the SPT to go beyond business as usual. Modulaire assumes a business as usual emissions growth rate of 4.5% per annum. By setting an absolute emissions reduction target, the issuer intends to “decouple” business growth from emissions. The graph below depicts the reduction path for Scope 1 & 2 emissions that the issuer commits to with this SPT.



Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Modulaire against a peer group⁵ composed of 11 companies (including Modulaire).

From the peer group, 6 companies (excluding Modulaire) have disclosed their Scope 1 & 2 emissions and 4 companies do not report any emissions data or targets. Out of those who disclose emissions, 5

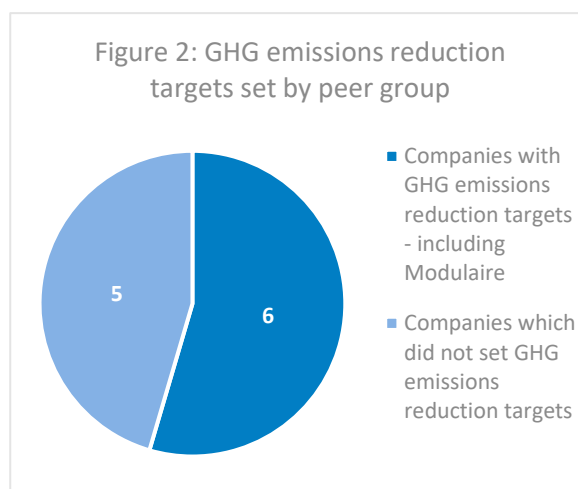
⁴ The information on the baseline is publicly available at the following [link](#).

⁵ The peer group was provided by the issuer, consisting of companies who also provide modular space solutions, and include: Adapteo, Skanska AB, Balfour Beatty, Morgan Sindall, Maeda Corporation, Vinci Construction, Black Diamond Group, Kleusberg, Alho Group, Wernick Group.

companies have also set GHG emissions reduction targets. The target setting varies amongst the group - 4 companies have set absolute Scope 1 & 2 emissions reduction targets, like Modulaire, and one company set an intensity target for Scope 1 & 2 emissions.

Modulaire has chosen an absolute target, citing its ambition to decouple projected business growth from an increase in emissions (as shown in Figure 1). The rationale for this is that in order to meet the Paris Agreement goals, companies need to reduce their absolute emissions.

The results of a quantitative assessment of the absolute Scope 1 & 2 emission reductions targets set by Modulaire and 4 comparable peers are shown in the table below. The compound annual growth rate (CAGR) of Modulaire is -2.1%, calculated for both target years 2025 and 2028. The CAGRs for the targets set by peers range from -1.3% to -7.7%. Based on this assessment, the issuer’s target can be considered to rank among the top 3 of its peer group.



	Baseline year	Target year	Reduction target	CAGR
Morgan Sindall*	2016	2025	11%	-1.3%
Maeda Corporation*	2018	2030	20%	-1.8%
Modulaire (2025)	2020	2025	10%	-2.1%
Modulaire (2028)	2020	2028	15.8%	-2.1%
Vinci Construction	2018	2040	40%	-2.3%
Skanska AB	2015	2030	70%	-7.7%

* target verified and approved by the SBTi

Source: Modulaire as of September 2021, ISS ESG research.

In addition to these quantitative considerations, there are some qualitative aspects that are worth noting. The baseline year for the SPT of the issuer, i.e. 2020, is a more recent baseline than set by any of its peers. Modulaire is thus setting a target that is based on more up-to-date information than its sectorial peer group. Additionally, the impact of the Covid-19 pandemic is likely to have decreased the baseline compared to previous years.

Moreover, Modulaire chooses to focus on short term targets in its framework with two target years, 2025 and 2028. This two-step approach increases the accountability of the issuer on reaching its targets. Therefore the SPT provides a measurable path in the short run towards their longer term goal of Net Zero in 2050. The majority of peers, however, have committed to longer term goals without intermediate target years.

Therefore, ISS ESG concludes that the SPT set by the issuer is ambitious against its peer group.

Against international targets

Paris agreement

Modulaire has calculated the GHG Scope 1 & 2 emissions in accordance with the GHG Protocol, however, the calibrated target that has been chosen has not been verified by the SBTi (though the issuer states to have taken into account elements of the SBTi's methodology when calibrating the target). Formal verification of the SBTi is necessary to conclude that the target is ambitious against international targets. Therefore, limited information is available to assess the alignment of the target with the Paris agreement. Still, it is positive to note that the issuer is investigating the potential to set Science Based Targets in 2023, including Scope 3 emissions.

Planet Mark

Modulaire is shadowing the carbon management standard of Planet Mark, a sustainability certification that verifies and measures carbon and social data to reduce emissions and achieve the UN SDGs. Planet Mark requires a carbon reduction of at least 2.5% per year. The issuer states to be in alignment with the criteria, but has not yet been accredited by the organization.

RIBA Sustainable Outcomes Guide

Modulaire has further used the RIBA Sustainable Outcomes Guide in order to set their SPT which aligns with a 2°C warming scenario. The RIBA offers a holistic approach, which Modulaire is currently testing out at their new site in Germany, with a link to the SDGs and BREEAM. The company encompassed the RIBA Guide in their strategy, except for Offset.

Note on Net Zero targets

The terms Net Zero, Climate Neutral and Paris Aligned are often used in corporate climate target setting. Sometimes the terms are used interchangeably. The market is yet to define exactly what these terms entail but there are guidance documents available both for corporates and investors, e.g. the Science Based Target Initiative and the Net Zero Investment Framework both provide guidance on Net Zero target setting. Further clarifications and definitions can be expected in the near future, e.g. following COP26 (November 2021).

Despite the lack of exact definitions there are a few things that are expected from an organization that sets a Net Zero target.

Significant greenhouse gas emissions reductions in operations and/or value chain

The organization setting the target should ensure that all emissions from the companies' operations and/or products are reduced to a minimum.

Rely on a limited amount of Negative Emissions Technologies

The target should rely on a limited volume of Negative Emissions Technologies (NETs) such as carbon capture and storage (CCS).

Be transparent with the assumptions used when setting the target

The organization setting the target should refer to the specific scenario used when creating the organizational pathway to achieve that target. Examples of popular scenarios are the International Energy Agencies' (IEA) Sustainable Development Scenario and Net Zero Scenario and the Shared Socioeconomic Pathways. The purpose of using a scenario is not to provide exact predictions of future developments but to contextualize the target setting process and to make sure that the assumptions taken are achievable and realistic.

When presenting the organizational pathway, the assumptions about market developments should be clear. For example, if the target is tied to an output, this should be shown in relation to expected market demand and emission intensities (if relevant). For example, if the target setting organization is a company producing oil, the target should take the scenarios overall energy demand in consideration and show the companies expected market share and production volume over time. The same logic can be applied to other sector specific outputs.

It is important to note that organizations that choose to set Net Zero targets will be expected to regularly revise them depending on market developments.

Measurability & comparability

- **Historical data:** The issuer has not provided historical data before 2020 on Scope 1 & 2 emissions. However, the 2020 baseline year data has been provided and externally verified. Moreover, the company commits to measure and report data on Scope 1 & 2 emissions from 2020 onwards, to establish a Scope 3 group operational carbon baseline in 2022 as well to roll out a Group-wide strategy to reduce Scope 3 emissions in the following year. The Group is also seeking to establish Science Based Targets going forward and aims to have this process completed by 2023.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the SPT is comparable with the data reported by other companies. However, the target has not been verified by the SBTi and therefore cannot be concluded to be in line with the Paris Agreement.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

Modulaire's sustainability strategy and action plan outline the key principles that guide climate-related actions across the Group and provides the framework for its four-fold approach:

- **Resource Efficiency:** the company will tackle resource efficiency opportunities across their operations through different initiatives outlined in their Resource Efficiency Roadmap. Initiatives include switching to LED's, power efficient tools, insulation and heating, green transport and behaviour change programmes. Actions on green logistics are, due to the nature of the activities by Modulaire, highly relevant to reduce GHG emissions specifically because the company relies on heavy-duty vehicles to transport their modular space solutions. Therefore, the company states its plan to renew its fleet and switch to electric options where possible for cars, forklifts and machinery.
- **Renewable Energy:** the company aims to source 100% of renewable electricity for the Group where available from 2023 onwards;
- **Energy Efficient Buildings:** the company aims to operate sustainable buildings, such as their Frankfurt Branch, which will be designed and built using best available technologies and the main assembly plant is expected to receive a BREEAM 'Outstanding' accreditation;

- **Behavioural Change:** the company will implement awareness programmes for resource efficiency, employee feedback and standardised processes to increase resource efficiency. In the Resource Efficiency Roadmap, the company states that simple solutions in the workplace can conserve energy by informing employees. These interventions will for example be focused on employees choosing equipment that is the right size for the job, that is, not too big or removing frost on refrigerated coolant lines through better insulation.

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

Opinion on SPT calibration: ISS ESG concludes that the SPT set by the issuer is ambitious against its peer group. The results of a quantitative comparison of the absolute Scope 1 & 2 emission reductions targets set by Modulaire rank the issuer among the top three competitors within the selected peer group of 11 companies. In addition, there are some qualitative aspects worth noting, such as the selection of a more recent baseline year and a combination of short and long-term goal setting by Modulaire.

Given the lack of available historical data on Scope 1 & 2 emissions, the level of ambition of the SPT against past performance cannot be determined. Further, insufficient information is available to determine whether the SPT is ambitious and in line with the Paris agreement for a well below 2° Celsius warming scenario. Though the issuer has calculated the GHG Scope 1 & 2 emissions in accordance with the GHG Protocol, they have not been verified by the SBTi. Still, it is relevant to note that the issuer is investigating the potential to set Science Based Targets in 2023 including Scope 3 emissions and that the issuer is shadowing the Planet Mark certification and following RIBA guidelines.

PART 2: ALIGNMENT WITH ICMA'S SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA'S SUSTAINABILITY-LINKED LOAN PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

Through the issuance of Sustainability-Linked Bonds (SLB) and Loans (SLL), Modulaire aims to embed sustainability throughout the organization and create long-term value for stakeholders, both internal and external.

As part of the company's effort to lower its carbon footprint to meet its ultimate Net Zero carbon 2050 target, sustainability-linked instruments will enable the company to commit to specific sustainability and environmental outcomes. Aligning financing to Modulaire's sustainability performance signals the company's commitment to implement their sustainability agenda.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Modulaire as aligned with the SLBPs and the SLLPs.

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 finds that the KPI is core, relevant and consistent with its sustainability strategy. It is considered material to the company's direct operations and activities as it covers 100% of Scopes 1 and 2 emissions but not material to the whole Corporate Value Chain as it does not cover Scope 3 emissions that represent approximately 60-85% of Modulaire's total emissions. ISS ESG therefore concludes moderate materiality of the KPI. It is worth noting that Modulaire is currently working on a specific target for Scope 3 emissions. The KPI is appropriately measurable, quantifiable and externally verifiable. The KPI is overall benchmarkable with some limitations, but the issuer commits to having the KPI benchmarked against the SBTi in order to align with the Paris Agreement.

2.2. Calibration of Sustainability Performance Target (SPT)

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

Opinion: ISS ESG concludes that the SPT set by the issuer is ambitious against its peer group. The results of a quantitative comparison of the absolute Scope 1 & 2 emission reductions targets set by Modulaire rank the issuer among the top three competitors within the selected peer group of 11 companies. In addition, there are some qualitative aspects worth noting, such as the selection of a more recent baseline year and a combination of short and long-term goal setting by Modulaire.

Given the lack of available historical data on Scope 1 & 2 emissions, the level of ambition of the SPT against past performance cannot be determined. Further, limited information is available to determine whether the SPT is ambitious against the Paris Agreement. Still, it is relevant to note that the issuer is investigating the potential to set Science Based Targets in 2023 including Scope 3 emissions. Further, the issuer is shadowing the Planet Mark certification and following RIBA guidelines.

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

- The financial characteristics of the instrument will be impacted depending on the achievement or failure of the SPTs indicated in the company's Framework. Performance against the SPTs, representing the instrument's trigger events, will be observed at each observation date.
- The exact mechanism and impacts of the achievement or failure to reach the pre-defined SPTs will be detailed for each financing in the pre-issuance template.

The proceeds of the issuer's Sustainability-Linked Financing may be used to (i) fund the consideration payable for acquisitions, (ii) refinance certain existing debt, (iii) pay the fees and expenses incurred in connection with the transactions as well as (iv) for general corporate purposes. The issuer's Sustainability-Linked Financing instruments have a sustainability-linked feature that will result in a coupon adjustment, or a premium payment as the case may be, if the issuer's performance does not achieve the stated SPT(s). The relevant KPI, SPTs, coupon step-up amount, step-up margin amount or the premium payment amount, and any potential for material adjustments to the KPI and/or SPT, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant instrument).

The issuer will notify the investors of the achievement or not of the SPT as soon as possible (as defined in the instrument's documentation) / and in any event within 180 days after the deadline specified in last day of the relevant bond documentation (the "Step Up Notification Deadline"). If, for any reason, the KPI cannot be calculated, observed or reported in a timely and satisfactory manner (as defined in the instrument's documentation), the defined financing characteristic change will be triggered as if the target was not met (with effective dates aligned with the original SPT).

Opinion: ISS ESG considers the Sustainability-Linked Instruments Characteristics description provided by Modulaire as aligned with the SLBPs and SLLPs. The issuer gives a description of the potential variation of the financial characteristics of the Instruments, while defining the KPI and SPT and its calculation methodology. Modulaire communicated to ISS a draft version of the base prospectus that was not including the final terms (e.g., maturity, interest payment dates, SPT thresholds for KPI/SPT).

2.4. Reporting

FROM ISSUER'S FRAMEWORK

The issuer commits to the following in its Sustainability-Linked Financing Framework: annually, and in any case for any date/period relevant for assessing the trigger of the SPT performance leading to potential adjustments, such as a coupon step-up or premium payment of an instrument issued under the Sustainability-Linked Financing Framework, the issuer will publish and keep readily available and easily accessible [on the issuer's website](#):

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant
- a verification assurance statement ("Limited Assurance") relative to the SPT outlining the performance of the KPI against the SPT; and any other relevant information which may enable investors to monitor the progress of the selected KPI

Information may also include when feasible and possible:

- a qualitative or quantitative explanation of the contribution of the main factors, the evolution of the performance/KPI on an annual basis;
- illustration of the positive sustainability impacts of the performance improvement; and/or
- any re-assessments of KPIs and/or restatement of the SPT and/or adjustments of baselines or KPI scope, where applicable

Opinion: ISS ESG considers the Reporting description provided by Modulaire as aligned with the SLBPs and the SLLPs. This will be made publicly available annually and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

The issuer commits to the following in its Sustainability-Linked Securities Framework: annually, and in any case for any date/period relevant for assessing the KPI performance against the SPT leading to a potential financial adjustment, such as a step-up coupon or a premium payment on the instrument, until after the KPI trigger event of a bond has been reached, the issuer will seek independent and external verification of the performance level for the stated KPI by the Assurance Provider.

The Assurance Provider means PricewaterhouseCoopers LLP, or any such other qualified provider of third party assurance or attestation services appointed by the issuer, who will provide a verification assurance report in the form of a "Limited Assurance". The verification of the performance of the KPI, along with the Assurance Provider's verification statement, will be made publicly available [on the issuer's website](#).

Opinion: ISS ESG considers the Verification description provided by Modulaire aligned with the SLBPs and the SLLPs. The issuer plans on having all annual values of the SPT published and verified. This will outline the performance against the SPT, the related impact and timing of such impact on the securities financial characteristics.

PART 3: LINK TO MODULAIRE'S SUSTAINABILITY STRATEGY

Methodological note: Please note that Modulaire 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 'Commercial Support Services' sector, based on publicly available information. The section below is not based on an ISS ESG Corporate Rating, but considers ISS ESG Research's methodology.

Industry classification: Commercial Support Services

Key Issues of the industry:

1. Environmental impacts of services and supplies
2. Fair, safe and non-discriminatory working conditions
3. Socially responsible service provision
4. Business ethics and government relations

Indicative ESG risk and performance assessment

Modulaire Group provides modular services and infrastructure to customers across various sectors such as construction, public administration and energy in Europe and APAC. The company's fleet base includes approximately 271,000 modular space and portable storage units and approximately 3,400 remote accommodation rooms (as at June 30, 2021).

As a provider of modular space leasing services with manufacturing operations, Modulaire faces risks concerning its staff (e.g., regarding non-discrimination and work-related accidents in assembly facilities). Modulaire is a signatory of the UN Global Compact and thus exhibits a general commitment to fundamental labor standards. Furthermore, the company has established a general policy on non-discrimination and some procedures to promote equal opportunities such as diversity training and grievance procedures. To ensure employees' safety in the workplace, Modulaire has several measures in place e.g., audits and a data compilation system. While a health and safety management system that is certified to a relevant international standard has also been established, it remains unclear whether all relevant operations are covered.

Regarding customer and product responsibility, Modulaire faces risks related to customer and product safety. The company has established an ISO 9001 certified quality management system which ensures the implementation of reasonable crisis management procedures. Yet, it does not demonstrate the implementation of further measures to ensure customer safety such as customer trainings and monitoring of products during their use phase.

With the public sector among its clients, Modulaire faces risks of corruption and unethical business relations with governments. The company has established an adequate code of ethics which covers relevant topics such as corruption and conflicts of interest, as well as some measures to ensure adherence to the code. However, the company does not sufficiently disclose its financial relations with governments, political contributions and potential lobbying activities.

In the environmental domain, Modulaire has taken some steps to address climate-related risks, e.g., setting the target to reduce the Group's greenhouse gas emissions by 10% by 2025 compared to

2020 emission levels⁶. The company discloses Scope 1 & 2 emission data; yet, relevant emissions in the corporate value chain (Scope 3) do not seem to be collected and reported. Modulaire has taken steps to increase the resource efficiency of its modular solutions, particularly through their 'Loops within Loops' model that prioritizes the use of recyclable low-carbon building materials and the reduction of waste produced⁶. Energy-efficient design specifications are also offered by the company to further decrease the environmental impact of their modular units. These initiatives serve to support Modulaire's goal to achieve Net Zero carbon in its supply chain by 2050.

Indicative product portfolio assessment:

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

The company's modular space leasing services do not have a clear positive or negative social impact.

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

The company's modular space leasing services do not have a clear positive or negative environmental impact.

Controversy risk assessment

Based on a review of controversies in the period of 1 January 2019 – 14 September 2021, the greatest risk reported against companies operating in the Miscellaneous Commercial Services industry relate to activities that may have adverse impacts on human rights and labor rights. This is closely followed by activities of business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect the right to just and favourable conditions of work, deceptive misleading and fraudulent practices, and failure to respect union rights. This is closely followed by alleged failure to respect the right to safe and healthy working conditions, accounting fraud, and failure to respect consumers' right to privacy.

There is no indication of the Modulaire Group and its subsidiaries in their respective countries of being involved in any of the above-mentioned controversies according to a high-level controversy screening of publicly available information.

Contribution of KPIs to sustainability objectives and priorities

ISS ESG mapped the KPI selected by the issuer for its Sustainability-Linked Financing Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Research's methodology for the Commercial Support Services 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 the KPI selected.

KPI SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
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⁶ For further information on the targets set by Modulaire, please refer to Part 1 of this SPO.

Scope 1 & 2 GHG emission reduction	✓	✓	Contribution to a material objective
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Opinion: *ISS ESG finds that the KPI is broadly 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 Modulaire's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Financing Framework (06.09.2021 version), SPTs benchmarks and structural securities characteristics described in this document do not 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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ANNEX 1: Methodology

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

ISS ESG reviewed the Sustainability-Linked Financing Framework of Modulaire, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA and the Sustainability-Linked Loan Principles administered by the LMA. Those 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 and Loan market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of the Modulaire'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 Modulaire's own past performance (according to Modulaire's reported data), against Modulaire's Commercial Support Service peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Modulaire.

ANNEX 2: Quality management processes

SCOPE

Modulaire commissioned ISS ESG to compile a Sustainability-Linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles (administered by the ICMA) and Sustainability-Linked Loan Principles (administered by the LMA) and to assess the sustainability credentials of its Sustainability-Linked Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA Sustainability-Linked Loan Principles

ISSUER'S RESPONSIBILITY

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

- Sustainability-Linked Financing Framework (as of September 6th, 2021)

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 Modulaire based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and the LMA Sustainability-Linked Loan Principles.

The engagement with Modulaire took place in 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/>

For Information about SPO services, contact:

Federico Pezzolato

SPO Business Manager EMEA/APAC

Federico.Pezzolato@isscorporatesolutions.com

+44.20.3192.5760

Miguel Cunha

SPO Business Manager Americas

Miguel.Cunha@isscorporatesolutions.com

+1.917.689.8272

For Information about this Sustainability-Linked Bond SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead

Rafael Heim
Analyst
ESG Consultant

Project support

Leontine Schijf
Associate
ESG Consultant

Project supervision

Viola Lutz
Associate Director
Head of Climate Services