



Sustainability-Linked Financing Framework

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1. Introduction

About Modulaire Group

Modulaire Group (“Modulaire” or “Group”) is a leading 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. Modulaire serves nearly 50,000 customers through an extensive network of approximately 170 branches and depots across 22 countries in Europe and three countries in APAC. 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.



1. Modulaire Group's Sustainability Strategy

Our modular solutions contribute to a truly circular economy meeting the needs of our customers and stakeholders. With our circular 'Loops within Loops' business model, we are committed to creating smart spaces for people to work, learn and live, whilst having a positive impact on people, the planet and wider society.

At Modulaire, sustainability and circularity are integral parts of our solutions and in how we run our business. Whilst we are in the early stages of realising the full potential benefits of our activities, the steps that we are taking to better understand the risks and opportunities of the transition to a low carbon economy are bringing measurable benefits to our customers, the environment and the societies in which we operate. Building on our stakeholder engagement and materiality assessment, we have defined our sustainability and ESG strategy, based on the risks and growth opportunities for Modulaire. The sustainability strategy involves three key pillars: Environment, Social and Governance (ESG), with circularity, adaptability, and leasing at the core. This strategy represents an initial step and we are committed to deepening our understanding and advancing our approach to climate-related risks and opportunities over time, as we embed our approach to circularity and our 'Loops within Loops' model.

2. Our ESG Focus Areas

Our long-term sustainability and ESG focus areas aim to minimise carbon emissions for our customers and our Group, and manage our material risks and opportunities. For Modulaire, this means:

1. Net Zero carbon of our end-to-end supply chain by 2050 and further developing our 'Loops within Loops' model
2. Enhancing our employment practices to ensure a safe and inclusive environment for our people
3. Further strengthening our approach to governance

3. Our Focus on the Environment

A key benefit of our solutions and how we work is the ability to manage and reduce our environmental impact and that of our customers and suppliers. The circular nature of our modular solutions mean that they are reusable, flexible and reconfigurable to ensure that they are utilised to the fullest, reducing waste and maximising their useful life. Units can have a life of over 30 years and be re-used 20 times or more. This ongoing focus has enabled us to establish our transitional and circular, 'Loops within Loops' model, which ensures most of the material used in the assembly of our units has an ongoing life, with very little residual waste. We estimate that up to 96% of our material is recyclable and that a typical modular space unit uses **65% less**¹² the embodied carbon of a traditional building. Over the coming years we will focus on activities to keep materials within the loops. We have set out our preliminary road map to Net Zero based on the TCFD framework.

We have currently set out target to reach Net Zero by 2050, however once we have completed the actions outlined in our 2025 action plan, we will reassess whether we can bring that target date forward. In addition to the circularity of 'Loops within Loops' – reusing, repurposing, and recycling our units – we are proactively engaging in actions towards carbon and energy reduction across our locations.

¹ Product footprint calculated in accordance with EN 15978:2011. Modulaire typical unit based on Advance 8000 two classroom unit assembled in France. Typical benchmarks for education buildings based on Whole Life-Cycle Carbon Assessments Guidance (Mayor of London, October 2020). Whole life figure provided in this guidance exclude any allowance for energy consumed during the in-use phase.

² Whole life (excl. B6 heating and lighting during rental) approximately 350 (kgCO₂e/m²) v 900 -1,100 (kgCO₂e/m²) traditional build. This equates to approximately 65% less carbon emissions compared to a traditional build

Innovation is driving positive environmental impacts for our modular solutions. By updating our units with the newest environmentally driven innovation we reduce waste and emissions and improve energy efficiency. Improved thermal insulation, using LED lights with sensor activation, solar panels and new appliance are all innovations that reduce our customer's energy requirement and increases energy efficiency.

4. Social Initiatives

Our modular solutions are designed with a social purpose – we create smart spaces where people work, learn and live. To do this effectively, we understand the importance of listening, engaging, and working in collaboration with our customers, employees, and the communities in which we operate. This collaboration extends beyond our immediate stakeholders and, through initiatives like the United Nations Sustainable Development Goals (UN SDGs) and the United Nations Global Compact (UNGC), we are aligning our actions to deliver on globally shared values for people and the planet. By working together with local communities and international change makers we are making a positive difference to the infrastructure that is meeting society's changing needs.

Our key social focus areas are to deliver modular solutions that benefit the communities in which we operate, provide a safe and healthy working environment for our more than 4,000 employees around the world, and to foster a diverse and inclusive culture. Our modular solutions are used for schools, healthcare facilities, housing and other vital social infrastructure, and we have a strong focus on safety and our Health & Safety performance is continually reviewed. We believe in fostering an inclusive culture and that diversity is fundamental to our work and to our future, and we constantly look for new perspectives to drive our performance and growth. It is our duty to provide an inclusive and fair workplace, where our colleagues, no matter their background, are given the opportunity to contribute

5. Our Commitment to Good Governance

We recognise that we must conduct business ethically, considering environmental and community goals and being a good employer, as we focus on the growth and success of our business. Our Executive team and Board are fully committed to running Modulaire in a way that our employees, customers, and shareholders can be proud of and take our commitments to all our stakeholders seriously. We already have strong and robust governance structures in place and, moving forward, we will monitor and disclose more ESG related data and we will make further improvements on our performance as we listen, learn, and develop.

Our commitment to sustainability is championed at every level of Modulaire, from our shareholders, our board, senior leaders and management teams through to all our assembly sites and branches. Our Environmental, Social, Governance and Sustainability (ESGS) Committee holds quarterly meetings to review current performance, share learnings and best practice, and ensure that progress is being made against the targets and objectives across each of our focus areas. A summary of performance is then presented to Modulaire's Board and Group Advisory Committee on a quarterly basis.

The implementation and delivery of our ESG strategy is incorporated within our business performance review, and internal audit and risk management processes. This helps to identify both risks and opportunities and assign the appropriate level of accountability to ensure we meet our goals and objectives.







6. Managing our Sustainability and ESG Risks

Our sustainability and ESG materiality matrix maps the risk and priorities identified through understanding the importance of issues to the business and our key stakeholders. These issues were identified through consultation with a number of internal and external stakeholders covering employees, clients, investors, partners and local

communities. The output from our materiality process ensures we focus on the right topics, and creates a platform to continually report back on the most important areas.

7. Our Contribution to the UN Sustainable Development Goals (UN SDGs)

Through our services, projects, and client portfolio, we have integrated sustainability and ESG factors into our vision, purpose, and everyday business. Our sustainability and ESG purpose is framed against the UN SDGs in the following manner:

	 	  
<p>Smart Spaces to Work, Learn and Live To achieve long-term success, we are transitioning to a sustainability strategy with circularity at its core, providing modular space for people to work, learn and live</p>	<p>Working together We work in collaboration with our stakeholders to create and develop shared value for people and the planet. We create products that make a positive difference to society while contributing to our ongoing success</p>	<p>Operating Responsibly We conduct business with a focus on ethical, environmental and community goals, whilst being a good employer and fostering a diverse and inclusive performance culture</p>

8. Rationale for establishing a Sustainability-Linked Bond Framework

Modulaire believes embedding sustainability throughout the organisation protects and creates long-term value for stakeholders, both internal and external, and will secure the long-term future of the Group. Modulaire’s “Pathway to Net Zero” identifies the highest business value Group-wide priorities that will deliver tangible value across the company.

As part of the effort to lower its carbon footprint to meet its ultimate net-zero carbon 2050 target, sustainability-linked instruments will enable the Group to commit to specific sustainability and environmental outcomes. The instruments will leverage ambitious timelines to achieve sustainability and environmental performance that is relevant, core and material to its business. Aligning financing to Modulaire’s sustainability performance signals a strong commitment to implement the Group’s sustainability agenda.

Modulaire has thus decided to establish a Sustainability-Linked Financing Framework (the “Framework”). Modulaire’s instruments under this Framework will be focused on contributing to SDG 13³ (Take urgent action to combat climate change and its impacts), relating to climate change or environmental degradation.

Modulaire wishes to participate to the development of best market practices and presents a unified and coherent suite of Sustainability-Linked Financing instruments to the market. The approach adopted consists in linking Modulaire’s sustainability strategy with its funding policy, by incentivizing the achievement of pre-determined, relevant Sustainability Performance Targets (SPTs).

This Framework provides a high-level approach to Modulaire’s Sustainability-Linked Securities and investors should refer to the relevant documentation of each transaction for further details.

³ United Nations Department of Economic and Social Affairs, Sustainable Development, Goal 13

2. Sustainability-Linked Financing Framework

The Framework has been established in accordance with the recommendations of the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Markets Association (ICMA) in June 2020⁴ and Sustainability-Linked Loan Principles (SLLP)⁵. Modulaire has also taken note of the European Leveraged Finance Association's (ELFA) Best Practice Guide to Sustainability-Linked Leveraged Loans, published in July, 2021 when preparing this framework.⁶

The issuer may under this Sustainability-Linked Financing Framework issue debt securities including Sustainability-Linked Bonds (SLB) and Loans (SLL).

In alignment with the core components of the SLBP as administered by ICMA and the SLLP, the following sections contain a discussion of the main components of this Sustainability-Linked Financing Framework:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

Through the instruments issued under this Framework, Modulaire will be able to align its financing with its broader sustainability targets and ambitions. The Framework and any potential issuance will underline Modulaire's commitment to these objectives and engage existing and future stakeholders on its path towards a more sustainable future




⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

⁵ <https://www.lma.eu.com/documents-guidelines/documents/category/green--sustainable-finance#sustainability-linked-loan-principles140>

⁶ https://www.lma.eu.com/application/files/5416/2745/5555/LMA_ELFA_Best_Practice_Guide_to_Sustainability_Linked_Leveraged_Loans.pdf

1. Selection of Key Performance Indicators (KPIs)

Modulaire has selected the following KPI, which is core, relevant and material to its business and measures the sustainability improvements of our Group.

Key Performance Indicator: Scope 1 & 2 GHG Emissions	
  	<p>Definition of the metric: Scope 1 and 2 GHG emissions across Modulaire’s operations</p> <p>Unit: percentage of reduction in tonnes of Carbon Dioxide equivalent (tCO₂e) vs 2020 baseline</p> <p>Perimeter: all of Modulaire’s operations (under the Operational Control approach, 100% of the calculated impact arising from Group companies and subsidiary entities over which Modulaire has operational control is included).</p> <p>Methodology: the Corporate GHG footprint calculated in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. Energy was collected from each region in order to calculate a baseline GHG footprint for the business</p> <p>Emission factors: We adopt the conventional approach in calculating our carbon emissions through the collection of primary source data in their appropriate units (e.g. kilowatthours (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</p> <ol style="list-style-type: none"> 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. <p>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:</p> <ul style="list-style-type: none"> • 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 <p>No offsets are applied for the achievement of this KPI</p> <p>Rationale: whilst Modulaire’s product and circular ‘Loops within Loops’ model have inherent environmental benefits, especially when considered in comparison to traditional buildings, it is Modulaire’s ambition to reach Net Zero carbon both within our business and our supply chain going forward</p> <p>The KPI is material to Modulaire’s business as it clearly ties into our strategy to decouple the growth of our 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</p>

	<p>For the purpose of this framework, Modulaire has chosen to focus on absolute Scope 1 and 2 emissions as these and are in our direct control</p> <p>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</p>
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2. Calibration of Sustainability Performance Targets (SPTs)

SPT: Reduce Scope 1 & 2 GHG Emissions by 10% by 2025 & 15.8% by 2028

SPT: reduce Scope 1 & 2 GHG Emissions by 10% by 31 December 2025 vs a 2020 baseline or 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

The SPT represents a material improvement and goes beyond the business as usual trajectory as Modulaire will seek to decrease its absolute emissions whilst seeking to grow its underlying business by 4.5% per annum, meaning that an evident decoupling between business growth and emissions will be achieved by 2028

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

Baseline: 24,751 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

Action Plan related to Scope 1 & 2:

- i. **Resource Efficiency** – tackle resource efficiency opportunities everywhere in our 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
- ii. **Renewable Energy** – source 100% of renewable electricity for the Group where available from 2023 onwards. Our strategy is to investigate in depth across our 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
- iii. **Energy Efficient Buildings** – the New Frankfurt Branch to be designed and built using best available technologies. The branch is expected to receive a BREEAM ‘Outstanding’ accreditation
- iv. **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

3. Financing characteristics

- The financial characteristics of the instrument will be impacted depending on the achievement or failure of the SPTs indicated in the previous section of this 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).

4. Reporting

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 <https://www.modulairegroup.com/>:

- 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

5. Verification

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 <https://www.modulairegroup.com/>.

External Review

This Sustainability-Linked Financing Framework has been reviewed by ISS in the form of a Second Party Opinion. The objective of the Second Party Opinion is to provide an independent assessment of the Sustainability-Linked Financing Framework’s transparency and governance as well as its alignment with the Sustainability-linked Bond Principles 2020, published by ICMA, and Sustainability-Linked Loan Principles.

The Second Party Opinion is published on the website of the issuer <https://www.modulairegroup.com/>.

Amendments to this Framework

Modulaire will review the contents of this Framework from time to time, including its alignment to updated versions of the relevant principles as and when they are released, with the aim of adhering to best practices in the market. Over time, additional KPIs/SPTs may be added and new SPTs for the KPI may be proposed.

Modulaire will also review this Framework in case of significant changes affecting the calculation and observation of the KPIs and the SPTs, driven by significant or structural changes to the business model of Modulaire.

Any future updated version of this Framework that may exist will either keep or improve the current levels of ambition, transparency and reporting disclosures, including the corresponding review by an external verifier. The updated Framework, if any, will be published on Modulaire’s website.

DISCLAIMER

This Sustainability-Linked Financing Framework (the “Framework”) is intended to provide non-exhaustive, general information, and contains certain forward-looking statements that reflect current views of the management of Modulaire Group (“Modulaire” or “Group”) with respect to future events and financial and operational performance of the Group. These forward-looking statements are based on the management’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of Modulaire to control or estimate precisely. You are cautioned not to place undue reliance on the forward-looking statements (as well as information and opinions) contained herein, which are made only as of the date of this document and are subject to change without notice. Modulaire does not undertake any obligation or responsibility to release any updates or revisions to any forward-looking statements and/or information to reflect events or circumstances after the date of publication of this Framework. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

This document is not intended to be and should not be construed as providing legal or financial advice.

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