

Second-Party Opinion

FIBRA Macquarie Mexico Sustainability-Linked Loan



Evaluation Summary

Sustainalytics is of the opinion that the FIBRA Macquarie Mexico Sustainability-Linked Loan aligns with the Sustainability-Linked Loan Principles 2022. This assessment is based on the following:

- Selection of Key Performance Indicators (KPI)** The FIBRA Macquarie Mexico Sustainability-Linked Loan defines one KPI: Percentage of certified Industrial portfolio gross leasable area (GLA) over total Industrial portfolio GLA (see Table 1). Sustainalytics considers the KPI chosen to be adequate given that it is an indirect measure of FIBRA Macquarie Mexico's performance on a relevant and material environmental issue, and it follows a clear and consistent calculation methodology which is widely recognized across the real estate sector.
- Calibration of Sustainability Performance Targets (SPT)** Sustainalytics considers the SPT to be aligned with FIBRA Macquarie Mexico's sustainability strategy. Sustainalytics further considers the SPT to be ambitious based on past performance and peer performance.
- Loan Characteristics** FIBRA Macquarie Mexico will link the loan's financial characteristics to achievement of the SPT, namely increasing the applicable margin by five basis points if the KPI is below the SPT and decreasing it by five basis points if the KPI is at least equal to the corresponding SPT.
- Reporting** FIBRA Macquarie Mexico commits to report on an annual basis on its performance on the KPI in its private report to applicable lenders. FIBRA Macquarie commits to disclose relevant information that affect progress on the KPI. The reporting commitments are targeted to be aligned with the Sustainability-Linked Loan Principles.
- Verification** FIBRA Macquarie Mexico commits to have external limited or reasonable assurance conducted against the SPT for the KPI on an annual basis, which is aligned with market expectations.

Evaluation Date	March 23, 2022
Borrower Location	Mexico City, Mexico

The SPTs contribute to the following SDGs:



Overview of KPIs and SPTs

KPI	Baseline	SPT	Strength of the KPI	Ambitiousness of SPT
Percentage of certified Industrial gross leasable area (GLA) over total Industrial portfolio (GLA)	2021	Increase the percentage of certified Industrial portfolio GLA over total Industrial portfolio GLA to 40% by 2026 from a 2021 baseline	Adequate	Ambitious

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Scope of Work and Limitations

FIBRA Macquarie Mexico has engaged Sustainalytics to review the FIBRA Macquarie Mexico Sustainability-Linked Loan and provide an opinion on its alignment with the Sustainability-Linked Loan Principles 2022 (SLLP).¹

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the FIBRA Macquarie Mexico Sustainability-Linked Loan with the Sustainability-Linked Loan Principles 2022.

As part of this engagement, Sustainalytics exchanged information with various members of FIBRA Macquarie Mexico's management team to understand the sustainability impact of their business processes and SPTs, as well as reporting and verification processes of aspects of the FIBRA Macquarie Mexico Sustainability-Linked Loan. FIBRA Macquarie Mexico's representatives have confirmed that:

- (1) They understand it is the sole responsibility of borrower to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Sustainability-Linked Loan and should be read in conjunction with the loan documents. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and FIBRA Macquarie Mexico. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the loan with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure the KPIs' performance. The measurement and reporting of the KPIs is the responsibility of the borrower. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that FIBRA Macquarie Mexico has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for the issuance of the Sustainability-Linked Loan in March 2022.

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¹ The Sustainability-Linked Loan Principles were launched by LSTA in May 2021. They are administered by LSTA and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>.

² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Introduction

FIBRA Macquarie (the “borrower” or the “Trust”) is a Mexican real estate investment trust (REIT) engaged in the acquisition, ownership, and leasing of real estate properties in Mexico. The Trust’s real estate portfolio is primarily comprised of industrial and retail properties. Industrial buildings represent the vast majority of FIBRA Macquarie’s total number of properties, total square footage, and total revenue. The majority of these industrial properties are used by its tenants as light manufacturing facilities and are located in Mexico’s northern industrial markets. FIBRA Macquarie derives nearly all of its revenue in the form of rental income from tenants. The Trust’s major customers are participants in the automotive parts, electronics, medical devices, consumer products and logistics sectors.

FIBRA Macquarie intends to enter into a Sustainability-Linked Loan (SLL) where the applicable margin under the relevant loan agreement is tied to the achievement of the Sustainability Performance Target for the KPI: Percentage of certified Industrial portfolio GLA over total Industrial portfolio GLA

The Trust has engaged Sustainalytics to review the FIBRA Macquarie Mexico Sustainability-Linked Loan and provide an opinion on its alignment with the Sustainability-Linked Loan Principles.

The KPI and SPT used by FIBRA Macquarie are defined in Tables 1 and 2 below.

Table 1: KPI Definition

KPI	Definition
Percentage of certified Industrial gross leasable area (GLA) over total Industrial portfolio GLA	The KPI represents the share of Industrial portfolio GLA certified by reputed green building certifications, such as Leadership in Energy and Environmental Design (LEED) issued by the US Green Building Council (USGBC), Excellence in Design for Greater Efficiencies (EDGE) created by the International Finance Corporation (IFC) or BOMA Best administered by the Building Owners and Managers Association (BOMA) of Canada, against FIBRA Macquarie’s total Industrial portfolio GLA.

Table 2: SPT and Past Performance

KPI	2019	2020	2021 (baseline)	2022	2023	2024	2025	SPT 2026
Percentage of certified Industrial gross leasable area (GLA) over total Industrial portfolio GLA	Nil	1.4%	6.9%	15.0%	21.3%	27.5%	33.8%	Increase the percentage of certified Industrial portfolio GLA to 40.0% by 2026 from a 2021 baseline

Sustainalytics’ Opinion

Sustainalytics’ Opinion on the Alignment of the FIBRA Macquarie Mexico Sustainability-Linked Loan with the Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that the FIBRA Macquarie Mexico Sustainability-Linked Loan aligns with the five core components of the Sustainability-Linked Loan Principles 2022 (SLLP).



Selection of Key Performance Indicator (KPI)

Relevance and Materiality of KPI

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the borrower's business on environmental or social issues, and ii) to what portion of impact the KPI is applicable.

Sustainalytics considers the KPI to be material and relevant given that industrial portfolio real estate assets have significant impact on environmental sustainability. Industrial buildings consume significant amounts of energy, mainly for space heating, ventilation, air conditioning, water heating, lighting, and equipment and appliance use. Additionally, the Sustainability Accounting Standards Board (SASB) identifies energy management as a material issue for real estate owners, developers, and investment trusts, and therefore, a relevant topic to track and disclose.³ In its 2020 ESG Report,⁴ FIBRA Macquarie disclosed its Sustainability Action Plan that highlights obtaining green building certifications as one of the priorities to improve the environmental performance of its industrial building portfolio.

Sustainalytics notes that FIBRA Macquarie has confirmed that the proceeds from the sustainability-linked loan will be exclusively used in the improvement of environmental and sustainability performance of industrial buildings in its portfolio. In 2020, FIBRA Macquarie's industrial GLA represented approximately 86.7% of the total GLA of its portfolio (both retail and industrial). Sustainalytics views it as fundamental for REITs to improve on the sustainability of the built environment. However, Sustainalytics notes that the KPI does not cover the sustainability performance of the operations taking place in the Borrower's industrial buildings, hence, the KPI boundary may not entirely capture the energy and carbon performance of the buildings i.e. the KPI applies to the built environment but not to the operations of those industrial buildings. Nonetheless, FIBRA Macquarie has confirmed that, for the most part, the activities in its industrial buildings are not in hard-to-abate sectors, such as steel, chemicals, cement, aluminum, and other such industries. Sustainalytics recommends FIBRA Macquarie, where feasible, to disclose to lenders on the KPI's impact for their total portfolio including the operations taking place in the buildings, for example, estimated energy savings as a proportion of the total energy consumption of the built environment, including operations.

Based on the above, Sustainalytics considers the KPI to be material and sufficient in scope.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used, ii) whether the borrower follows an externally recognized definition, iii) whether the KPI is a direct measure of the performance of the borrower on a material environmental or social issue, and, if applicable, iv) whether the methodology can be benchmarked to an external, contextual benchmark.⁵

Sustainalytics considers FIBRA Macquarie's definition and methodology to calculate progress on the KPI to be clear and consistent based on the certifications used being externally recognized and following a consistent methodology.

Sustainalytics considers the KPI to be indirectly linked to the sustainability performance of FIBRA Macquarie, given that the KPI measures the industrial portfolio's sustainability performance against multiple green building certification schemes (such as LEED, EDGE and BOMA Best), which are indirect indicators of energy and water use, and environmental (GHG emissions) performance of buildings. FIBRA Macquarie has confirmed to Sustainalytics that it intends to adhere to the following green building certification eligibility criteria: (i) minimum

³ SASB, "Real Estate Owners, Developers & Investment Trusts", at: https://www.sasb.org/wp-content/uploads/2016/03/IF0402_REOD_IT_Standard.pdf

⁴ FIBRA Macquarie, "2020 ESG Report", (2021), p. 9, at: <https://www.FIBRAMacquarie.com/assets/FIBRA/docs/events-and-presentations/2021/2020-esg-report.pdf>

⁵ External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

LEED Gold, (ii) EDGE certified or EDGE Advanced where feasible, or (iii) BOMA Best Gold. Sustainalytics views the green building certification schemes to be credible and aligned with market practice.

Sustainalytics also notes that the KPI follows a methodology widely recognized across the real estate leasing sector, using gross leasable area (GLA) to measure the area of both certified as well as non-certified industrial buildings. Nonetheless, the KPI does not lend itself well to be benchmarked based on the certification schemes and levels, not providing sufficient information to determine alignment with the targets of the Paris Agreement.

Overall Assessment

Sustainalytics overall considers the KPI – Percentage of certified Industrial portfolio GLA over total industrial portfolio – to be adequate given that: (i) it is an indirect measure of FIBRA Macquarie’s performance on a relevant and material environmental issue, applicable to majority of its portfolio and (ii) it follows a clear and consistent calculation methodology which is widely recognized across the real estate sector, but (iii) it is not benchmarkable against science-based targets.

KPI Percentage of certified Industrial portfolio GLA over total industrial portfolio	Not Aligned	Adequate	Strong	Very strong
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Calibration of Sustainability Performance Targets (SPT)

FIBRA Macquarie has set the following SPT for its KPI:

- Increase the percentage of certified industrial gross leasable area (GLA) over total industrial portfolio to 40% by 2026 from a 2021 baseline

Alignment with Borrower’s Sustainability Strategy

Sustainalytics considers the SPT to be aligned with FIBRA Macquarie’s sustainability strategy.

FIBRA Macquarie has developed a Sustainability Action Plan based on its Plan-Do-Check-Act strategy to maximize positive impact on the environment and improve performance against key metrics.⁶ The Trust intends to improve its sustainability performance and increase the number of its properties possessing green building certifications, and has set a roadmap for 2025 which includes: i) disclosing performance under internationally recognized standards, ii) increasing the use of renewable energy, and iii) improving building performance assessments by pursuing primarily EDGE certifications for existing industrial properties and implementing a sustainability plan for six wholly owned BOMA Best certified retail portfolio properties by 2025.⁷

In terms of environmental performance, the Trust is committed to reducing use of energy and water, and GHG emissions. In the reporting period (i.e. FY 2020) the Trust reduced 17.7% of its GHG emissions and 18.8% in its water consumption intensity. In addition, six existing Retail portfolio properties were certified under BOMA Best, two newly developed Industrial properties received LEED certification in 2020 and the Trust implemented its LEED-aligned Sustainability Guidelines for Property Improvements and Alterations.⁸ The Trust is committed to achieving minimum LEED Silver for all its new industrial development projects. FIBRA Macquarie is presently pursuing a number of LEED and EDGE certifications for eligible Industrial portfolio properties.⁹

Overall, Sustainalytics views the SPT to be in line with FIBRA Macquarie’s broader sustainability goals.

Strategy to Achieve the SPTs

FIBRA Macquarie intends to achieve the SPT through the following strategy:

- The Trust intends to install retrofits, energy and water efficiency technologies as required to ensure EDGE certifications for its existing industrial portfolio properties.

⁶ FIBRA Macquarie, “2020 ESG Report”, (2021), p. 8, at: <https://www.FIBRAmacquarie.com/assets/FIBRA/docs/events-and-presentations/2021/2020-esg-report.pdf>

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

- FIBRA Macquarie is undertaking a property-by-property analysis for its existing buildings to identify gaps to meet EDGE performance targets. This would include a technical assessment of required efficiencies, such as lighting retrofits and water saving devices, along with financial quantification and actual upgrades for each targeted property to meet the certification scheme’s independent audit requirements.
- For all its industrial properties added to GLA via greenfield development, FIBRA Macquarie intends to achieve LEED certification.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers: i) whether the SPT goes beyond a business-as-usual trajectory, ii) how the SPT compares to targets set by peers, iii) and how the SPT compares with science.¹⁰

SPT: Increase the percentage of certified industrial gross leasable area (GLA) over total industrial portfolio to 40% by 2026 from a 2021 baseline.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and peer performance. Sustainalytics was unable to assess the SPT’s ambition against science-based targets because LEED and EDGE certification rate the energy consumption of a building against a set of benchmarks as opposed to the actual GHG emissions of the building portfolio.

FIBRA Macquarie increased its share of certified Industrial portfolio GLA by an average of 3.5 percentage points between 2019 and 2021. To achieve the SPT by 2026, the Trust will need to increase the percentage points by 6.4 annually between 2021 and 2026. Sustainalytics notes that the SPT represents an improvement over FIBRA Macquarie’s historical share of certified Industrial portfolio GLA against its total Industrial portfolio GLA. Based on an analysis of FIBRA Macquarie’s peer group, which comprised listed Mexican REITs and real estate corporations, Sustainalytics considers that the SPT is aligned with the targets set by most of FIBRA Macquarie’s peers to increase the share of certified Industrial portfolio GLA.

Overall Assessment

Sustainalytics considers the SPT to align with FIBRA Macquarie’s sustainability strategy and considers the SPT to be ambitious given that it presents a material improvement compared to past performance and aligns with the targets and performance of FIBRA Macquarie’s industry peers.

<p>Increase the percentage of certified Industrial portfolio gross leasable area (GLA) over total Industrial portfolio to 40% by 2026 from a 2021 baseline (Percentage of certified Industrial portfolio gross leasable area (GLA) over total Industrial portfolio)</p>	<p>Not Aligned</p>	<p>Moderately Ambitious</p>	<p>Ambitious</p>	<p>Highly Ambitious</p>
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Loan Characteristics

FIBRA Macquarie has disclosed that the financial characteristics of the SLL will be tied to achievement of the SPT in the form of a five basis points increase in the applicable margin if the KPI is below the SPT and a five basis points decrease if the KPI is at least equal to the SPT.

¹⁰ We refer here to contextual benchmarks that indicate alignment of targets with ecosystem boundaries.



Reporting

FIBRA Macquarie commits to report on an annual basis on the performance of the KPI and expects to include the relevant figures in its private annual reporting to its relevant lenders, which is aligned with the SLLP. The Trust further commits to disclose relevant information that enables lenders to monitor the level of ambition of the SPTs.



Verification

The Trust commits to have an external verifier provide limited or reasonable assurance against the SPT and the KPI at least once a year, which is aligned with the SLLP on verification.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United National General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The FIBRA Macquarie Mexico Sustainability-Linked Loan is expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
Percentage of certified Industrial portfolio gross leasable area (GLA) over total Industrial portfolio GLA	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 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

Conclusion

FIBRA Macquarie intends to obtain a sustainability-linked loan tying the applicable margin under the loan agreement to the achievement of the following SPT:

- (1) Increase the percentage of certified Industrial portfolio gross leasable area (GLA) over total Industrial portfolio GLA to 40% by 2026 from a 2021 baseline.

Sustainalytics considers the KPI chosen to be adequate given that given that it is an indirect measure of FIBRA Macquarie’s performance on a relevant and material environmental issue and follows a clear and consistent calculation methodology which is widely recognized across the real estate sector. Sustainalytics also considers the SPT to be ambitious based on past performance and peer performance. Furthermore, Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

Based on the above, Sustainalytics considers the FIBRA Macquarie Mexico Sustainability-Linked Loan to be in alignment with the five core components of the Sustainability-Linked Loan Principles 2022 and the prospective achievement of the SPTs to be impactful.

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These are based on information made available by the borrower and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The borrower is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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