

# Fibra Nearshoring Experts and Technology (Fibra NEXT)

## Second-Party Opinion – Sustainable Finance Framework



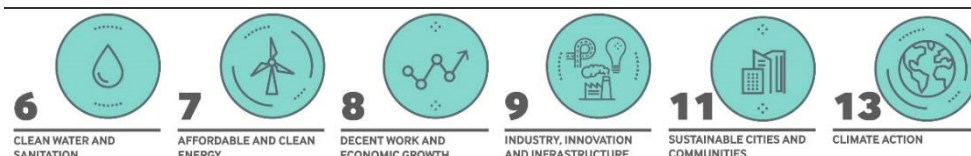
Pillar	Alignment	Key Drivers
Use of Proceeds	<b>Excellent</b>	<ul style="list-style-type: none"> <li>Sustainable Fitch considers the sustainable finance framework of Nearshoring Experts and Technology REIT (Fibra Next) and the use of proceeds (UoP) included in this framework to be aligned with ICMA's Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP), Sustainability Bond Guidelines 2021 (SBG) as well as the Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP) of the LMA, LSTA and APLMA.</li> <li>We view the alignment of the eligibility criteria selected for the green UoP categories with Mexico's sustainable taxonomy and the EU taxonomy and its support of Fibra Next's carbon neutrality strategy as positive from an ESG perspective. The magnitude of the social UoP, which focuses on accessible rents for SMEs, will depend on the number of such tenants renting space from Fibra Next.</li> </ul>
Use of Proceeds – Other Information	<b>Good</b>	<ul style="list-style-type: none"> <li>The first sustainable bond issued or loan contracted under this framework will be used to refinance debt. We believe that additional positive impact is generated by the financing of new green and social projects.</li> <li>Our view of the uses of proceeds would have been more favourable had the initial commitments to fund new projects been greater.</li> </ul>
Evaluation and Selection	<b>Excellent</b>	<ul style="list-style-type: none"> <li>Fibra Next has a project evaluation and selection process that follows best practices. The process is well defined and is overseen by experienced environmental technical experts with relevant sector knowledge and experience. Independent members also participate in the process, which promotes greater objectivity and impartiality.</li> </ul>
Management of Proceeds	<b>Good</b>	<ul style="list-style-type: none"> <li>Funds raised under this framework will be deposited in a separate bank account of the entity. This is aligned with best practices.</li> </ul>
Reporting and Transparency	<b>Excellent</b>	<ul style="list-style-type: none"> <li>Fibra Next will report its financial information annually, detailing resource allocation and impact. The reports will be independently verified, which aligns with best practices.</li> </ul>

<b>Framework Type</b>	Sustainable
<b>Alignment</b>	<ul style="list-style-type: none"> <li>✓ Green Bond Principles 2021 (ICMA)</li> <li>✓ Social Bond Principles 2023 (ICMA)</li> <li>✓ Sustainability Bond Guidelines 2021 (ICMA)</li> <li>✓ Green Loan Principles 2023 (LMA/LSTA/APLMA)</li> <li>✓ Social Loan Principles 2023 (LMA/LSTA/APLMA)</li> </ul>
<b>Date assigned</b>	26 October 2023
See Appendix B for definitions.	

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### Relevant UN Sustainable Development Goals



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## Use of Proceeds Summary

<b>Green</b>	Clean transportation Green buildings Climate change adaptation Sustainable water and wastewater management Energy efficiency Renewable energy Pollution prevention and control
<b>Social</b>	Employment generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises, climate transition projects or other considerations for a “just transition” (such provision or promotion could include SME financing and microfinance)

Source: Fibra Next sustainable finance framework (October 2023)

## Framework Highlights

Sustainable Fitch considers transactions under this sustainable finance framework to be aligned with the ICMA GBP, SBP and SBG, and the GLP and SLP of the LMA, APLMA and LSTA. Our opinion is that the alignment is 'Excellent'. The Spanish version of this document is considered the original version; documents in other languages are considered a translation of this version.

Under this framework, Fibra Next may issue, bonds (notes), debentures, private placements (such as preferred stock or mezzanine debt), commercial paper (with maturity longer than one year), and contract loans (such as revolving credit facilities, term loans or contingent facilities) with a green, social or sustainable label. The funds raised will be used mainly to modernise and improve the energy and water efficiency of the industrial real estate acquired and managed by Fibra Next, as well as to implement climate change mitigation and adaptation projects.

Fibra Next's goal is for its investments to contribute to the fulfilment of its sustainable strategy of making it a net-zero company by 2050 and to have all its assets obtain a sustainable building certification.

A REIT plays an important role in mitigating climate change since the real estate sector is responsible for almost 40% of global GHG emissions. The latest UN report on this, the Global Status Report of Building and Construction 2022, details the negative environmental impact of the sector and its limited progress in reaching carbon neutrality by 2050. According to the document, the real estate sector consumed 34% of global energy and generated 37% of the CO2 emissions associated with the energy consumed globally in 2021. This means there is an urgent need to encourage energy efficiency measures that promote energy savings in the real estate sector's operations.

Fibra Next owns a portfolio of industrial warehouses in northern Mexico that are used by companies for the storage and distribution of their manufactured goods. The geographical proximity to the US and the favourable labour and trade conditions mean that this area has attracted large investments from international companies that are interested in establishing their manufacturing and industrial subsidiaries in the country. A large part of the products of these companies will be exported to the US.

This phenomenon has been dubbed "nearshoring" and it has spurred the growth of Mexico's industrial sector and increased demand for industrial buildings, especially those located in geographic regions that facilitate export to the US. Fibra Next is well positioned to meet this growing demand.

The strong economic growth associated with nearshoring has brought several challenges to Mexico's real estate sector, including putting pressure on energy and water supply as well as endangering the reliability of these services due to increased demand. Considering the above, we view it necessary for the real estate sector to establish urgent energy efficiency measures to mitigate its negative environmental impact and to counteract the effects of energy overdemand in the country.

Fibra Next's sustainability strategy includes short-, medium- and long-term goals that are focused on energy efficiency, renewable energy and sustainable building certifications. We view this positively from an ESG perspective.

The issuer is looking to reduce its energy intensity by up to 67%, ensure that 70% of its energy supply comes from renewable sources, certify 100% of its industrial real estate portfolio with sustainable building certifications and achieve carbon neutrality for its Scopes 1 and 2 emissions. Fibra Next is expecting to meet all of these targets by 2050, based on a 2018 baseline, with intermediate targets set for 2023 and 2030. We view Fibra Next's strategy as positive from an ESG perspective and in line with its international peers, and more ambitious than strategies adopted by its Mexican peers. Only a few of these have committed to certifying 100% of their industrial warehouses.

According to the aforementioned UN report, 24% of the world's water resources are used for industrial activities. Specifically, in Mexico, the states that are currently experiencing the effect of nearshoring are those located in areas of high water-stress. We believe that as the demand for industrial activities increases in an area, the high levels of water stress will have a negative impact on both the environment and society.

Fibra Next is seeking to reduce its water intensity by 70% by 2050. This goal is similar to that of its local peers operating in the same states, which highlights a broad agreement among real estate companies that addressing water scarcity requires urgent attention.

In Mexico, few REITs have issued bonds or taken out loans to finance social projects. We consider the positive approach made by Fibra Next in its framework will help finance and support Mexican micro, small and medium enterprises (MSMEs) through sustainable debt instruments. However, positive social impact will depend on the MSMEs' requirements for industrial warehousing rentals. Currently, MSMEs represent a small percentage of the occupation of the industrial warehouses owned and managed by Fibra Next.

Source: Sustainable Fitch, Fibra Next sustainable finance framework (October 2023), 2022 Global Status Report for Buildings and Construction

## Entity Highlights

Fideicomiso Fibra Uno (FUNO) was the first REIT to be established in Mexico. Its current portfolio includes a wide variety of assets that range from shopping malls to industrial warehouses. Recently, the company underwent a reorganisation. Fibra Next, which is managed by FUNO, was created specifically to acquire, develop and manage the group's industrial assets.

Fibra Next will have an initial industrial portfolio consisting of 202 properties and 7.2 million m<sup>2</sup> of gross leasable area (GLA). The distribution of assets is as follows: logistics (77.9%), light manufacture (19.4%) and business exports (2.7%).

Fibra Next will replicate FUNO's sustainability strategy in addressing the pillars of human capital, ethics, corporate social responsibility, eco-efficiency, energy, emissions and water resources management.

Fibra Next's commitment to align its Scopes 1 and 2 emissions neutrality goal to the criteria established by the Science Based Targets initiative, which will also verify such goals, is positive from an ESG perspective. In terms of diversity, equity and inclusion, Fibra Next is considering actions in its workforce beyond gender, which from our perspective is considered outstanding given that people with disabilities, migrants and the LGBT+ community continue to face discrimination as employees in the country.

In terms of governance, we consider it as a positive for Fibra Next to include the diversity and independence practices that FUNO seeks to incorporate in 2023 and for all its ESG efforts to continue to be reported on an annual basis.

Source: Sustainable Fitch, Fibra Next sustainable finance framework (October 2023)



Use of Proceeds – Eligible Projects	Alignment: Excellent
Company Material	Sustainable Fitch’s View
<p><b>Clean transportation</b></p> <ul style="list-style-type: none"> <li>Development, construction, acquisition, installation, repair, reconditioning, operation, or upgrades to:               <ul style="list-style-type: none"> <li>electric vehicle charging stations; and</li> <li>infrastructure and equipment for active mobility (walking, cycling, e-bikes and e-scooters) and parking for bicycles, e-bikes and e-scooters.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We consider this UoP of developing and maintaining electric vehicle charging stations as environmentally positive since it will contribute to reducing the GHG emissions from transportation activities. The Mexican Institute of Transportation reported that there were only 1,012 charging centres in the country at end-2022, which limits the infrastructure for electric vehicles and constrains the growth of the electric vehicle fleet.</li> <li>Projects of this type are aligned with both the Mexican and the EU taxonomies.</li> <li>Conditioning zero-carbon commute spaces such as walking and cycling trails is essential for sustainable urbanisation with a positive environmental and social impact. The states in the north of the country where Fibra Next is primarily based, have registered several complaints in the public media for not having adequate and safe infrastructure for pedestrians. This UoP will be of high impact as it complies with adequate safety measures and periodic maintenance.</li> </ul>
<p><b>Green buildings</b></p> <ul style="list-style-type: none"> <li>Purchase, construction, development, operation, upgrades and investment of new or existing industrial facilities that:               <ul style="list-style-type: none"> <li>have achieved, based on third-party assessment, GHG emissions performance in the top 15% of their city; or</li> <li>have received, or expect to receive based on their design, construction and operational plans, certification according to third-party verified green building standards such as LEED Gold or Platinum, or other equivalent certification schemes such as EDGE, DNGB, BREEAM, BOMA BEST Gold or above, or HQE Very Good, Excellent or Exceptional.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We consider this UoP to be essential to Fibra Next’s goal of having 100% of its GLA certified as sustainable by 2050, as it will promote the remodelling of several of its industrial warehouses with the aim of achieving certification.</li> <li>We view the issuer’s goal of achieving high levels of certifications as positive from an ESG perspective, as it has mostly considered ambitious levels of energy and water efficiency that will, in turn, lead to lower carbon emissions.</li> <li>Some investors have indicated a preference for the certifications selected by Fibra Next, such as LEED Gold or Platinum, Edge Zero Carbon, and BOMA BEST Gold or higher. By conveying a higher level of positive impact assurance, these certifications serve as a benchmark for green finance eligibility. We view the remaining certifications selected by Fibra Next as positive; however, the level of energy and water efficiency associated with these certifications is less rigorous than those listed in this paragraph and none of them aims to achieve carbon neutrality, which is a reference point for the EU taxonomy.</li> <li>On the other hand, we view the alignment of this UoP to the Mexican taxonomy positively, since the certifications across all levels, such as Edge, BREEAM and LEED, are referenced in the technical screening criteria (TSC) described in this document.</li> <li>For the remaining certifications, we have considered the level of energy efficiency per thermal zone referenced in the Mexican taxonomy and compared it with the rates of energy efficiency considered in the pool of certifications that Fibra Next may adopt. These are DNGB, BOMA BEST and HQE, which all comply with the TSC thresholds referenced in the Mexican taxonomy.</li> <li>The degree of ambition of this UOP’s positive environmental impact will be reflected once the issuer reports on the different types and levels of certifications that it has obtained. International real estate companies seek these certifications to confirm the carbon neutrality of their real estate assets. If Fibra Next achieves international certifications for its assets, it will be aligned with the best international practices for the industry.</li> </ul>





Climate change adaptation

- Investments related to activities that are assessing Fibra Next's vulnerabilities and opportunities due to climate change and the means of improving the resilience in its operations, such as:
  - measuring the support of the protection and restoration of biodiversity and terrestrial and marine ecosystems, including protecting species at risk, and other related priorities; and
  - efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems such as climate observation and early warning systems.

- This UoP includes reforestation projects that are crucial to protecting biodiversity and generating positive impact if correctly managed. Mexico is an ideal ecosystem for carbon capture through the forestry projects. We consider the contemplation of reforestation projects by the issuer as aligned with international best practices, for example those described by the EU taxonomy.
- Under this category of UoP, Fibra Next is considering long-term forest management plans that span a minimum of 10 years. It aims to verify the net benefit of carbon sequestration for a minimum period of 30 years and the reforested areas selected will be located in areas within the country's regulatory framework.
- This approach positively differentiates Fibra Next from other regional issuers that are focused on similar reforestation projects. The follow-up and reporting of this UoP will be important for the issuer to transparently communicate its results.
- The issuer will ensure that the reforestation projects are aligned with the Mexican taxonomy once the projects are completed. We consider Fibra Next's contemplation of compliance with this regulatory framework as a preliminary indication of future alignment with the Mexican taxonomy.
- The development of infrastructure that is resilient to climate change is important since over the last decade, Mexico has reported an increase in the frequency and intensity of droughts, floods, cyclones and tropical waves that have impacts on buildings. Fibra Next will incorporate measures to adapt to abrupt climate change impacts into both its new and existing real estate assets, which we view as positive from an ESG perspective.



Sustainable water and wastewater management

- Expenditures related to projects on sustainable water management, such as:
  - the development, construction, acquisition, installation, operation and upgrade of wastewater treatment plants; and
  - the development, construction, acquisition, installation, operation and upgrade of rainwater harvesting systems.

- Mexico was ranked as the second highest country in Latin America for water stress in 2020, and this situation has been worsening according to records from the National Water Commission. Likewise, according to data from the World Bank on the water situation in Mexico, the average available water per person has reduced to 4,000m<sup>3</sup> in 2000, from 10,000m<sup>3</sup> in 1960. For comparison, the estimated figure for 2023 is around 3,000m<sup>3</sup>.
- For this reason, we view Fibra Next's integration of rainwater harvesting systems and wastewater treatment plants into its buildings as positive from an ESG perspective.
- Treating wastewater has an added environmental benefit of minimising the risk of toxic pollutants and can even lead to the reuse of the treated water in other processes.
- The water treatment plants must meet certain TSC to be considered sustainable under the environmental taxonomies. For this type of project, the aim is to reduce the electrical energy consumed proportional to the installed capacity of the plant.
- Based on the electricity consumption recorded internally by Fibra Next of between 25kWh and 35kWh, depending on plant capacity, we consider Fibra Next to be aligned with the EU and Mexican taxonomies. If the information was verified by an external auditor, the positive benefit associated with this UoP would be clearer.



Energy efficiency

- Expenditures related to the development, construction, acquisition, installation, operation and upgrades of projects that achieve at least a 30% energy efficiency improvement compared to the baseline scenario, including:

- We view energy efficiency projects as positive, as they contribute to climate change mitigation through GHG emissions reduction.
- According to a study conducted by the Programme for Energy Efficiency in Buildings (PEEB) in 2021, the building





<ul style="list-style-type: none"> <li>– projects involving the installation, maintenance or replacement of old heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment, only when the new technology does not involve any fossil fuels;</li> <li>– projects that allow the monitoring and modelling of energy performance such as the design and installation of digital controls, sensors or building information systems;</li> <li>– projects that optimise the amount and time of energy consumption by minimising peak loads such as the design and installation of energy storage, metering systems, smart grids and load control systems.</li> </ul>	<p>sector in Mexico was responsible for the consumption of 25% of the country's electricity. Mexico's buildings are lagging behind in international energy efficiency indicators.</p> <ul style="list-style-type: none"> <li>• Since 2015, various official standards have been implemented in Mexico with the aim of reducing the energy consumption of buildings through the use of efficient equipment, ecotechnologies and refurbishments. However, the PEEB reports that most Mexican buildings reported energy savings of less than 20% when compared to the baseline energy consumption indicators from one year before.</li> <li>• Hence, we view positively the threshold established by Fibra Next to achieve energy savings of up to 30%. Fibra Next's energy efficiency projects meet the Mexican taxonomy's thresholds for all the thermal zones under the economic activity number 236211.</li> <li>• However, the EU taxonomy references higher energy efficiency targets. Energy savings of at least 55% compared to baseline figures must be achieved if the equipment being installed is to be considered eligible, which this UoP does not appear to meet the EU taxonomy's TSC. Nevertheless, Fibra Next's inclusion of a UoP addressing its equipment with higher energy efficiency benefits its ESG profile.</li> </ul>
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**Renewable energy**

<ul style="list-style-type: none"> <li>• Expenditures related to the design, development, acquisition, construction, expansion, operation, upgrade or maintenance of renewable energy projects, including:             <ul style="list-style-type: none"> <li>– solar sources (PV and concentrating solar power);</li> <li>– wind sources (onshore and offshore); and</li> <li>– hydroelectric of less than 25MW capacity.</li> </ul> </li> <li>• The purchase of renewable energy from wind, solar or hydroelectric power facilities through long-term power purchase agreements that include those entered prior to the issuance of a sustainable financing instrument and later extensions, in compliance with Fibra Next's ESG criteria.</li> </ul>	<ul style="list-style-type: none"> <li>• This UoP contributes to the mitigation of, and adaptation to, climate change, hence we consider it to be positive and aligned with the Mexican and EU taxonomies.</li> <li>• We believe that long-term power purchase agreements are useful tools to ensure the supply of electricity through renewable sources.</li> </ul>
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**Pollution prevention and control**

<ul style="list-style-type: none"> <li>• Investments, acquisitions or financing aimed at the reduction of air pollutants and GHG emissions such as R&amp;D and other capex for carbon capture, use and storage (subject to the exclusionary criteria).</li> <li>• Expenditures related to the production, construction, maintenance, operation, improvements and infrastructure of zero-waste facilities and industrial and post-consumption waste management processes, including:             <ul style="list-style-type: none"> <li>– the collection, sorting and recycling by third parties of materials from Fibra Next's properties;</li> <li>– collection and recycling facilities such as containers and biodigesters, sorting centres and equipment for post-consumption plastic materials such as PET or glass collection;</li> <li>– financing of sorting or recycling facilities owned by the communities or local governments; and</li> <li>– expenditures related to the procurement of materials to be recycled.</li> </ul> </li> <li>• Construction and design of in-house waste collection and segregation, in particular, retrofits related to waste collection and segregation processes, and purchase of biodigesters, including:             <ul style="list-style-type: none"> <li>– the financing or refinancing of construction, operation, design and management, or upgrade of recycling infrastructure, including waste minimisation, filtering, management, recycling and reuse; and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We consider this UoP as crucial for Mexico, given that 42 million tonnes of municipal solid waste are generated annually and only 14% is recycled, with the remainder commonly ending up in open dumps. For this reason, we consider the issuer's focus on investments to improve its processes to manage both hazardous and non-hazardous waste derived from its business activities as environmentally positive.</li> <li>• For non-hazardous waste, the TSC described in the environmental taxonomies contemplate a minimum percentage of waste collected, recycled and converted into secondary raw materials. Based on the issuer's public information, we identified that this percentage is lower than the EU and Mexican taxonomies' TSC of 50%.</li> <li>• As each of the collection and recycling projects to be financed improves the percentage of conversion to secondary raw materials as a share of total waste collected, the issuer will be able to communicate the positive impact of this UoP and its degree of alignment with the taxonomies.</li> <li>• On the other hand, the issuer has positively adhered to good international practices for its organic waste management policies in respect of collection and separation processes and through to use in secondary activities. This is aligned with criteria described in environmental taxonomies.</li> <li>• Communicating the indicator associated with this UoP will be essential to reflect the positive impact of the implementation of Fibra Next's internal policy.</li> </ul>
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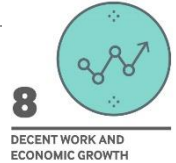




- improvements that divert organic materials from landfills to composting, reducing GHG emissions created by anaerobic digestion in such facilities.
- Projects to reduce waste, including increasing the use of reused or recycled materials (PET plastic waste) generated in its self-operated facilities such as polyethylene terephthalate seats and recycled bags for its properties.

**Employment generation and programmes designed to prevent or alleviate unemployment stemming from socioeconomic crises**

- Affordable rents and financing for MSMEs, as well as the businesses led by people from one or more of the following priority groups: women, sexual and gender minorities, marginalised populations or communities, people with disabilities, and undereducated.
- Affordable rents and financing for the businesses in areas below the poverty line.
- Promote local employment through initiatives and local businesses with social, environmental or economic impact.
- Activities to revitalise or stabilise economic activity in:
  - areas affected by natural disasters;
  - low-income areas; or
  - non-metropolitan or under-served communities, owing to a lack of quality access to essential goods and services; or located in medium or low income, in accordance with the National Institute of Statistics and Geography's definitions of migrants, poverty levels, unemployment and population density.
- Discounts in rents supporting:
  - MSMEs led by women;
  - MSMEs led by people under 35 years old;
  - NGOs or not-for-profits; and
  - Indigenous communities.
- We view the social impact of this UoP as positive, but its impact will depend on the extent to which MSMEs rent real estate from Fibra Next.
- Providing affordable rents in highly marginalised areas can help create job opportunities and improve the quality of life of the communities that are employed. We consider the communication of how preferential rates will improve the quality of life of the population as beneficial to Fibra Next's ESG profile.
- Considering that MSMEs contribute to the supply chain of large companies, we see the support for women in the industrial sector as positive from an ESG perspective, given the still low participation of this gender in the sector.
- Fibra Next will offer lower rates to MSMEs led by the minority groups. This will also have a positive social impact, as it will help combat discrimination against such minorities.
- The framework defines the target populations that will benefit from this UoP. Clear definitions are positive as they help link positive social impact with the allocation of resources.



Source: Fibra Next sustainable finance framework (October 2023)

Source: Sustainable Fitch

## Use of Proceeds – Other Information

### Company Material

- The UoP of the initial sustainable issuance will be allocated to new and existing projects with a lookback period of up to 24 months. For this initial sustainable issuance, the refinanced projects can account for more than 75% of the funds.
- Fibra Next has an exclusion list:
  - nuclear energy operations;
  - operations in the coal, tobacco or mining sectors;
  - projects not aligned with its code of ethics or sustainability policy;
  - thermal power plants;
  - infrastructure for vehicles with internal combustion engines;
  - forced labour or child labour;
  - alcohol, tobacco, weapons and arms trade, and gambling;
  - activities in protected areas or activities that violate the rights of Indigenous peoples;
  - activities related to the exploration;
  - production or transportation of fossil fuels;
  - operations related to fossil fuels or other carbon-intensive activities; or
  - any other activity that Fibra Next determines is not eligible for resource allocation at the time of allocation.

Source: Fibra Next sustainable finance framework (October 2023)

## Alignment: Good

### Sustainable Fitch's View

- Fibra Next has defined a list of activities that it excludes from financing under the framework and has aligned both the UoP and several of the TSC under each UoP category to its carbon neutrality goal (Scopes 1 and 2 emissions).
- The 24-month lookback period considered by the issuer is in line with market practices.
- However, our assessment of this section was negatively affected as the initial funds raised under the framework will be applied to refinancing of existing debt. We consider it as an excellent practice for debt instruments to be applied mostly on new projects that add positive environmental and social impacts.

Source: Sustainable Fitch

## Evaluation and Selection

### Company Material

- Fibra Next has established a process to ensure only projects that are aligned with the previously mentioned criteria are selected as eligible assets and projects within this framework. Fibra Next regularly analyses its businesses' environmental and social impacts and assesses how it can mitigate its impacts on the communities where it operates in. Fibra Next conducts extensive due diligence when evaluating potential new opportunities and monitoring of its investment positions.
- The projects that the labelled financing proceeds are intended to be allocated to are evaluated and selected based on compliance with the eligibility criteria set forth by Fibra Next's ESG and ethics committee, which comprises five members of its management and independent board members.
- The projects that meet its eligibility criteria may receive allocation from an equal amount of the net proceeds of any instrument financed under this framework. The ESG and ethics committee will review the approved green and social projects annually. If a project fails to meet the eligibility criteria or the exclusion criteria, its funding will be reallocated to eligible assets and projects within 12 months.

Source: Fibra Next sustainable finance framework (October 2023)

## Alignment: Excellent

### Sustainable Fitch's View

- Fibra Next's ESG and ethics committee and its sustainability committee, which include independent members with relevant experience in the sector, will participate in the project evaluation and selection process. We see the participation of its sustainability committee and its ethics committee as positive from an ESG perspective, as it provides transparency and expertise, and complies with the eligibility criteria set out in the debt framework.
- In addition, the issuer has included a process for monitoring and evaluating its potential ESG risks as part of the project selection and evaluation process. Such risks include relevant water scarcity and community relations risks. This will assist the issuer to identify and mitigate possible risks that could harm the eligibility of the projects.

Source: Sustainable Fitch

## Management of Proceeds

### Company Material

- For the management of proceeds, the ESG and ethics committee will be responsible for the following.
  - Allocating an equal amount of the net proceeds from any instrument financed under this framework to a portfolio of assets.
  - Achieving a complete level of allocation for the eligible project portfolio that matches the balance of net proceeds from its outstanding sustainable financing after adjustments for intervening circumstances that include sales, repayments and possible loss of certifications.

## Alignment: Good

### Sustainable Fitch's View

- Funds raised from bonds and loans will be deposited into a separate bank account, which is aligned to best practices. Likewise, the funds will be tracked through electronic internal records to ensure their correct allocation, in line with market practice.
- Unallocated balances will be held in cash or invested in other short-term liquidity instruments. Although the best practice would be to use the funds to finance green or social purposes, Fibra Next has stipulated in its framework that it will not be able to use these resources to fund activities that promote activities with high carbon emissions intensities. This restriction is positive from an ESG perspective.



<ul style="list-style-type: none"> <li>◆ E.g. in the event of intervening circumstances, for so long as there is applicable sustainable financing outstanding, Fibra Next will strive to add eligible projects to the portfolio to the extent required to ensure that the net proceeds from the outstanding sustainable financing will be allocated to the eligible projects.</li> <li>– Tracking the outstanding balances of the loans granted to the eligible projects on a timely basis, such that the instrument's proceeds can be allocated towards the financing of these projects.</li> <li>– Directing the investment of the instrument's proceeds that are not allocated to the eligible projects in the instruments. Pending the allocation of the net proceeds of sustainable financing to the eligible projects, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or other capital management activities or may be held on Fibra Next's balance sheet, invested in cash, cash equivalents or other liquid instruments in accordance with Fibra Next's investment policy. Investing any of the unallocated net proceeds from any instrument financed under this framework in controversial or in high GHG emissions sectors or activities is strictly prohibited.</li> <li>– Preparing a report detailing the instrument's net uses of proceeds that will be presented periodically to the independent audit committee.</li> <li>– Ensuring this information is disclosed to the public investors annually.</li> <li>– Aiming for an amount equivalent to the instrument net proceeds to be fully allocated within the lifetime of the applicable instrument.</li> <li>– Payment of principal and interest on any sustainable financing issuance will be made from Fibra Next's general funds and will not be directly linked to the performance of any eligible projects.</li> <li>• Complete allocation of the proceeds from any instrument issued under this framework is expected as soon as possible within 36 months from the date of the issuance.</li> </ul>	<ul style="list-style-type: none"> <li>• Fibra Next will monitor the results of the selected projects and conduct external audits. This will promote transparency for its investors and stakeholders.</li> </ul>
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Source: Fibra Next sustainable finance framework (October 2023)

Source: Sustainable Fitch

**Reporting and Transparency**

**Company Material**

- Fibra Next will publish an allocation report on its website within one year of any issuance. The report will be updated every year until complete allocation, and thereafter, as necessary in the event of new developments. The report will contain at least the following:
  - the total amount of proceeds allocated;
  - the number of eligible projects;
  - the expected impact metrics, where feasible;
  - the outstanding amount of net proceeds to be allocated to eligible projects at the end of the reporting period; and
  - the levels of certification for properties in the eligible green project portfolio.

Source: Fibra Next sustainable finance framework (October 2023)

**Alignment: Excellent**

**Sustainable Fitch's View**

- Fibra Next will publish its resource allocation and impact reports on an annual basis on its website, which aligns with best practice.
- The issuer will report on each project financed by each UoP category to provide the impact indicators in all instances. The publication of quantifiable and relevant indicators that are verified by an external auditor is in line with good practices. We view this positively.
- Reporting impact information on a bond basis rather than in a consolidated manner would reflect the impact in greater detail and highlight the positive contribution associated with each bond issued and loan contracted.

Source: Sustainable Fitch



### Relevant UN Sustainable Development Goals

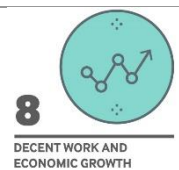
- **6.3:** By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.



- **7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.
- **7.3:** By 2030, double the global rate of improvement in energy efficiency.



- **8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



- **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 acting in accordance with their respective capabilities.



- **11.3:** By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- **11.6:** By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



- **13.1:** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



Source: Sustainable Fitch, UN

## Appendix A: Principles and Guidelines

### Type of Instrument: Sustainable

<b>Four Pillars</b>	
1) Use of Proceeds (UoP)	Yes
2) Project Evaluation & Selection	Yes
3) Management of Proceeds	Yes
4) Reporting	Yes
<b>Independent External Review Provider</b>	
Second-party opinion	Yes
Verification	No
Certification	No
Scoring/Rating	No
Other	n.a.
<b>1) Use of Proceeds (UoP)</b>	
<b>UoP as per Green Bond Principles (GBP) and the Green Loan Principles (GLP)</b>	
Renewable energy	Yes
Energy efficiency	Yes
Pollution prevention and control	Yes
Environmentally sustainable management of living natural resources and land use	No
Terrestrial and aquatic biodiversity conservation	No
Clean transportation	Yes
Sustainable water and wastewater management	Yes
Climate change adaptation	Yes
Certified eco-efficient and/or circular economy adapted products, production technologies and processes	No
Green buildings	Yes
Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	No
Other	n.a.
<b>UoP as per Social Bond Principles (SBP) and the Social Loan Principles (SLP)</b>	
Affordable basic infrastructure	No
Access to essential services	No
Affordable Housing	No
Employment generation (through financing for SMEs and microfinance)	Yes
Food safety	No
Socio-economic advancement and empowerment	No
Unknown at the time of issuance, but currently expected to meet the categories of Social Bond Principles, Social Loan Principles or other eligible areas not yet established.	No
Other	n.a.
<b>2) Project Evaluation and Selection</b>	
<b>Evaluation and Selection</b>	
Credentials on the issuer's social and green objectives	Yes
Documented process to determine that projects fit within defined categories	Yes
Defined and transparent criteria for projects eligible for sustainability bond proceeds	Yes
Documented process to identify and manage potential ESG risks associated with the project	Yes
Summary criteria for project evaluation and selection publicly available	Yes
Other	n.a.



**Evaluation and Selection, Responsibility and Accountability**

Evaluation and selection criteria subject to external advice or verification	No
In-house assessment	Yes
Other	n.a.

**3) Management of Proceeds**

**Tracking of Proceeds**

Sustainability bond proceeds segregated or tracked by the issuer in an appropriate manner	Yes
Disclosure of intended types of temporary investment instruments for unallocated proceeds	Yes
Other	n.a.

**Additional Disclosure**

Allocations to future investments only	No
Allocations to both existing and future investments	Yes
Allocation to individual disbursements	Yes
Allocation to a portfolio of disbursements	Yes
Disclosure of portfolio balance of unallocated proceeds	Yes
Other	n.a.

**4) Reporting**

**UoP Reporting**

Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

**UoP Reporting/Information Reported**

Allocated amounts	Yes
Sustainability bond-financed share of total investment	Yes
Other	n.a.

**UoP Reporting/Frequency**

Annual	Yes
Semi-annual	No
Other	n.a.

**Impact Reporting**

Project-by-project	Yes
On a project portfolio basis	Yes
Linkage to individual bond(s)	No
Other	n.a.

**Impact Reporting/Information Reported (exp. ex-post)**

GHG emissions/savings	Yes
Energy savings	Yes
Decrease in water use	Yes
Other ESG indicators	Yes

**Impact Reporting/Frequency**

Annual	Yes
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Semi-annual	No
Other	n.a.

**Means of Disclosure**

Information published in financial report	Yes
Information published in ad hoc documents	No
Information published in sustainability report	Yes
Reporting reviewed	Yes
Other	n.a.

Note: n.a. – not applicable.  
Source: Sustainable Fitch, ICMA

## Appendix B: Definitions

Term	Definition
<b>Debt types</b>	
Green	Proceeds will be used for green projects and/or environmental-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Green Bond Principles or other principles, guidelines or taxonomies.
Social	Proceeds will be used for social projects and/or social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Social Bond Principles or other principles, guidelines or taxonomies.
Sustainability	Proceeds will be used for a mix of green and social projects and/or environmental and social-related activities as identified in the instrument documents. The instrument may be aligned with ICMA Sustainability Bond Guidelines or other principles, guidelines, taxonomies.
Sustainability-linked	Financial and/or structural features are linked to the achievement of pre-defined sustainability objectives. Such features may be aligned with ICMA Sustainability-linked Bond Principles or other principles, guidelines or taxonomies. The instrument is often referred to as an SLB (sustainability-linked bond) or SLL (sustainability-linked loan).
Conventional	Proceeds are not destined for any green, social or sustainability project or activity, and the financial or structural features are not linked to any sustainability objective.
Other	Any other type of financing instrument or a combination of the above instruments.
<b>Standards</b>	
ICMA	International Capital Market Association. In the Second-Party Opinion we refer to alignment with ICMA's Bond Principles: a series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). In the Second-Party Opinion we refer to alignment with Sustainable Finance Loan Principles: a series of principles and guidelines for green, social and sustainability-linked loans.
EU Green Bond Standard	A set of voluntary standards <a href="#">created by the EU</a> to "enhance the effectiveness, transparency, accountability, comparability and credibility of the green bond market".

Source: Sustainable Fitch, ICMA, UN, EU Technical Expert Group

## Appendix C: Second-Party Opinion Methodology

### Second-Party Opinion

Second-Party Opinions (SPO) are a way for issuers to obtain an independent external review on their green, social, sustainability and sustainability-linked instruments.

As per the ICMA Guidelines for External Reviewers, an SPO entails an assessment of the alignment of the issuer’s green, social, sustainability or sustainability-linked bond or loan issuance, framework or programme with the relevant principles. For these purposes, “alignment” should refer to all core components of the relevant principles.

Sustainable Fitch analysts vary the analysis based on the type of instruments, to consider whether there are defined uses of proceeds or KPIs and sustainability performance targets. The analysis is done on a standalone basis, separate to the entity.

### Analytical Process

The analysis considers all available relevant information (ESG and financial). The reports transparently display the sources of information analysed for each section and provide a line-by-line commentary on the sub-factors analysed. The ESG analysts working on an SPO will also engage directly with the issuer to acquire any additional relevant information not already in the public domain or in instrument-related documentation.

An important part of the analysis is the assessment of the E and S aspects of the use of proceeds. In addition to the alignment with ICMA Principle and Guidelines, the analysis may also refer to major taxonomies (e.g. the EU taxonomy for E aspects, and the UN Sustainable Development Goals for S aspects).

Once the analyst has completed the analysis, with commentary for the related SPO, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, an SPO can be monitored (annually or more frequently, if new information becomes available) or on a point-in-time basis.

### Scale and Definitions

ESG Framework	
Excellent	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet excellent levels of rigour and transparency in all respects and are well in excess of the standards commonly followed by the market.
Good	Sustainable finance framework and/or debt instrument structure is fully aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet good levels of rigour and transparency; in some instances, they go beyond the standards commonly followed by the market.
Aligned	Sustainable finance framework and/or debt instrument structure is aligned to all relevant core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Sustainable finance framework and/or debt instrument structure is not aligned to relevant core international principles and guidelines. Practices inherent to the structure fall short of common market practice.

Source: Sustainable Fitch



## SOLICITATION STATUS

The Second-Party Opinion was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch ESG Analytical Product (ESG Product) provides an assessment of the Environmental, Social and/or Governance ("E", "S" and "G") qualities of an issuer and/or its securities. ESG Products provided by Sustainable Fitch include an ESG Entity Rating, ESG Framework Rating, ESG Instrument Rating, ESG Scores and ESG Second-Party Opinion, among other ESG analytical products. An ESG Product is not a credit rating. ESG Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established certain policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's ESG Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's ESG Products, please use this link: [www.sustainablefitch.com](http://www.sustainablefitch.com).

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