Montea

Green Finance

Allocation and impact report

26 April 2022

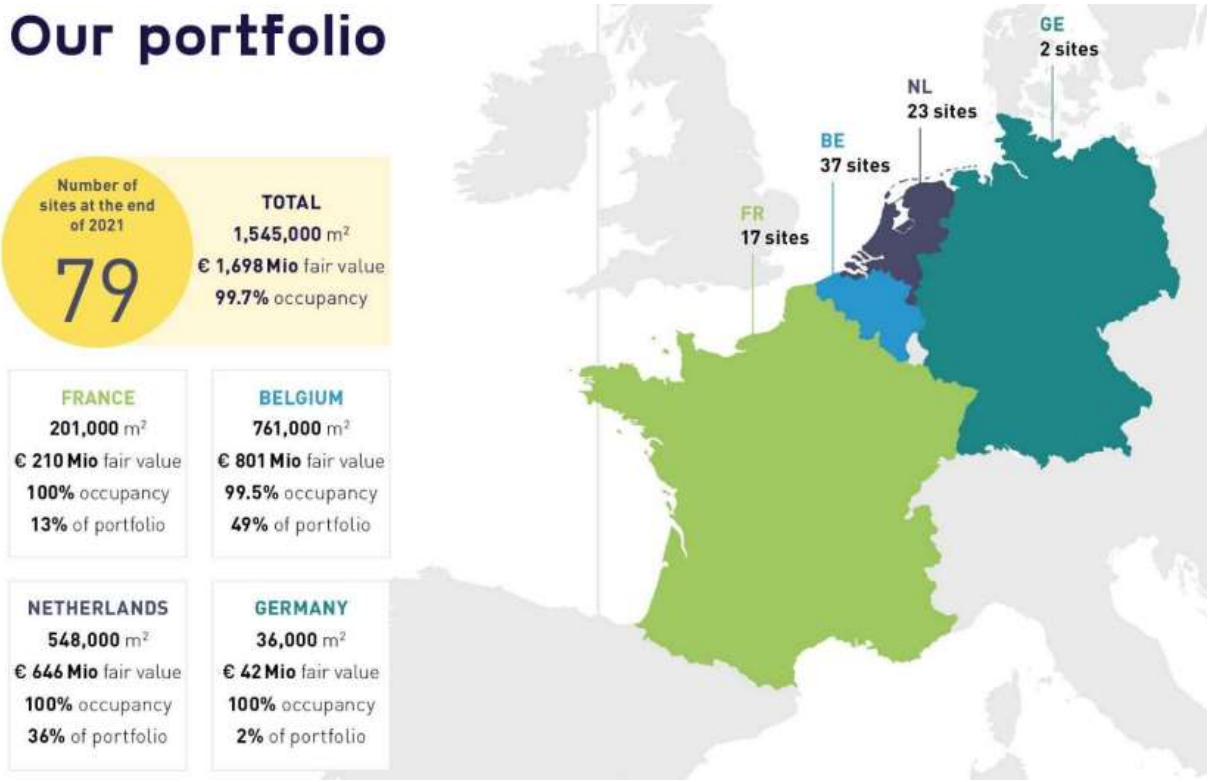
MONTEA
SPACE FOR GROWTH

1. Introduction

1.1. About Montea

Montea NV (**Montea** or the **Company**) is a public regulated real estate company (RREC) under Belgian law, specialised in the development and the management of logistics property in Belgium, France, The Netherlands, and Germany. The Company is a leading player in this market. Montea literally provides its clients with the space to grow, through flexible and innovative property solutions.

On 31 December 2021, the property portfolio represented a surface of 1,545,165 m² across 79 sites. Montea has been listed on Euronext Brussels (MONT) and Paris (MONTP) since late 2006. Montea shares are aimed at Belgian and foreign individual and institutional investors looking for an indirect investment in logistics property and seeking to achieve a relatively high dividend yield while incurring a moderate risk.



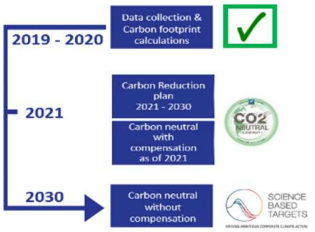
1.2. Our sustainability strategy

In 2021, Montea presented its first ESG report, the main objective being to continue to use its expertise in logistics real estate in order to realize sustainable long-term solutions with added value for clients, shareholders, employees and other stakeholders.

Sustainable entrepreneurship has always been in Montea's DNA. Since the end of 2020, concrete steps have been taken to convert the Montea-DNA into a clear vision and sustainability strategy. Montea carried out a baseline measurement to determine concrete actions, objectives and milestones and translated its sustainability strategy into a **roadmap for the medium (2030) and long term (2050)**. This roadmap is set out in our ESG Report 2021. A Group Energy & Sustainability Manager was appointed in November 2020 to steer all concrete actions in the right direction and help Montea to achieve all ambitious objectives.

An essential part of Montea's sustainability strategy is to **reduce the CO_2 footprint of its own operations, its existing portfolio (operational carbon) and that of its new developments (embodied carbon)**.

As concerns its own operations, Montea successfully managed to render its **own operations CO_2 neutral with compensation in 2021** and aspires to do so **without compensation by 2030**. In this light, Montea purchases electricity only from local renewable sources as of the second quarter of 2021. Together with its own production of green power, Montea is taking a major step towards making its own operations CO_2-neutral. In the same context, it was decided to make the car fleet greener whereby Montea skips the intermediate step of plug-in hybrids and will immediately pursue an all-electric car fleet.

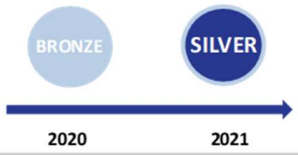
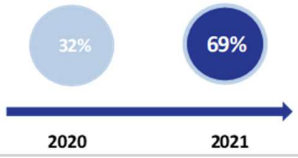


Montea aspires to make its **portfolio of buildings Paris Proof by 2050** (a reduction by 20% towards the end of 2024). A "Client Engagement Programme" has been set up to that end, whereby Montea helps its clients to reduce their greenhouse gas emissions and lower their energy costs. After an initial analysis and benchmarking of the current energy consumption, efforts will be made to ensure that each asset meets the targets. To lend its weight to this endeavor, Montea has signed the Paris Proof Commitment of the Dutch Green Building Council (DGBC) Foundation.

Montea also launched the ambitious Montea **Blue Label**, a sustainable construction guide for new building projects to ensure that all new projects consider all relevant sustainability elements, such circularity and life cycle, energy consumption, greenhouse gas emissions and no utilization of harmful materials and substances. As part of this strategy, Montea continuously re-evaluates its choice of materials and looks for innovative and circular materials that last a long time and can be easily repaired, dismantled, reused or recycled without having a major impact on the environment. In this way, Montea aims to reduce the embodied carbon footprint of its new projects.

For more details on Montea's targets in relation to reducing GHG emissions, reference is made to our ESG Report 2021.

Montea received wide recognition for its sustainability efforts. In 2021, Montea's GRESB score has more than doubled (from 32 to 69) and Montea received an EPRA sBRP Silver Award. It is the clear ambition of Montea to perform even better in these ratings.

Rating	Latest scores	Evolution
EPRA sBPR SILVER	2021 **Silver Award** High adherence to sBPR. Score between 70% & 85%	
69 100 GRESB ★★☆☆☆ 2021	2021 **Green Star** with a score of **69%**	

1.3. Montea's Green Finance Framework

To strengthen its sustainability ambitions, Montea has set up a Green Finance Framework on 16 February 2021 (**Green Finance Framework**). With this framework, the Company intends to issue green financing instruments (e.g. bonds, loans, etc.) to (re)finance sustainable projects that clearly take account of the impact on the environment and society.

The Green Finance Framework operates fully in accordance with the ICMA (International Capital Markets Association) Green Bond Principles and the LMA Green Loan Principles.

All information on the Green Finance Framework can be consulted on the Montea website (see: https://montea.com/uploads/investor-relations/20210216MonteaGreenFinanceFramework.pdf).

1.4. Eligibility criteria and process for project evaluation and selection

In line with the Green Finance Framework, Montea intends to allocate an amount equal to the incremental net proceeds of any green finance instruments to a portfolio of eligible green projects (the **Eligible Green Projects**) in the categories "Green Building" and "Renewable Energy". More details on the eligibility criteria to fall under one of said categories are set out in the Green Finance Framework (see section 'Use of Proceeds').

Eligible Green Projects are evaluated and selected based on compliance with the eligibility criteria. Investments, expenditures and/or projects are proposed by internal departments. A Sustainable Executive Committee (consisting of a sustainability manager and a representative of the finance department) evaluates compliance of a given project with the eligibility criteria and internal policies and selects and validates the pool of Eligible Green Projects.

1.5. Scope of this allocation and impact report

According to the Green Finance Framework, Montea must report on the progress and, where possible, on the impact of "Eligible Green Projects" (as defined in the Green Finance Framework) for which a green financing instrument was used.

This allocation and impact report dated 26 April 2022 (the **Report**) covers the allocation and impact reporting in relation to the EUR 235 million of green bonds that were issued under the Green Finance Framework through a US private placement that was entered into in 2021 with six institutional investors (**US PP 2021**).[1] The amount, term and coupon of the US PP 2021 are as follows:

Amount (EUR)	Issuance date	Maturity	Coupon
80 million	27 April 2021	10 years	1.28 %
85 million	4 January 2022	12 years	1.42 %
70 million	23 June 2021	15 years	1.44 %

The proceeds of the US PP 2021 were used exclusively to refinance qualifying sustainable assets such as certified buildings and renewable energy in accordance with the eligibility criteria set out in the Green Finance Framework.

This Report sets out the allocation and impact aspects in relation to the US PP 2021. To the extent feasible, Montea aligned the Report with the portfolio approach described in "Handbook – Harmonize Framework for Impact Reporting (April 2020)", as amended from time to time.

Both the allocation of funds and the environmental impact as mentioned in this Report has been validated by way of a "limited assurance"-audit by EY Bedrijfsrevisoren BV (see section 4 of this Report).

Given that the first tranche of the US PP 2021 was issued on 27 April 2021, this report has been drawn up in timely manner (i.e. within one year after the issuance of the green financing instrument concerned).

On the date of this Report, no other financing instruments have been issued or entered into by Montea under the Green Finance Framework, other than the US PP 2021.

1.6. Value of the eligible assets

The values considered are the fair market values (for both buildings and solar panels) on 31 December 2021, as reported in the financial statements, based on valuations by Jones Lang LaSalle and Stadim. (See Montea Financial Annual Report 2021).

[1] See press release of 14/04/2021, available on www.montea.com.

2. Eligible assets and allocation reporting

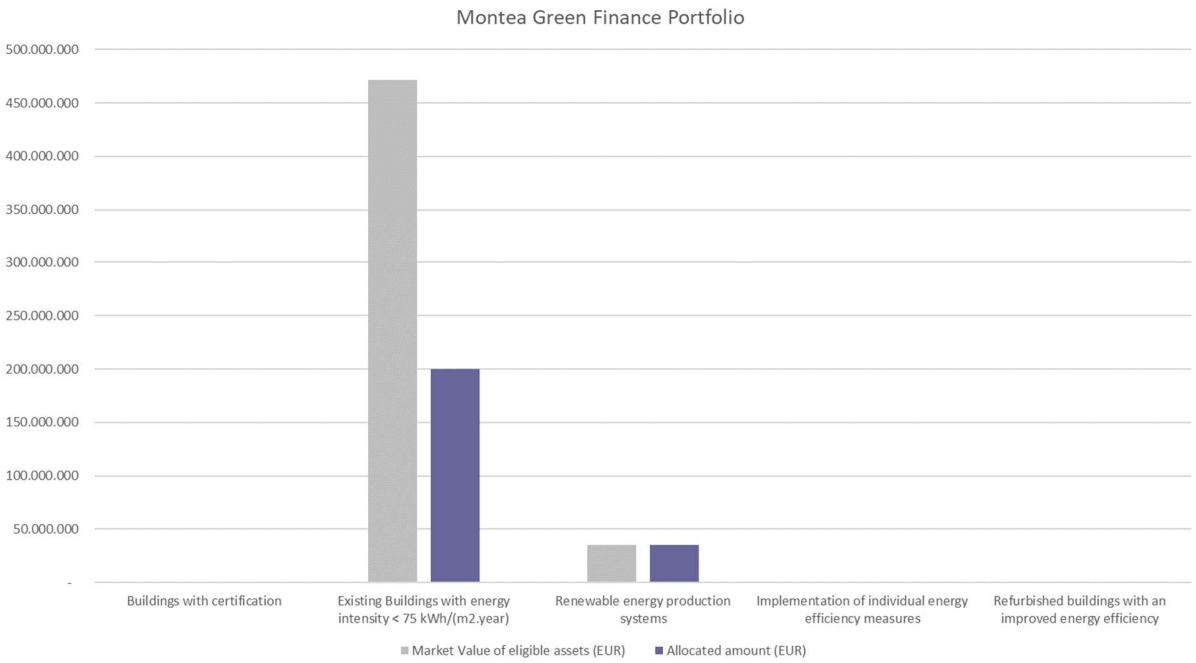
The full amount that was raised by the US PP 2021 (i.e. EUR 235 million) has been allocated as set forth below. In line with the eligibility criteria determined by the Green Finance Framework, Montea adopts a conservative approach towards the qualification of its assets as eligible for the Eligible Green Project Portfolio (e.g. newly acquired assets for which we have no data or vacant assets are not included, assets are only considered eligible in case these meet the thresholds over a multiyear period, etc.).

Eligible Green Project Portfolio[2]	Number of eligible assets	Market Value of eligible assets (EUR)	Allocated amount (EUR)	Allocated (%)
Buildings with certification	-	-	-	-
Existing Green Buildings with energy intensity < 75 kWh/(m².year)	19	471.713.973	200.016.503	42%
Renewable energy production systems	38	34.983.497	34.983.497	100%
Implementation of individual energy efficiency measures	-	-	-	-
Refurbished buildings with an improved energy efficiency	-	-	-	-
Total	**57**	**506.697.470**	**235.000.000**	**46%**

Green finance instrument			
Instrument	Issuance Date	Maturity Date	Amount (millions EUR)
US PP 2021	27/04/2021	27/04/2032	80,0
US PP 2021	4/01/2022	4/01/2034	85,0
US PP 2021	23/06/2021	23/06/2036	70,0
Total Green finance instruments			**235,0**

Overview of total allocation	
Eligible Green Projects portfolio allocated to net proceeds of green funding	46,4%
Net proceeds allocated	100%
Unallocated proceeds	0%
Net proceeds used for financing	0%
Net proceeds used for refinancing	100%

[2] For more details on the green finance categories, see Montea's Green Finance Framework (see section 'Use of Proceeds').


Montea Green Finance Portfolio
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Buildings with certification
Existing Buildings with energy intensity < 75 kWh/(m2.year)
Renewable energy production systems
Implementation of individual energy efficiency measures
Refurbished buildings with an improved energy efficiency
Market Value of eligible assets (EUR)
Allocated amount (EUR)

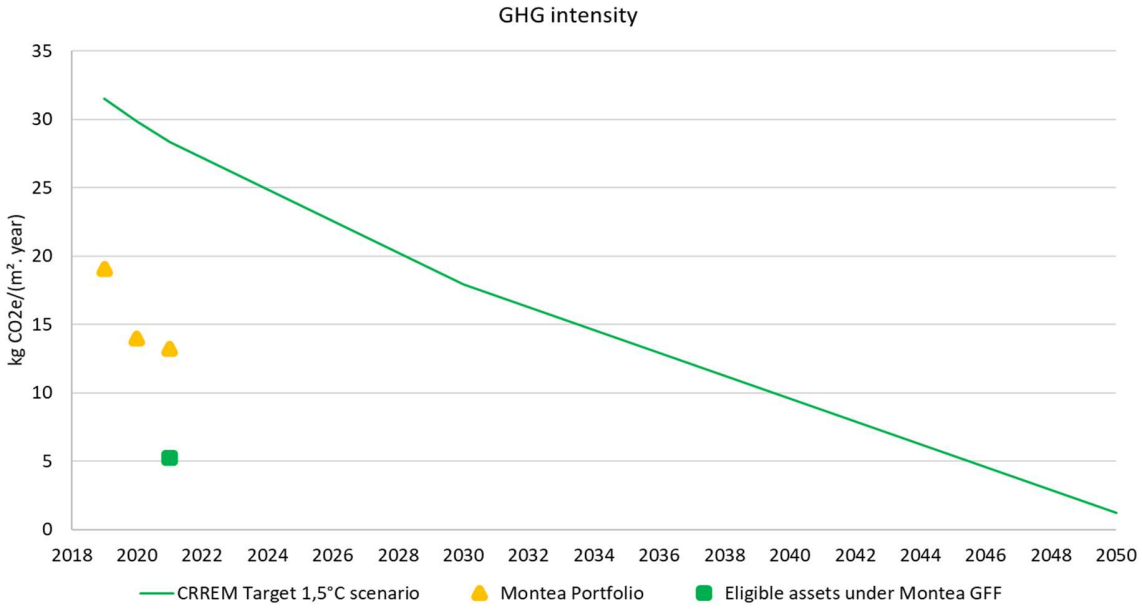
3. Impact reporting

This section sets out, to the extent feasible and available, the calculation of the environmental impact of the Montea's eligible Green Project Portfolio.

3.1. Existing buildings with energy intensity < 75 kWh/(m².year)

For the existing eligible green buildings, the avoided GHG emissions were calculated in relation to the CRREM 1.5°C scenario target for 2021 for the Montea Portfolio.[3] The CO_2 emissions were calculated according to the Greenhouse Gas Protocol with location-based emission factors. Supply data were collected through a combination of energy monitoring systems, extraction of contract data and tenant surveys.[4]

CRREM Target 1,5°C scenario 2021	28,35 kg CO_2e/(m².year)
GHG intensity of eligible assets under Montea GFF	5,23 kg CO_2e/(m².year)
Avoided GHG emissions	23,12 kg CO_2e/(m².year)
Building SQM eligible assets	504.625 m²
Total avoided GHG emissions	**11.669 tCO_2e/year**



[3] The Carbon Risk Real Estate Monitor (CRREM) provides the real estate sector with transparent, science-based decarbonization pathways aligned with the Paris climate goals to limit global temperature rise. CRREM was funded by the Horizon Programme of the European Union. The consortium members are the IIÖ (Institute for Real Estate Economics), GRESB, the University of Alicante, Ulster University, and TIAS Business School. Montea uses these decarbonization paths as benchmarks.

[4] Montea recognizes that the accuracy and reliability of the data it uses in monitoring the environmental performance of its portfolio are directly linked to the quality of the information received, possible measurement inaccuracies and other factors that could potentially reduce data quality. Nevertheless, Montea strives for continuous improvement of this data quality through automation, the use of multiple sources as verification and the optimization of the monitoring systems.

3.2. Renewable energy production systems

For the renewable energy production systems, the avoided GHG emissions were calculated by comparing the GHG emissions for grid electricity to the GHG emissions for locally produced electricity from renewable energy systems (in this case photovoltaic solar systems). The CO_2 emissions were calculated according to the Greenhouse Gas Protocol with location-based emission factors. Data comes from the monitoring system of the solar systems, the specific yield (kWh/kWp) was calculated for the total portfolio of eligible assets, based on location.[5]

	GHG emission factors in scope 1/2/3 (tCO_2e/MWh)						
	Electricity generated from local solar panels	Grid Electricity mix location based	Avoided emissions (Grid electricity vs solar panels)	Mean specific yield (kWh/kWp)	PV installed power (MWp)	Yearly Production (MWh)	Avoided GHG emissions (tCO_2e/year)
Belgium	0,0323	0,211	0,1787	956	27,49	26.283	4.696,8
The Netherlands	0,0323	0,397	0,3647	934	11,78	11.003	4.012,9
Total Eligible Renewable Energy systems					**39,27**	**37.287**	**8.709,7**

3.3. Total impact of Montea's Eligible Green Project Portfolio.

The total impact of Montea's Eligible Green Project Portfolio on 31 of December 2021 can be estimated at:

Green Buildings	11.669	tCO_2e/year
Renewable energy systems	8.710	tCO_2e/year
Total annual avoided GHG emissions	**20.379**	**tCO_2e/year**

Equivalent surface trees[6]	**1.306**	**ha**

[5] Montea recognizes that the accuracy and reliability of the data it uses in monitoring the environmental performance of its portfolio are directly linked to the quality of the information received, possible measurement inaccuracies and other factors that could potentially reduce data quality. Nevertheless, Montea strives for continuous improvement of this data quality through automation, the use of multiple sources as verification and the optimization of the monitoring systems.

[6] Equivalent surface of trees in a moderate climate with 13 kg CO_2e/(tree.year) and 1.200 trees/ha.

4. External Verification

EY Bedrijfsrevisoren
EY Réviseurs d'Entreprises
De Kleetlaan 2
B-1831 Diegem

Tel: +32 (0)2 774 91 11
ey.com

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Limited Assurance report of the Independent Auditor

Introduction

We were engaged by Montea nv to provide a limited assurance conclusion on the use of proceeds and the impact report for the issuances included in Montea's Green Finance Allocation & Impact Report 2021 ('the Selected Information').

Conclusion

Based on our procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information is not prepared, in all material respects, in accordance with the applied criteria of proceeds allocation to Eligible Green Expenditures disclosed in section 'Use of Proceeds' of Montea's Green Finance Framework (https://montea.com/uploads/investor-relations/20210216MonteaGreen FinanceFramework.pdf- (hereafter 'the Criteria').

Basis for our conclusion

We have carried out our limited assurance engagement on the Selected Information in accordance with the International Standard on Assurance Engagements (ISAE) 3000: "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board.

Our responsibilities under this standard are further described in the section 'Our responsibilities' of our report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Montea for the Selected Information

Montea is responsible for the preparation of the Green Finance Allocation & Impact Report 2021 and the Selected Information contained herein in accordance with the Criteria.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Green Finance Allocation & Impact Report 2021 and the Selected Information contained herein that is free from material misstatement, whether due to fraud or error.

Besloten Vennootschap
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It also includes developing the Criteria, selecting and applying policies, making judgments and estimates that are reasonable in the circumstances and maintaining adequate records in relation to the Green Finance Allocation & Impact Report and the Selected Information contained herein.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed in relation to the Selected Information. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

Procedures performed in an assurance engagement to obtain a limited level of assurance are aimed to determine the plausibility of information and are less extensive than a reasonable assurance engagement. The level of assurance obtained in limited assurance engagements is therefore substantially less than the level of assurance obtained in a reasonable assurance engagement.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Selected Information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, ethical requirements and independence requirements.

Our limited assurance conclusion relates solely to the Selected Information.. Also it is not our responsibility to provide any form of assurance on:

- The suitability of the Criteria in relation to the 2021 Green Bond Principles of the International Capital Markets Association which was assessed by Sustainalytics in the 'Second Party Opinion' published in February 2021 on https://montea.com/uploads/investor-relations/Montea-Green-Finance-Framework-SPO_final.pdf;
- The management of the proceeds from the green finance instrumentsl prior to their allocation or the use of these proceeds after their allocation.

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Limited Assurance report of the Independent Auditor
Montea nv

Procedures performed

Our limited assurance engagement on the Selected Information consists of making inquiries, primarily of persons responsible for the preparation of the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included, among others:

- Identifying areas of the Selected Information where material misstatements, whether due to fraud or error, are likely to arise, designing and performing limited assurance procedures responsive to those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Developing an understanding of internal control relevant to the limited assurance engagement in order to design limited assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the Committee's internal control;
- Evaluating the appropriateness of the reporting Criteria used and their consistent application, including the reasonableness of estimates made by the Committee and related disclosures to the Selected Information;
- Interviewing relevant persons responsible for providing the Selected Information, for carrying out internal control procedures on and consolidating the Selected Information;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Selected Information;
- Analytical review procedures to confirm our understanding of evolutions in the Selected Information.

Brussels, 26 April 2022

EY Réviseurs d'Entreprises SRL
Represented by

Joeri Klaykens
(Signature)

Joeri Klaykens
Partner
* Acting on behalf of a SRL

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