

Zayed City Schools Social Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Zayed City Schools Social Financing Framework is credible and impactful and aligns with the four core components of the Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Access to Essential Services – is aligned with those recognized by the Social Loan Principles, which seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible category are expected to increase access to public education in Abu Dhabi and advance the UN Sustainable Development Goals, specifically SDG 4.



PROJECT EVALUATION / SELECTION BESIX Plenary was established specifically to finance, develop and operate the Zayed City Schools project. BESIX Plenary has processes in place to identify and mitigate common environmental and social risks associated with the eligible project, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers the Project Company's risk management system to be in line with market practice.



MANAGEMENT OF PROCEEDS BESIX Plenary will oversee the management of proceeds. The allocation process will be tracked using an internal register. BESIX Plenary intends to allocate net proceeds within 24 months and unallocated proceeds will be held as cash and may be used to repay borrowings under BESIX Plenary's loan facilities.¹ This is in line with market practice.



REPORTING BESIX Plenary intends to report annually on the allocation and impact of proceeds through a social finance report that will be made available to lenders by an agent. Allocation reporting may include a description of the Zayed City School project, the aggregated amount of allocated proceeds and the balance of unallocated proceeds. The Project Company is also committed to report on relevant social impact metrics where feasible. Sustainalytics views BESIX Plenary's allocation and impact reporting as aligned with market practice.



Evaluation Date	October 28, 2022
Borrower Location	Abu Dhabi, United Arab Emirates

Report Sections

Introduction	2
Sustainalytics' Opinion	3

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¹ BESIX Plenary has confirmed to Sustainalytics that temporary proceeds will not be used to repay borrowings that are associated with assets that are inherently emissions-intensive or otherwise negatively impactful.

Introduction

Headquartered in Abu Dhabi, BESIX Plenary Education Properties Development LLC (“BESIX Plenary”, the “Project Company” or the “Borrower”) is a consortium established by BESIX Group, a Belgian construction group, and Plenary Group, an investor and developer of public infrastructure in Australia, Canada, the United States and the United Arab Emirates. The Project Company was set up to develop the Zayed City Schools project, which includes the development and operation of three new schools in Zayed City, Abu Dhabi with a combined capacity of 5,360 students from kindergarten to cycle 3.

The Project Company has developed the Zayed City Schools Social Financing Framework dated September 2022 (the “Framework”), under which it intends to obtain construction and term loans and use the proceeds to finance or refinance the Zayed City Schools project, which is expected to increase access to public education in Abu Dhabi. The Framework defines eligibility criteria in one area:

1. Access to Essential Services

The Project Company engaged Sustainalytics to review the Zayed City Schools Social Financing Framework and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Loan Principles 2021 (SLP).² The Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the Borrower’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of the Project Company’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. The Project Company’s representatives have confirmed that: (1) they understand it is the sole responsibility of the Project Company to ensure that the information provided is complete, accurate or 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 Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and the Project Company.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework 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 impacts of eligible

² The Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/social-loan-principles-slp/>

³ The Zayed City Schools Social Financing Framework will be made available to consortium members of the Zayed City Schools private-public partnership project, including the Abu Dhabi Department of Education and Knowledge and the agent on behalf of lenders.

⁴ 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 least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, the Project Company is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the Project Company has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Zayed City Schools Social Financing Framework

Sustainalytics is of the opinion that the Zayed City Schools Social Financing Framework is credible and impactful, and aligns with the four core components of the SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, Access to Essential Services, is aligned with those recognized by the SBP and SLP. Sustainalytics considers access to education a fundamental human right and recognizes that BESIX Plenary's commitment to providing such education, particularly for children and youth, is expected to contribute to positive societal outcomes in Abu Dhabi.
 - Sustainalytics notes that financing is limited to capex and therefore, no look-back period has been defined. BESIX Plenary has confirmed that legal maturity of the loan falls prior to the end of the project concession expiry date. This is in line with market practice.
 - Under the Access to Essential Services category, the Project Company intends to finance or refinance the development, construction, operation and maintenance of the Zayed City Schools project, which will provide free public education to children and young people. The project consists of three new schools with a combined capacity of 5,360 students from kindergarten to cycle 3 and will be operated by Charter Schools,⁵ under strategic partnership with the Abu Dhabi Department of Education and Knowledge. Sustainalytics notes that access to the schools financed under the Framework will be limited to UAE nationals and citizens of Gulf Cooperation Council countries.
- Project Evaluation and Selection:
 - BESIX Plenary Education Properties Development LLC was established specifically to finance, develop and operate the Zayed City Schools project. Therefore, no formal project evaluation and selection process took place. The Borrower has conducted an environmental and social risk analysis to ensure that relevant risks associated with the project financed are identified and reported on, including the project's adherence to the Equator Principles,⁶ where applicable. For additional details, see Section 2.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:

⁵ Charter Schools is a third education model in Abu Dhabi that was established as an outcome of a strategic partnership between the Abu Dhabi government and private sectors, at: <https://adek.gov.ae/en/Education-System/Charter-Schools#:~:text=Charter%20Schools%20is%20a%20third%20education%20model%20in,to%20create%20a%20sustainable%2C%20knowledge-based%20and%20competitive%20economy.>

⁶ The Equator Principles are intended to serve as a risk management framework for the identification, assessment and management of environmental and social risks associated with financed projects, at: <https://equator-principles.com/about-the-equator-principles/>

- The Project Company is responsible for the management of proceeds using an internal register and intends to fully allocate net proceeds within 24 months coincident with the delivery of the project. In the event that proceeds are not fully allocated within 24 months, BESIX Plenary may disclose the estimated timeline for allocation of net proceeds in a post-issuance report, where applicable.
- Pending allocation, net proceeds will be held in cash and may be used to temporarily repay borrowings under the Project Company's loan facilities. BESIX Plenary will exclude any repayments that is associated with assets that are inherently emissions-intensive or negatively impactful.
- Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Borrower intends to report on the allocation and impact of proceeds on an annual basis in a social finance report, which will be made available to its lenders by an agent.
 - Allocation reporting may include the description of the Zayed City Schools project, the aggregate amount of proceeds allocated to the project, the balance of unallocated proceeds and the share of allocated and unallocated proceeds for the financed and refinanced tranches.
 - Impact reporting may include the impact of the project where possible, subject to available information on social impact metrics in the region and recorded by the Project Company. The intended metrics may include the number of students enrolled in schools, student and teacher demographic data and community outreach initiatives of the schools.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Loan Principles 2021

Sustainalytics has determined that the Zayed City Schools Social Financing Framework aligns with the four core components of the SLP.

Section 2: Sustainability Strategy of the Project Company

Contribution of the Framework to BESIX Plenary's sustainability strategy

BESIX Plenary is a special-purpose joint venture formed exclusively to carry out the development of the Zayed City Schools project, which is expected to provide free public education to 5,360 students in Abu Dhabi. The BESIX Group and the Plenary Group are accountable for their sustainability mandates in the joint venture, therefore Sustainalytics assessed the individual sustainability strategies of BESIX and the Plenary Group in this section.

BESIX Group's sustainability goals and performance are outlined in its Citizenship and Sustainability Report 2019-2021,⁷ where the group outlines its commitment to promoting social and economic development in the regions where it operates. For example, BESIX developed a social economy suppliers' list of more than 40 companies in Belgium, which identifies socially impactful organizations for the group's entities to partner with where possible. One of such collaborations included workshops and centres to support the professional and social integration of people with disabilities and those having difficulties entering the job market. The group has also financed social infrastructure projects, including hospitals, healthcare facilities, transportation and wastewater treatment plants, which support the provision of these services for public use.

Plenary Group's social responsibility efforts include financing public infrastructure projects across Asia-Pacific and the Americas, including supporting the provision of public goods and services in these regions. To date, Plenary Group has a portfolio of 77 assets under management valued at a total of AUD 47 million (USD 32 million) in education, health, utilities, transport and water.⁸ Where relevant, Plenary Group also reports on the local economic, social and environmental impacts generated by these projects on their website.⁹

⁷ BESIX, "Citizenship and Sustainability Report 2019-2021", at: <https://www.BESIX.com/en/about/csr>

⁸ Plenary Group, "About", at: <https://plenarygroup.com/about>

⁹ Plenary Group, "Projects", at: <https://plenarygroup.com/projects>

Sustainalytics is of the opinion that the Zayed City Schools Social Financing Framework is aligned with the sustainability strategies of both BESIX Group and Plenary Group and that the project will further the mission of the Project Company joint venture.

Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the net proceeds from the Framework will be directed toward the Zayed City School project, which is expected to generate a positive social impact. However, Sustainalytics is aware that the project could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the Zayed City School project could include issues related to occupational health and safety, land use and biodiversity associated with large-scale infrastructure development, waste generated in construction, human and labour rights, and community relations.

Sustainalytics is of the opinion that the Project Company can manage and mitigate potential risks through implementation of the following:

- To manage occupational health and safety risks, BESIX Group has established a Quality Health, Safety and Environment (QHSE) Policy in accordance with ISO 45001:2018.¹⁰ The policy includes specific health and safety plans and risk assessments, staff inductions, training programmes, as well as pre-task meetings, which aim to equip employees with the skills and knowledge required to prevent and manage accidents in the workplace. Additionally, the group conducts routine audits, monitoring and evaluation on the implementation of the QHSE Policy to ensure improvement of QHSE performance.¹¹
- To manage land use and biodiversity issues associated with large-scale infrastructure and waste generation in construction, BESIX Group conducts environmental impact assessments on its projects and implements measures to conserve the use of energy and natural resources, minimize pollution and limit the use of hazardous substances and waste.¹² BESIX group is also certified under ISO 14001:2015,¹³ which indicates the presence of robust processes to help effectively mitigate the environmental impacts of its business activities.¹⁴
- Regarding human and labour rights, BESIX Group is committed to fair labour practices through internal policies that protect workers' rights, particularly those of migrant workers.¹⁵ These include ensuring migrant workers have complete health insurance coverage covered by BESIX, access to relevant information in a language familiar to them and adapting working hours to the various seasons. Additionally, BESIX Group is a member of the UN Global Compact, indicating its commitment to human rights, eliminating unfair labour practices, and prevent environmental degradation and corruption.¹⁶
- To manage community relations, BESIX Group regularly engages with relevant stakeholders, including staff, vendors, NGOs and academics, through meetings, surveys and conferences. These regular discussions aim to gather feedback on stakeholder expectations and concerns around issues such as workers' welfare, supply chains, sustainable innovation and biodiversity conservation.¹⁷
- Additionally, the Plenary Group is a signatory of the UN Principles of Responsible Banking, which requires signatories to perform impact analyses to evaluate the social, environmental and economic impacts and risks associated with their activities and identify how to maximize positive impacts and reduce negative impacts.¹⁸

Sustainalytics notes that the schools financed under the Framework will be made freely accessible to UAE nationals and citizens of Gulf Cooperation Council countries. GCC countries, including the UAE, rely heavily on a migrant workforce, with 90% of UAE's population consisting of foreign nationals.¹⁹ Education for children of foreign nationals in GCC countries is provided through a separate, private-education system with differing school fees.²⁰ While there are private schools with lower fees that provide access to education to students

¹⁰ ISO, "ISO 45001:2018 Occupational health and safety management systems", at: <https://www.iso.org/standard/63787.html>

¹¹ BESIX Group, "Corporate Policy", at: <https://www.BESIX.com/en/about/qhse/corporate-policy>

¹² BESIX Group, "Quality Health, Safety and Environment", at: <https://www.BESIX.com/en/about/qhse/qhse-info#healthsafety>

¹³ ISO, "ISO 14001:2015 Environmental management systems", at: <https://www.iso.org/iso-14001-environmental-management.html>

¹⁴ Ibid.

¹⁵ BESIX Group, "Fair Labour Practices and Migrant Workers", at: <https://www.BESIX.com/en/about/fairlabourpractices-and-migrantworkers>

¹⁶ BESIX Group, "Citizenship and Sustainability Report 2019-2021", at: <https://www.BESIX.com/en/about/csr>

¹⁷ Ibid.

¹⁸ Plenary Group, "Sustainability and ESG - Corporate Governance Responsibility", at: <https://plenarygroup.com/about/sustainability-and-esg>

¹⁹ World Bank, "International migrant stock (% of population) - United Arab Emirates", at:

<https://data.worldbank.org/indicator/SM.POP.TOTL.ZS?end=2015&locations=AE&start=1990>

²⁰ UNESCO, "International and other migrant schools in Gulf Cooperation Council countries", at: <https://unesdoc.unesco.org/ark:/48223/pf0000371536>

from lower-income backgrounds, many children are out-of-school due to a lack of available spaces in these low-fee schools. According to a UNESCO report on international and other migrant schools in GCC countries, mostly children of Western backgrounds attend high-fee schools, which provide access to better facilities and quality education. The differing fee structures and quality of education further exacerbates inequality across socio-economic groups. Sustainalytics recognizes the importance of providing free education, nevertheless, highlights the context of GCC countries where the majority of non-national children do not have access and benefit from public education.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the Project Company has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of access to quality education in the UAE

Education plays a key role in providing individuals with the knowledge, skills and competencies needed to participate effectively in society and the economy.²¹ Education has been a key priority of the United Arab Emirates, where adult literacy rates increased from 58% among men and 38% among women in 1975 to 95% in 2020 for both genders.²² In 2020, the education sector of the UAE received AED 10.41 billion (USD 2.83 billion), 14.8% of the federal budget allocation, to further improve the quality and availability of education across the UAE.²³ Education has been compulsory for children from the age of 6 until the age of 18 and is a constitutional right of every citizen of the UAE since 2012.²⁴ To ensure that all girls and boys complete equitable and quality primary and secondary education, public education is fully financed by the government and is provided for free to all UAE nationals up to the university level.²⁵

Abu Dhabi announced its long-term plan to build a sustainable and diversified, high-value-added economy by 2030, with a greater focus on knowledge-based industries in the future.²⁶ The Abu Dhabi Economic Vision 2030 strategy identifies the development and improvement of the labour market and a highly skilled and productive workforce as immediate economic priorities and objectives,²⁷ including improving the quality and availability of education facilities and developing Abu Dhabi's overall education sector.

Based on the above, Sustainalytics is of the opinion that BESIX Plenary's investments in the Zayed City Schools project are expected to improve access to public education in Abu Dhabi and contribute to the Abu Dhabi Economic Vision 2030.

Alignment with/contribution to SDGs

The Sustainable Development Goals, adopted in September 2015 by the United Nations General Assembly, form part of an agenda for achieving sustainable development by 2030. The loans issued under the Framework are expected to advance the following SDG and targets:

Use of Proceeds Category	SDG	SDG target
Access to Essential Services	4. Quality Education	4.a By 2030, ensure that all girls and boys complete free, equitable and quality primary

²¹ Willeck, C. & Mendelberg, T. "Education and Political Participation", Annual Review of Political Science, Volume 25, Willeck, (2022), at: <https://doi.org/10.1146/annurev-polisci-051120-014235>

²² UAE Government, "Importance of education to the Government", (2022), at: <https://u.ae/en/information-and-services/education/importance-of-education-to-the-government#:~:text=Education%20is%20the%20constitutional%20right,a%20first%20rate%20education%20system>.

²³ UAE Government, "Education budget", (2021), at: <https://u.ae/en/information-and-services/education/education-budget>

²⁴ UAE Government, "Law on compulsory education", (2021), at: <https://u.ae/en/information-and-services/education/governments-efforts-to-eradicate-illiteracy/compulsory-education>

²⁵ UAE Government, "Education", at: <https://u.ae/en/information-and-services/education>

²⁶ UAE Government, "Abu Dhabi Economic Vision 2030", (2022), at: <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/local-governments-strategies-and-plans/abu-dhabi-economic-vision-2030>

²⁷ Ibid.

		<p>and secondary education leading to relevant and Goal-4 effective learning outcomes.</p> <p>4.b Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all</p>
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Conclusion

BESIX Plenary Education Properties Development LLC has developed the Zayed City Schools Social Financing Framework, under which it may obtain social loans and use the proceeds to finance the Zayed City Schools project. Sustainalytics considers that the project funded by the social loan proceeds are expected to increase access to public education in Abu Dhabi. The Zayed City Schools Social Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Zayed City Schools Social Financing Framework is aligned with the overall sustainability strategy of the Company and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 4. Additionally, Sustainalytics is of the opinion that the Project Company has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that BESIX Plenary Education Properties Development LLC is well positioned to issue social loans and that the Zayed City Schools Social Financing Framework is robust, transparent and in alignment with the core components of the Social Loan Principles 2021.

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

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