

ASSESSMENT

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Send Your Feedback

Analyst Contacts

Gonzalo Marambio
Sustainable Finance Analyst
gonzalo.marambio@moody's.com

Andres Carrillo
Associate Analyst
andres.carrillorodriguez@moody's.com

Matthew Kuchtyak
VP-Sustainable Finance
matthew.kuchtyak@moody's.com

Rahul Ghosh
MD-Sustainable Finance
rahul.ghosh@moody's.com

Fibra Educa

Second Party Opinion – Sustainability-Linked Financing Framework Assigned SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 sustainability quality score (good) to Fibra Educa's sustainability-linked financing framework dated 29 May 2023. Fibra Educa has created this framework to issue sustainability-linked instruments that finance general corporate purposes and has selected three key performance indicators (KPIs) in the areas of access to education, green buildings and renewable energy. The main feature of this type of financing is the change in the instruments' financial characteristics, depending on whether or not the issuer achieves predefined sustainability targets. The framework is aligned with the five core components of the International Capital Market Association's Sustainability-Linked Bond Principles (SLBP) 2020 and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (SLLP) 2023. The framework also demonstrates a moderate contribution to sustainability.

Sustainability quality score

SQS3

SQS5
Weak

SQS4
Intermediate

SQS3
Good

SQS2
Very good

SQS1
Excellent



Alignment with principles

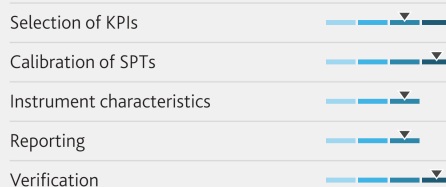
SUSTAINABILITY-LINKED

Overall alignment



FACTORS

ALIGNMENT



Contribution to sustainability

Overall contribution



Expected impact

Relevance and magnitude

ADJUSTMENTS

ESG risk management No adjustment

Coherence No adjustment

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Fibra Educa's sustainability-linked financing framework, including its alignment with the ICMA's SLBP 2020 and the LMA/APLMA/LSTA's SLLP 2023. The company has selected three sustainability KPIs — in the areas of access to education (KPI 1), green buildings (KPI 2) and renewable energy (KPI 3) — as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of Fibra Educa's sustainability-linked financing framework, dated 29 May 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the document, and other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Headquartered in Mexico City, Mexico, Fibra Educa is a Real Estate Investment Trust (REIT), incorporated on September 19, 2017. The entity's main activity is the acquisition, construction, operation and development of real estate for leasing predominantly to the educational sector in Mexico. As of May 2023, Fibra Educa manages 25 university buildings across 15 states totaling 480,768 square meters (m²) of gross leasable area (GLA); 35 learning centers across 14 states totaling 22,707 m² of GLA; and five office buildings in Mexico City totaling 34,907 m² of GLA.

In addition to its main operations, Fibra Educa manages the Fundación Fibra Educa, A.C., which, through the Fibra Educa Educational Scholarships Program, selects beneficiaries for academic scholarships.

Strengths

- » The relevance of KPI 2 (green buildings) and KPI 3 (renewable energy) are significant and high respectively, demonstrating the materiality of the selected indicators in addressing core environmental issues
- » KPI 3 captures a significant reduction in scope 3 carbon emissions. The estimated reduction targeted is broadly aligned with stringent international standards in the building sector
- » Although Fibra Educa is a relatively new company, the pace of improvement targeted in KPI 2 is similar to more established peers in the Mexican market

Challenges

- » Benchmarking against international or sector standards is challenging for most of the selected KPIs
- » The unconventional nature of KPI 1 (educational scholarships) for the real estate sector limits ability to conduct peer benchmarking
- » Although KPI 2 will address the decarbonization of buildings, more stringent and widely-recognized indicators exist

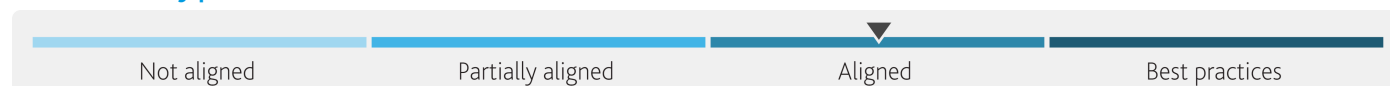
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Alignment with principles

Fibra Educa's sustainability-linked financing framework is aligned with the five core components of the SLBP 2020 and SLLP 2023:

- ☐ Green Bond Principles (GBP)
- ☐ Social Bond Principles (SBP)
- ☐ Green Loan Principles (GLP)
- ☐ Social Loan Principles (SLP)
- ☒ Sustainability-Linked Bond Principles (SLBP)
- ☒ Sustainability Linked Loan Principles (SLLP)

Selection of key performance indicators



Definition – ALIGNED

Fibra Educa has clearly detailed the characteristics of the selected KPIs, including the units of measurement, the rationale and process for selecting the KPIs, the calculation methodologies and the scope. These details will be disclosed publicly within the framework. The company has selected three KPIs — scholarships granted to population with economic vulnerability (KPI 1), the percentage of gross leasable area (GLA) certified as sustainable (KPI 2) and the percentage of energy consumption from renewable sources (KPI 3). The definition of the target population for KPI 1 is clear and relevant, with a focus on vulnerable groups in Mexico.

Measurability, verifiability and benchmark – ALIGNED

The entity's KPIs are both measurable and externally verifiable by independent auditors. The calculation methodology is consistent and in case of any change in methodology, the issuer commits to conduct a post-issuance external review of the relevant changes. The definitions of KPIs 2 and 3 are broadly used by the real estate sector, which allows them to be benchmarked. However, KPI 1 is more traditionally used by educational providers, not real estate companies, which limits the ability to conduct peer benchmarking. As Fibra Educa only began implementing its sustainability plan in 2021, there is limited historical data available for all KPIs.

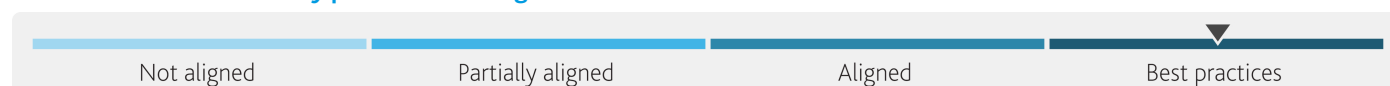
Relevance and materiality – ALIGNED

The selected KPIs are relevant, core and significant to the organization's business strategy for its current and future operations. The KPIs cover relevant sustainability challenges for the sector and Fibra Educa's operations, in particular. KPI 1 is associated with the core business of most tenants and is relevant to address access to education for Mexico's vulnerable population. In addition, KPIs 2 and 3 are associated with relevant challenges facing the building and real estate sector; namely, energy efficiency and decarbonization of electricity consumed. The level of relevance of the KPIs are analyzed in detail in the "Contribution to sustainability" section.

Best practices identified

- » There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs

Calibration of sustainability performance targets



Consistency and ambition – BEST PRACTICES

The sustainability performance targets (SPTs) for the respective KPIs are consistent with the company's existing sustainability strategy and demonstrate significant improvements compared with a business-as-usual (BaU) scenario. In 2021, Fibra Educa started to implement measures to enhance the performance of the company in these KPIs. While benchmarking with peers was possible for KPIs 2 and 3, the unconventional nature of KPI 1 (educational scholarships) for the real estate sector limits the ability to conduct peer benchmarking.

Benchmarking against international or sector standards is challenging for most selected KPIs. Prominent international organizations, such as the Organization for Economic Cooperation and Development (OECD), the International Energy Agency (IEA), the United

Nations Environmental Programme (UNEP), among others, support community involvement and decarbonization in the building sector. While there are no detailed or specific international targets for KPI 1 and KPI 2, we acknowledge that the associated targets, if met, would help address social and environmental challenges of the sector raised by international organizations. Based on information provided by the entity, it is possible to estimate the target performance of KPI 3 against international standards in terms of carbon emissions reduction.

The means for achieving the SPTs are disclosed and credible for all KPIs. For KPI 1, in addition to granting financing, the organization also intends to provide additional support such as tuition and mentorship programs, and the means to finance the scholarships are disclosed in the framework. Regarding KPI 2, the company plans to incorporate auditors, verifiers and consultants to analyze the feasibility to achieve and maintain the certifications. For KPI 3, the company has conducted feasibility studies for the installation of photovoltaic (PV) panels across its portfolio of buildings.

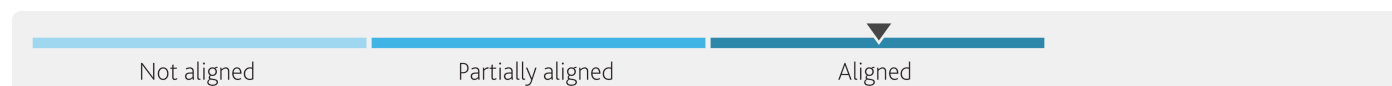
Disclosure – BEST PRACTICES

The timeline, baseline (2021 for KPI 1 and 2 and 2022 for KPI 3) and trigger events have been disclosed in the framework. The issuer has set SPTs for 2025, 2027 and 2030 for the three KPIs, allowing sufficient visibility into its performance over time. The selected baselines are relevant and reliable, and intermediary targets have been defined.

Best practices identified

- » Disclosure of the means for achieving the SPT(s) as well as their respective contribution in quantitative terms to the SPTs OR as well as any other key factors beyond the issuer/borrower's direct control that may affect the achievement of the SPT(s)
- » The means for achieving the SPT(s) are credible
- » The selected baselines are relevant and reliable
- » Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets

Instrument characteristics

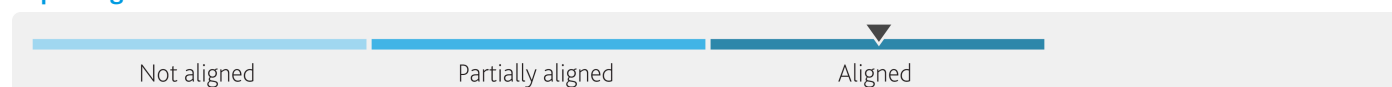


Variation of structural characteristics – ALIGNED

Fibra Educa confirms that the instruments issued under this framework will be subject to variations in their financial characteristics depending on the achievement of the defined trigger events. The exact mechanism and impact will be detailed for each instrument in the corresponding documentation.

If for any reason the performance of the KPIs against the SPTs cannot be measured or reported appropriately or in a timely manner, supported by a verification assurance certificate provided by an independent auditor on the date of the trigger event, the margin call will be applied.

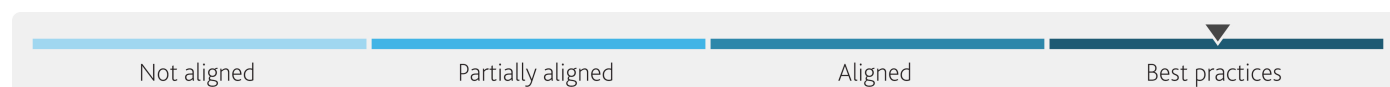
Reporting



Transparency of reporting – ALIGNED

The issuer has committed to report annually at least until full maturity of the debt instruments. The intended scope and granularity of the reporting is clear and exhaustive. It will cover the quantitative and qualitative performance of the KPIs, providing explanation of the performance and other relevant information. The reports will be publicly available on Fibra Educa's website, enabling investors to monitor the evolution of the SPTs.

Verification



Verification process – BEST PRACTICES

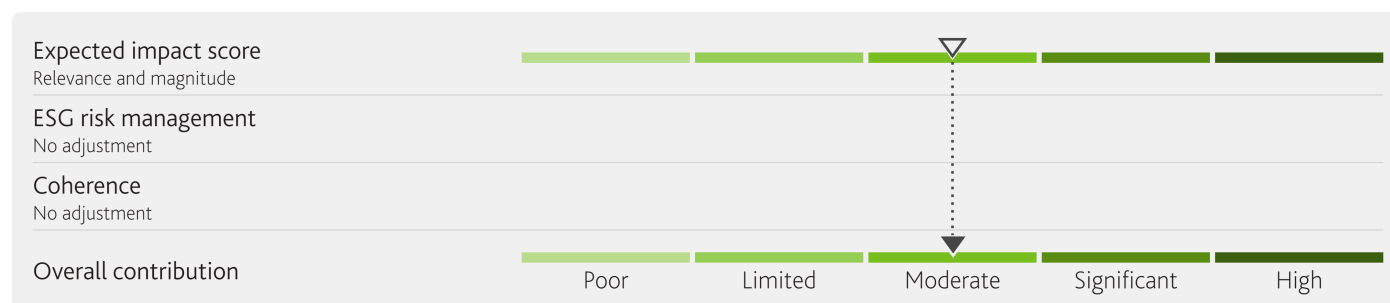
The performance of the KPI against its SPTs will be covered by an external verification, on an annual basis and in case of significant changes affecting the sustainability-linked instruments' financial or structural characteristics (such as a trigger event), or both. Verification reports will be publicly available on Fibra Educa's website at least until instrument maturity.

Best practices identified

» Verification will be conducted until maturity of the bond or loan

Contribution to sustainability

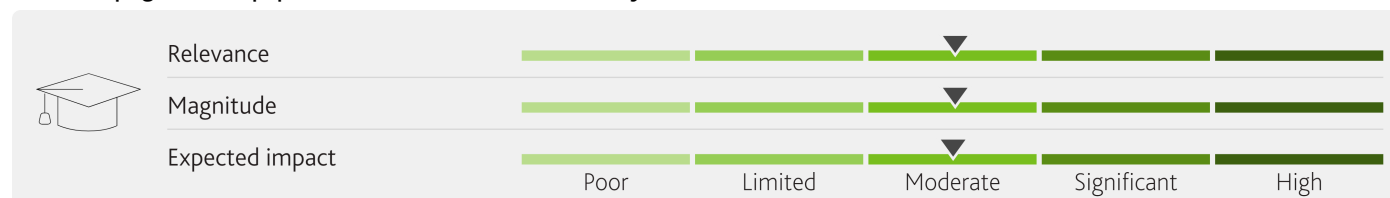
The framework demonstrates a moderate overall contribution to sustainability.



Expected impact

The expected impact of the three KPIs and associated SPTs on Fibra Educa's sustainability objectives is moderate. The KPIs are weighted equally in our analysis. The issuer has stated that it will use the three KPIs together for all future transactions under the sustainability-linked financing framework, but specific SPTs will depend on the duration of each instrument.

Scholarships granted to population with economic vulnerability



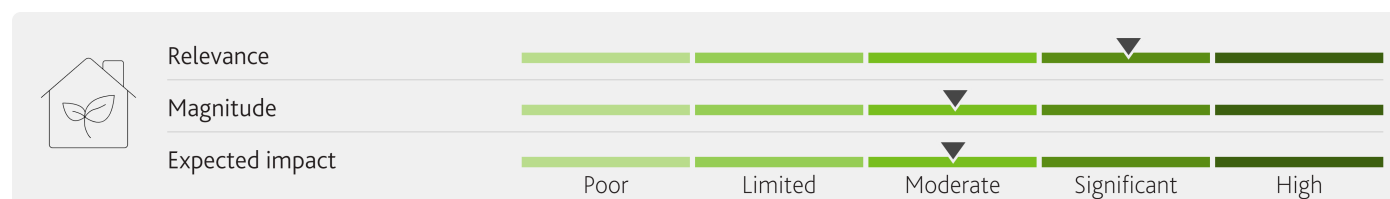
The relevance of the KPI, which captures scholarships granted to economically-vulnerable populations, is moderate. The indicator is not typically considered material for the real estate sector. However, Fibra Educa has a much clearer association with the education sector compared to other peers given its business model, which supports the KPI's overall relevance. We also note the importance of supporting access to education in Mexico. According to the OECD¹, 82% of Mexicans between age 25 and 64 do not have any higher education – higher than the OECD average of 63%. The scholarship program covers 100% tuition and enrollment fees for a higher-level career and is also focused on women and students from low-income families.

The magnitude of the SPTs related to KPI 1, which reflects the level of ambition, is considered moderate. While the KPI is expected to increase over time in absolute terms, the metric does not capture relative performance, which limits the ability to contextualize the

ambition of targets. The scholarship program started in 2021, granting 609 scholarships in the year and 822 scholarships in 2022. The company aims to increase the number of scholarships granted to 872 by 2025 (up 43% compared with 2021), 907 by 2027 (up 48%) and 963 by 2030 (up 58%).

At present, there is no official sector standard or peers in the industry to appropriately benchmark this KPI in the Mexican or global context. Despite the lack of external benchmark, we acknowledge that community engagement is considered a good practice in the construction and real estate sector.

GLA certified as sustainable



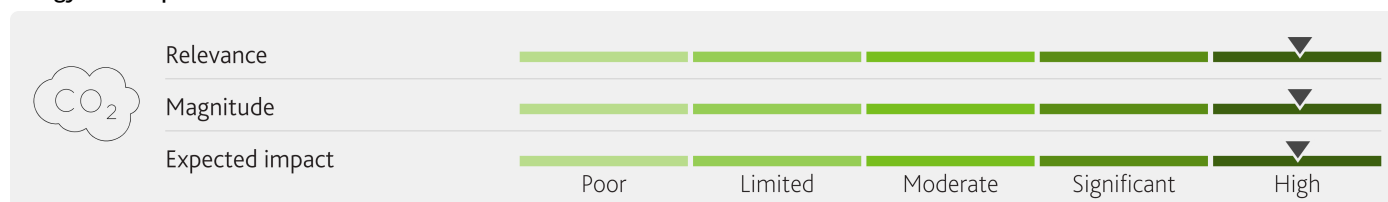
The relevance of KPI 2 – the share of GLA certified as sustainable – is significant. Buildings accounted for an estimated 36% of global energy demand and 37% of energy-related CO emissions in 2020,² and buildings in Mexico consumed around 20% of total energy generation in 2019.³ To achieve net-zero for the real estate sector globally, energy consumed per square meter must fall by at least 35% by 2030 from 2021 levels⁴. Sustainability labeled certifications will also cover other relevant topics in addition to energy efficiency – such as water efficiency, construction materials and community engagement. While such issues are also relevant to the real estate sector, more precise KPIs are available to specifically target the decarbonization of buildings.

The magnitude of the SPTs related to KPI 2, which reflects the level of ambition, is moderate, based on a combination of benchmarking approaches. There are no values to compare performance before 2021, at which point the issuer started measuring energy consumption in its facilities. The company expects to increase certified GLA from 0% to 13% by 2025, 22.08% by 2027 and 30% by 2030. In terms of a linear average, the company will increase the KPI by 3.25% annually between 2022-25, 4.54% between 2025-27 and 2.64% annually between 2027-30. Fibra Educa has established that 50% of the certified GLA should be Excellence in Design for Greater Efficiencies (EDGE) Advanced, but no minimum level of certification is detailed for other certifications (Leadership in Energy and Environmental Design [LEED], Building Owners and Managers Association [BOMA]). The attainment of certifications may also not reflect an actual improvement of the buildings' energy efficiency of the building if the energy efficiency credentials are relatively good before the certification.

The SPTs demonstrate a level of ambition in line with the average of identified Mexican REITs. According to the Mexican Association of Real Estate FIBRAS (AMEFIBRA), 12% of the GLA in operation was certified by end-2021, and this is expected to increase in the coming years due to rising commitments in the sector. Overall, the best Mexican performers identified among peers have a higher baseline across their portfolio, and therefore a higher target over same period. For example, Fibra UNO expects to have 18.4% of its GLA certified by 2025, 26.6% by 2027 and 37.7% by 2030. Fibra Macquarie, which is dedicated mainly to industrial buildings, had 13% of GLA certified in 2021 and plans to certify 40% of its industrial portfolio (about 87% of the company's GLA) by 2027. In 2022, Fibra Dahnos had 72% of GLA certified, which is expected to increase to 80% by 2025; however, this appears to only cover the company's office segment (12% of total GLA).

At present, there is no official sector standard to appropriately benchmark this KPI in the global or Mexican context.

Energy consumption from renewable sources



The relevance of KPI 3 related to renewable energy consumption is high. The decarbonization of energy consumed by buildings is a relevant part of the net-zero pathway for the building sector.⁵ Energy generated from solar panels will contribute to Fibra Educa's objective by eliminating tenants' CO₂ emissions from the use of electricity in buildings. The entity has communicated that the percentage of scope 3 carbon emissions related to tenants' electricity consumption is above 98%, meaning that the level of electrification of the buildings is high, reinforcing the KPI's relevance.

The magnitude of the SPTs related to KPI 3, which reflects the level of ambition, is high, based on a combination of benchmarking approaches. There is no historical data because the company had no installed capacity of solar panels before 2023. The company expects to increase energy consumed from solar panels to 23% by 2025, 31.8% by 2027 and 45% by 2030. In terms of the linear average, this equates to an annual increase of 7.6% between 2023-25, 4.4% between 2025-27 and 4.4% between 2027-30.

The SPTs demonstrate a level of ambition above peers in Mexico, albeit slightly below some identified top performers. Fibra Storage and Fibra Shop are committed to covering 40% and 45% of energy consumed from solar energy by 2025 and 2024, respectively. However, Fibra Educa's targets appear more ambitious than Fibra Dahnos, which is aiming to achieve 10% by 2025 and 20% by 2030. Other Mexican peers, such as Fibra Monterrey and Fibra Macquarie, appear to have measures in place, but not specific targets.

Based on information provided by the entity – including scope 1, 2, and 3 emissions disclosure, the size and level of electrification of the building portfolio, and assumptions on 2022 energy consumption and Mexico's grid emissions factor – it is possible to estimate the target performance of KPI 3 against international standards in terms of carbon emissions reduction. We estimate a CO₂ reduction of 20% by 2025, 28% by 2027 and 39% by 2030 on the total entity's emissions, which is broadly aligned with stringent international standards in the building sector.⁶

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The company's sustainability strategy and sector challenges are aligned with the KPIs and SPTs set under this framework.

Appendix 1 - Mapping eligible categories to the United Nations Sustainable Development Goals

The three eligible KPIs included in Fibra Educa's framework are likely to contribute to ten of the United Nations Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	Scholarships granted to population with economic vulnerability	1.2: Reduce at least by half the share of people living in poverty according to national definitions
GOAL 4: Quality Education	Scholarships granted to population with economic vulnerability	4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
GOAL 5: Gender Equality	Scholarships granted to population with economic vulnerability	5.1: End all forms of discrimination against all women and girls everywhere
GOAL 6: Clean Water and Sanitation	GLA certified as sustainable	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Energy consumption from renewable sources	7.2: Increase substantially the share of renewable energy in the global energy mix
	GLA certified as sustainable	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Scholarships granted to population with economic vulnerability	8.6: Substantially reduce the proportion of youth not in employment, education or training
GOAL 9: Industry, Innovation and Infrastructure	GLA certified as sustainable	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 10: Reduced Inequality	Scholarships granted to population with economic vulnerability	10.3: Ensure equal opportunity and reduce inequalities, including by promoting legislation, policies and action
GOAL 11: Sustainable Cities and Communities	GLA certified as sustainable	11.C: Support least developed countries, including through financial and technical assistance, in building sustainable buildings using local materials
GOAL 13: Climate Action	GLA certified as sustainable	13.2: Integrate climate change measures into national policies, strategies and planning
	Energy consumption from renewable sources	

The United Nations SDGs mapping in this SPO consider the eligible project categories (or KPIs) and associated sustainability objectives/benefits documented in the issuer/borrower/lender's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of KPIs in Fibra Educa's framework

KPIs	SPTs	Sustainability Objectives	Unit
Scholarships granted to population with economic vulnerability	SPT 1: 872 active scholarships by 2025, 263 more from the 2021 baseline year. SPT 2: 907 active scholarships by 2027, 298 more from the 2021 baseline year. SPT 3: 963 active scholarships by 2030, 354 more from the 2021 baseline year.	- Socioeconomic advancement and empowerment - Gender equality	Units (#)
% of Gross leasable area (GLA) certified as sustainable	SPT 1: 13% of the total gross leasable area under management certified by 2025. (baseline GLA 4Q 2022) SPT 2: 22.08%% of the total gross leasable area under management certified by 2027. (baseline GLA 4Q 2022) SPT 3: 30% of the total gross leasable area under management certified by 2030. (baseline GLA 4Q 2022)	- Climate change mitigation	Percent (%)
% of Energy consumption from renewable sources	SPT 1: 23% of the total energy consumed by 2025. (baseline end-2022) SPT 2: 31.8% of the total energy consumed by 2027. (baseline end-2022) SPT 3: 45% of the total energy consumed by 2030. (baseline end-2022)	- Climate change mitigation	Percent (%)

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

Endnotes

- ¹ Organization for Cooperation and Economic Development, [The challenges and opportunities of higher education in Mexico](#), 2020.
- ² Global alliance for building and construction, [2021 global status report for building and construction](#), 2021.
- ³ EDGE buildings, [Mexico - Green building market maturity snapshot 2020](#), 2020.
- ⁴ International Energy Agency, [Buildings - Sectorial overview](#), 2022.
- ⁵ International Energy Agency, [Net zero by 2050 - A roadmap for the global energy sector](#), 2021.
- ⁶ See Buildings Criteria, The buildings eligibility criteria of the Climate Bonds Standard & certification scheme, Climate Bonds Initiative (CBI), April 2023. CBI expects a performance improvement of at least 30% for a 5 year instrument and 34% for a 10 year.

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