

DRAFT Raffles - (Project #30070)
Environmental and Social Review Summary dated 14th March 2011

Project Description:

Raffles Education Corporation Limited (“REC”, “Raffles” or the “Company”), headquartered in Singapore, is the largest private education group in Asia-Pacific. Since establishing its first college in Singapore in 1990, the group has grown to operate 37 colleges in 34 cities across 14 countries in the Asia-Pacific region: Australia, Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Mongolia, New Zealand, Philippines, Singapore, Sri Lanka, Thailand and Vietnam. There are more than 28,700 students enrolled in Raffles’ tertiary programs and the Company employs over 3,000 academic and administrative staff. Raffles also owns the Oriental University City (“OUC”), a self-contained campus in Langfang, China. Within this campus, OUC provides education services to 9 colleges with a total student population of over 27,000.

The proposed IFC financing is a corporate finance facility to REC to support its continued expansion over the next four years. The expansion includes entry into new markets, scaling up Raffles’ operations in select existing markets and on-going maintenance capex. The IFC financing is expected to be used to fund (i) the construction of a greenfield university in Greater Noida, India; (ii) the construction of a greenfield university in Iskandar, Malaysia; (iii) the establishment of vocational training schools in Bangladesh, Sri Lanka, the Philippines, India, Indonesia, Vietnam and Thailand; and (iv) the repayment of short-term debt. The expansion is expected to increase capacity by approximately 9,000 students.

Overview of IFC’s scope of review:

The IFC review of this project consisted of appraising technical, environmental and social information made available by the sponsor. The appraisal involved meetings with senior management of REC as well as review of the Company environmental and social systems and policies. Discussions were held with the Company Architect and Vice President regarding the approach to planning and designing new schools and campuses. In addition, visits were made to established campuses in Singapore and China, a vocational school in India and the construction site of the greenfield university in Greater Noida, in order to appraise how the Company manages environmental and social issues during construction and operation.

Identified Applicable Performance Standards:

While all Performance Standards (PSs) are applicable to this investment, IFC’s environmental and social due diligence indicates that the investment will have impacts that must be managed in a manner consistent with the following PSs:

- PS1: Social and Environmental Assessment and Management Systems;
- PS2: Labor and Working Conditions;
- PS3: Pollution Prevention and Abatement; and
- PS4: Community Health, Safety and Security.

PS5: Land Acquisition and Involuntary Resettlement does not apply as the land for the Greater Noida facility has been acquired on a long term lease from the revenue department of the Uttar Pradesh state government. The land was allotted in 2004 and there are no unresolved land ownership issues. At Iskandar, the land for the proposed University is part of the site for Educity and is owned by the Iskandar Investment Board. It was purchased on a willing buyer-willing seller basis.

PS6: Biodiversity Conservation and Sustainable Natural Resource Management is not relevant as the project sites are located in modified urban or sub-urban neighborhoods and there is no impact on biodiversity.

PS7: Indigenous Peoples does not apply, as no impact on such individuals or groups is expected because Indigenous Peoples are not present at these project sites.

PS8: Cultural Heritage is not expected to apply as there are no known cultural heritage sites or issues associated with existing premises and are not expected for future developments.

REC will review the applicability of all PSs for each proposed new development.

E&S Categorization Rationale:

The Project has been categorized as Category B according to IFC's Environmental and Social Review Procedure. The nature of REC's operations, which involve the provision of educational services, is such that adverse environment and social (E&S) impacts are minimal. Key environmental, social, health and safety impacts associated with the Project during construction and operation include: the sponsor's system to manage E&S issues during construction and operation of schools; land acquisition issues at campus sites; labor and working conditions; community and staff occupational health and safety issues; life and fire safety design and provisions; management and minimization of air, water and solid pollutants during construction and operation; energy and water usage efficiency; and community engagement.

The Project may result in a limited number of specific adverse environmental and social impacts that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. REC will manage its environmental and social performance in accordance with applicable local laws and regulations and international standards, including IFC's Performance Standards on Social and Environmental Sustainability and IFC's Environmental, Health and Safety General Guidelines.

Description of key Environmental and Social Issues and Mitigation:

The Company has presented plans to address these impacts to ensure that the proposed project will, upon implementation of the specific agreed measures, comply with host country laws and regulations, IFC's Social and Environmental Performance Standards, and Environmental, Health and Safety General Guidelines. The information about how these potential impacts will be addressed by the sponsor/project is summarized in the paragraphs that follow.

PS1: Social and Environmental Assessment and Management Systems:

Social and Environmental Assessment:

REC currently does not have a corporate social and environmental management system. The management of E&S issues is the responsibility of the Campus Director and Human Resources (HR) Director at individual campuses and focuses on regulatory compliance with local/host country requirements. Campus Directors report to their respective Vice Presidents, who undertake quarterly audits of each campus to ensure that local regulatory requirements are met.

REC has agreed that the Company will develop a corporate social and environmental management system (SEMS) that is appropriate to the level of impacts and risks typical of an education business and is compliant with IFC PS1. The priority will be to ensure that there is a

corporate level management framework that enables the Company to manage consistently the environmental and social aspects of the business in each campus as it grows internationally, through a defined framework of policies and objectives and a management program to achieve these objectives.

As a first step, REC will assign responsibility at the board level for developing and implementing the SEMS. The Company will then formalize the corporate managerial duties and documentation, including monitoring and reporting mechanism for environmental and social performance in all operations and provide the necessary training.

At a minimum the SEMS will contain policies and procedures on retrenchment and working conditions; use of contractors; occupational health and safety, including construction safety; life and fire safety ("L&FS"); emergency prevention and planning; and management of hazardous materials and waste; and community engagement and grievance redressal. REC will also include in the SEMS a land acquisition and resettlement protocol that ensures that land acquisition is compliant with PS5. The SEMS will also incorporate guidance on site selection for potential new vocational training schools and campuses to include a requirement for seismic hazard assessment in line with the International Building Code as well as L&FS requirements, as described below.

Training:

The Company supports staff training through on-the-job or in-house training courses, including fire safety training from local fire departments. High performers are able to participate in subsidized training after they have been with the Company for 3 years.

Local community engagement:

REC does not currently have a formal community grievance procedure. Engagement with local communities is undertaken informally through the receptions office and/or the Student Advisory Service. However, the college directors usually engage with the local government officials and local communities once they have been in a location for more than 18 months. There are instances where the campus has sponsored community events. Consistent with the requirement of PS1, REC will incorporate in their SEMS a corporate formal system for community engagement and grievance mechanism that will be communicated and implemented at each of its schools and campuses during construction and operation.

PS2: Labor and Working Conditions:

REC currently has over 3,000 staff (55% women), including 212 management, 1,500 full time and 77 part time employees. There are 1,100 staff on two year renewable and shorter term contracts.

Working Conditions and Management of Workers Relationship:

REC has HR policies on grievance handling, child and forced labor, human rights and community engagement, non-discrimination and equal opportunities, recruitment, leave, medical and personal accident, resignation, dismissal and termination. There is no retrenchment policy, and to date there has been no retrenchment exercise. The Company HR handbook is used by college directors as a paradigm which is modified to comply with local regulations, as required. With the rapid growth of the group, the Company has agreed to use the SEMS as a more formal method of rolling out corporate HR policies, auditing each campus and raising local and international staff awareness of the relevant policies.

Every member of staff has an employment contract. Academic staff are usually international and are on 2 year renewable contracts administered through head office. Employees in accounts, marketing and administration departments are usually locally employed and may be on permanent contracts. All staff receive orientation. The Company does not prohibit collective agreements but no staff are affiliated to any trades union.

The Company outsources housekeeping, catering, gardening and has introduced a policy to require that agencies apply the requirements of PS2.

Occupational Health and Safety (OHS):

The Company HR policy incorporates a requirement that all injuries are reported to the supervisor immediately or as soon as practical to do so. There have been no reports of accidents to date. However, OHS training is at the discretion of individual colleges and is sometimes undertaken during induction. REC will introduce a group policy on risk management, accident reporting and OHS training.

During construction in Greater Noida, REC oversees compliance of contractors with OHS regulations. However, construction safety (including use of PPE by the contractors' workers) and workers' living and working conditions were observed to require some improvements. For this purpose, REC will be instituting all necessary controls and monitoring system by its own staff to make necessary improvements so as to comply with IFC's applicable PS2 requirements and EHS guidelines. REC has and will further enhance group policy and procedures for management of all future construction health and safety, including stringent clauses in construction contracts and site supervision.

PS3: Pollution Prevention and Abatement:

The new campus at Greater Noida has been designed by an architectural firm which specializes in green buildings. The facility boasts an energy-efficient design. Specifically, the building orientations and other internal design elements are arranged to maximize natural light and ventilation. HVAC systems are also designed in novel ways to minimize heat loads and thus air-conditioning requirements. The campus director will seek a minimum of 3 star rating from the Green Rating for Integrated Habitat Assessment (GRIHA) India. At Iskandar, the Company has commissioned an international architect to design the campus to obtain GBI Platinum, LEED Gold certification.

When REC opens a vocational training school, it usually undertakes the renovation according to requirements specified by a professional team in Head Office. Green building principles, however, are not specifically applied to renovations undertaken by the Company and energy and water monitoring is not undertaken in existing schools. In order to maximize energy-efficiency of its existing buildings, REC will be undertaking an energy audit at its schools and campuses including taking the necessary measures to minimize energy and water consumption to the extent that it is cost-effective. The energy audit will contribute to the development of sustainability policy and procedures in the SEMS which will include indicative specifications to be used in future renovations.

REC does not monitor its waste production and disposal. Nevertheless the individual campus directors are responsible for complying with local solid, liquid and hazardous waste management regulations. Chemical substances in laboratories are managed in accordance with international standards. REC will develop policies and procedures in its SEMS to ensure that schools and campuses manage all chemical substances, hazardous, solid and liquid wastes appropriately.

PS4: Community Health, Safety and Security:

Life and Fire Safety:

The Company is committed to maintaining locally compliant L&FS systems. Each college director has responsibility for ensuring the colleges are compliant with local regulatory standards and a designated fire officer is responsible for liaison with the local fire department. REC campuses range from 1200 m² leased premises in shared buildings to large campuses, owned and operated by REC. The specifications include L&FS requirements that meet local fire and safety standards and are broadly compliant with the Canadian L&FS standards. The leased facilities in Delhi had been refurbished by REC to modern specifications and have adequate fire safety provisions (fire extinguishers, smoke detectors, sprinklers and fire safety signages) in accordance with the local fire safety regulations.

For the new development at Greater Noida and renovations in leased premises in Bangladesh, Sri Lanka, the Philippines, India, Indonesia, Vietnam and Thailand, plans have already been finalized and construction and renovation is underway. In order to verify that the fire safety controls that have already been put in place in the completed buildings are adequate, REC will commission a L&FS audit of each school to identify any major fire risks, applicable national codes, standards and regulations including mitigation measures. The L&FS audit is to be prepared by a suitably qualified professional, acceptable to IFC, who shall certify that the design meets the requirements of an international L&FS standard such as the NFPA or its equivalent. If required, a corrective action plan will be defined and added to the Environmental and Social Action Plan. In addition, the fire safety professional will prepare fire safety criteria to guide selection and renovation of all future leased schools. In addition, corporate policy and procedures that are in place will be further strengthened to ensure that the program of maintenance of the fire suppression equipment and emergency systems in each school and university meets the requirements of IFC's General EHS Guidelines.

For all future construction and renovations, including at Iskandar, REC has agreed to use an international L&FS standard such as the NFPA or its equivalent (e.g. National Fire Code of Canada – NFC). REC has reviewed IFC's guidelines that is related to the L&FS, including the requirement to develop a L&FS Master Plan for each greenfield development and major renovation, that identifies major fire risks, applicable codes, standards and regulations, and mitigation measures. Each L&FS Master Plan is to be prepared by a suitably qualified professional acceptable to IFC who certifies that the design meets the requirements of IFC's L&FS guidelines. The qualified professional who prepares the L&FS Master Plan will undertake a review of L&FS systems of completed developments and certify that construction of these systems has been carried out in accordance with the accepted design.

Emergency Preparedness and Response:

The Company will develop and implement emergency preparedness and response plans for all of its facilities. Emergency plans will respond to the needs of L&FS requirements and include training on emergency evacuation, use of fire equipment and other applicable aspects identified by experienced emergency planning specialists in the planning process. The Company will develop and implement a training plan to ensure that all students and employees are knowledgeable of existing emergency procedures and emergency contingency plans, including evacuation routes. REC will perform fire drills in all operating campuses at the frequency required by the host country law.

REC selects its campus sites to be easily accessible by public transport with safe drop-off locations for students travelling by taxi or car. Parking facilities are usually limited and only provided to staff.

REC contracts private security staff at most of its schools and campuses. None are armed.

Client's Community Engagement:

No local communities have been significantly affected by REC to date. The Company's operations generate local employment opportunities and do not have adverse impacts on the communities.

Local Access of Project Documentation

Company will disclose this ESRS and the ESAP at its website: www.raffles-education-corporation.com, as well as locally at the following addresses:

Raffles Education Corporation Ltd, Singapore

99 Beach Road
Singapore 189701

Greater Noida, India

Raffles Millennium University
Plot 5,6,7,8, Knowledge Park IV,
Greater Noida
India

Kuala Lumpur, Malaysia

Raffles International College
62 Jalan Damai, off Jalan Ampang,
55000 Kuala Lumpur,
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Dhaka, Bangladesh

Raffles Design Institute, Dhaka
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