

ASSESSMENT

5 September 2023



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Praemia HEALTHCARE

Second Party Opinion – Sustainability Financing Framework Assigned SQS2 Sustainability Quality Score

Summary

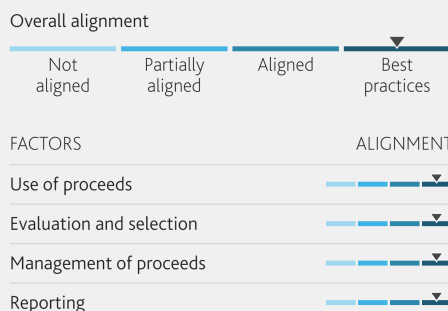
We have assigned an SQS2 Sustainability Quality Score (Very good) to Praemia HEALTHCARE's sustainability financing framework dated 5 September 2023. The issuer has established its sustainability financing framework with the aim of capitalizing projects across two eligible sustainable categories, of which one is social and one is green. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023 and Sustainability Bond Guidelines 2021, and the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles 2023 and Social Loan Principles 2023, and the issuer has also incorporated MIS-identified best practices for all four components. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score

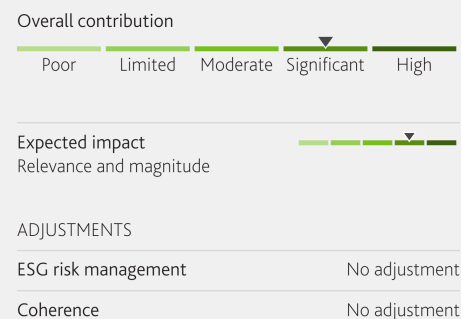
SQS2



Alignment with principles USE OF PROCEEDS



Contribution to sustainability



Scope

We have provided a second party opinion (SPO) on the sustainability credentials of Praemia HEALTHCARE's sustainability financing framework, including the framework's alignment with the four core components of the ICMA's Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023 and Sustainability Bond Guidelines 2021, and the LMA/APLMA/LSTA's Green Loan Principles 2023 and Social Loan Principles 2023. In its framework, Praemia HEALTHCARE plans to finance or refinance projects across two eligible categories, as outlined in Appendix 2 of this report.

Our assessment is based on the issuer's sustainability financing framework dated 5 September 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework and other public and non-public information provided by the issuer.

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

Issuer profile

Praemia HEALTHCARE (formerly Icade Santé) is a fund and operates as a property investor and is managed via an asset management and fund management contract concluded with Primonial REIM France and via a property management contract concluded with Primonial REIM Care. Primonial REIM Care advises the asset management and fund management teams of Primonial REIM France in the management of Praemia HEALTHCARE.

Praemia HEALTHCARE operates as a property investor, assisting healthcare operators and senior care providers by owning and developing healthcare properties across Europe. Praemia HEALTHCARE owns medical facilities for most of its portfolio, and elderly care facilities, which include nursing homes, dedicated to dependent elderly people. As such, its main activities include the acquisition, construction, refurbishment and extension of healthcare facilities. Praemia HEALTHCARE is not responsible for operating the facilities. Praemia HEALTHCARE operates in France, Portugal, Spain and Germany; however, most of its assets are in France. Praemia HEALTHCARE defined its pathway to reduce the carbon intensity of its assets in France, with a target reduction of 37% between 2019 and 2030, and has established an environmental, social and governance (ESG) strategy and various dedicated procedures to address various challenges such as occupants' health and well-being and accessibility of care.

Strengths

- » Eligible projects address environmental and social challenges that are relevant for the issuer and its sector.
- » Comprehensive and transparent project evaluation and selection processes are in place and include relevant expertise
- » Allocation and impact reporting will be done as long as Green, Social and/or Sustainability Instruments are outstanding, ensuring a high level of transparency for investors

Challenges

- » The accessibility to services raises limitations as the affordability of nursing facilities depends on the user's ability to pay.

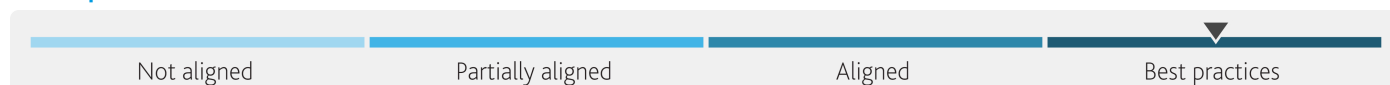
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Alignment with principles

Praemia HEALTHCARE's sustainability financing framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 (including the June 2022 Appendix 1), Social Bond Principles 2023 and Sustainability Bond Guidelines 2021, and the LMA/APLMA/LSTA's Social Loan Principles 2023 and Green Loan Principles 2023, and incorporates Moody's Investors Service-identified best practices for all four components:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP) | <input checked="" type="checkbox"/> Social Bond Principles (SBP) | <input checked="" type="checkbox"/> Green Loan Principles (GLP) |
| <input checked="" type="checkbox"/> Social Loan Principles (SLP) | <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

The company has clearly and comprehensively communicated the nature of the expenditures, which will be capital spending to finance or refinance underlying investments. It has also communicated the eligibility criteria for financed assets, as well as the target population. The company has defined the location of eligible assets at the country level, with the issuer identifying the expected location of 100% of financed or refinanced projects to be in France.

Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly described the social and environmental objectives associated with the eligible category, which are coherent with international standards. The company has stated the social objective is aligned with one of the the United Nations Sustainable Development Goals (SDGs), namely SDG 3: Good Health and Well-Being, and its environmental objective is aligned with SDG 7: Affordable and Clean Energy, SDG 11: Sustainable Cities and Communities, and SDG 13: Climate Action.

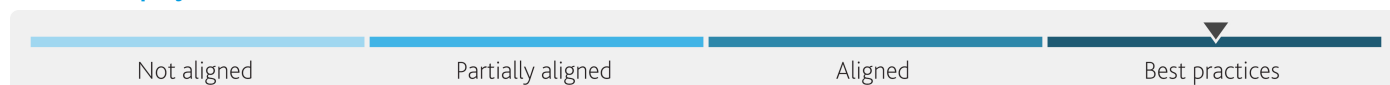
Clarity of expected benefits – BEST PRACTICES

The company has clearly defined the expected social benefits for its eligible category. These benefits are measurable and will be quantified in the reporting. The company is committed to disclosing its share of refinancing to relevant investors and lenders.

Best practices identified

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of the process for defining eligible projects – BEST PRACTICES

The issuer has established a structured process for evaluating, selecting and monitoring the eligible projects, relying on relevant internal expertise. The process is publicly available in the framework. The issuer's Sustainability Financing Committee is in charge of the selection and evaluation of eligible projects. The project team will assess the portfolio's assets against the eligibility criteria and report back to the Sustainability Financing Committee, which will then be responsible for selecting the eligible assets and verifying that the eligible portfolio complies with the Use-of-Proceeds section of the Sustainability Financing Framework. Moreover, the entire selection, evaluation and monitoring process is traceable and documented. The eligible projects are monitored throughout the life cycle of the bond or loan and the funds should be reallocated in case a project is no longer compliant.

The issuer is also able to monitor the ongoing general compliance with the eligibility criteria.

Environmental and social risk mitigation process – BEST PRACTICES

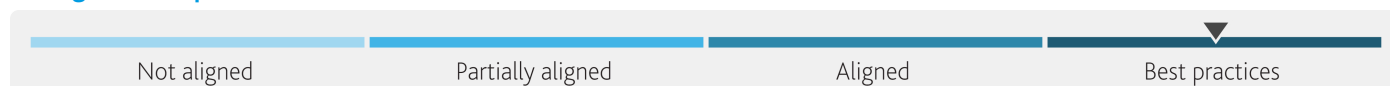
Praemia HEALTHCARE has established a comprehensive environmental and social risk mitigation process, with a Controversy Monitoring Committee assessing the materiality of controversies, and with various environmental assessments and checks, and regular technical visits of the assets.

The process is disclosed in the framework, and further detailed in other internal and external documentation provided by the company. The management of such risks includes several layers of assessments and screenings, and corrective measures.

Best practices identified

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The issuer has disclosed information regarding allocation and tracking of proceeds in the framework. An appropriate internal process was put in place to establish the amount of the net proceeds linked to the eligible assets. The issuer has also stated its intention to allocate net proceeds within 24 months of the issuance of each sustainability financing instrument.

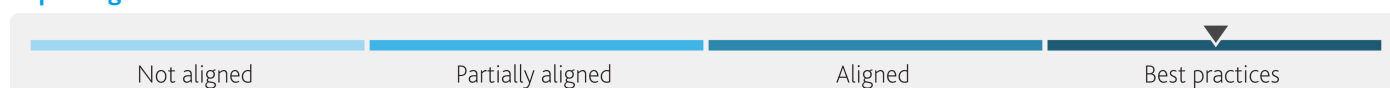
Management of unallocated proceeds – BEST PRACTICES

As documented in the company's framework, unallocated proceeds will be invested in cash or cash equivalents. The exclusion criterion is to not invest in environmentally or socially harmful activities, valid also for the temporary investment of unallocated proceeds.

Best practices identified

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

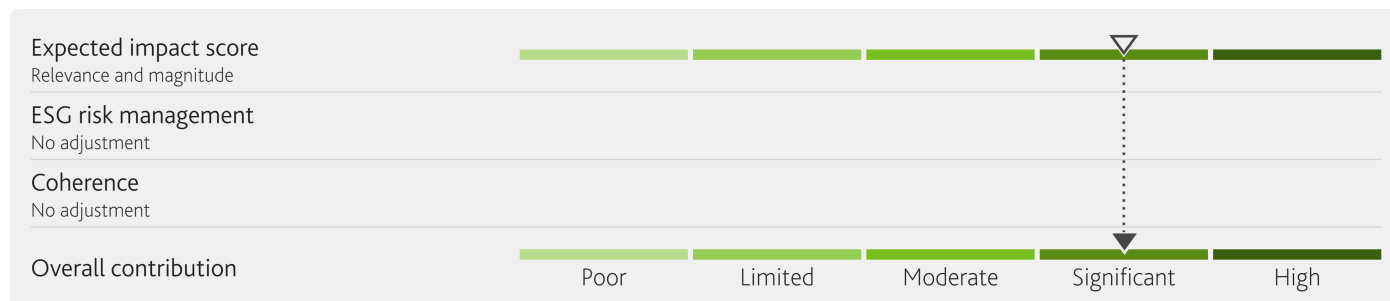
The issuer has committed to annual reporting on proceeds allocation at least until green, social and/or sustainability instruments are outstanding, and in the case of significant developments. The allocation indicators are exhaustive, and the impact indicators are detailed (see Appendix 2). The allocation and impact report will be reviewed externally. The issuer has committed to include case studies on selected projects.

Best practices identified

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

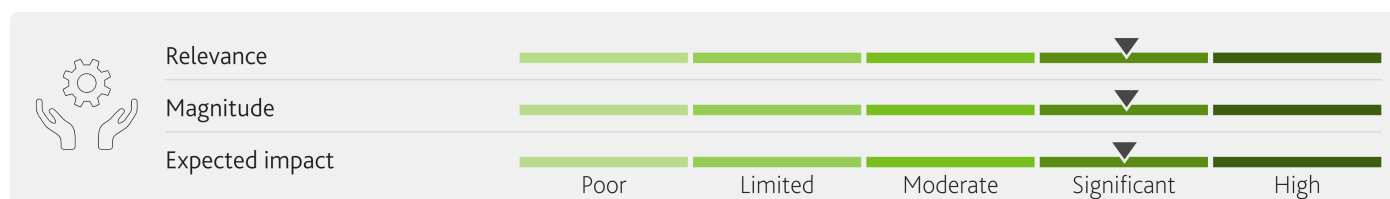
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on environmental and social objectives is significant. The issuer has provided information on the distribution of proceeds, with the vast majority of total eligible assets being under the social category only (with the sub-category of nursing homes accounting for an insignificant share of the total social eligible portfolio). Thus, we weighted the social category 95% and the green category 5%. A detailed assessment by eligible category is provided below.

Access to essential services – Health and healthcare



The importance of ensuring the necessary conditions for the provision of adequate healthcare solutions results in significant relevance.

Healthcare services are provided across the OECD countries. However, in seven of these countries, less than 95% of the population has access to a core set of services (i.e. consultations with doctors and specialists, tests and examinations, and surgical and therapeutic procedures). France performs well in this ranking, with 99.9% of the population being covered by the healthcare system. While there is a shortage of doctors and other medical staff, shortage of beds is not a primary concern for the French healthcare system. However, there are service coverage disparities among regions, which, in combination with the fact that healthcare is an essential service and according to the "Innovation santé 2030" strategy the sector needs to be funded with eur 7 billion, make the relevance significant to continue to provide such facilities.

Europe is experiencing an ageing population because of, among other factors, increased life expectancy and low fertility rates. Currently, one in five Europeans is 65 years or older, but it is estimated that this figure will be near 30% by 2050. This population ageing is putting more pressure on public finances and the provision of social services associated with healthcare. Eurostat estimates that the old-age dependency ratio, calculated as the relative share of older population compared with the working-age population, will increase to 49.9% by 2050 from 30.5% in 2018. Specifically in France, it is estimated that there is a shortage of beds in retirement homes, and this situation is becoming worse by the year. In France, on average one bed is available for six people aged above 80; however, the situation varies widely across the region, with certain regions having one bed for nine seniors. This makes the relevance high for the nursing homes facilities.

In terms of magnitude, we assess an overall significant score for the category. This is driven by the significant magnitude of the healthcare facilities, representing almost all eligible assets of the categories. Taken individually, nursing home facilities are expected to have a limited magnitude score as the accommodation costs may not ensure financial accessibility for all, including the most vulnerable. Nonetheless, the additional eligibility criterion limits the risk of having highly priced accommodation facilities, only financially accessible for the high-income population.

The development of infrastructure dedicated to medical care and care services for elderly people will most likely provide long-term benefits. Our analysis is based on the concept of Availability, Accessibility, Acceptability and Quality (AAAQ) from the Final Report on Social Taxonomy created by the Platform on Sustainable Finance.

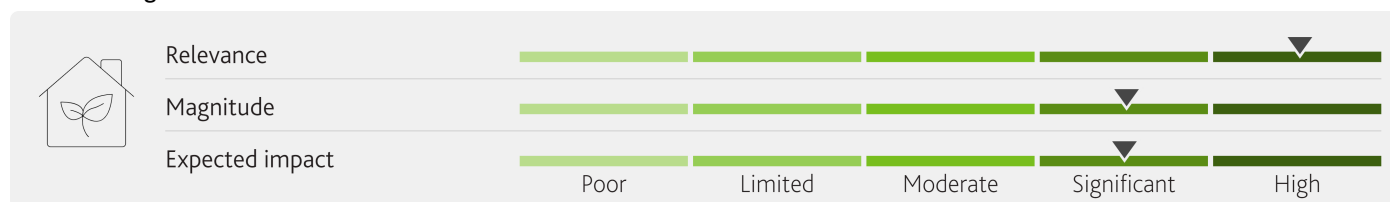
The topics of availability, acceptability and quality are covered by the issuer through an increase in the number of available beds and the provision of adequate facilities. Ensuring the quality of services is a challenge for the issuer as Praemia HEALTHCARE is not involved in the day-to-day operations of the healthcare facilities. However, to address this challenge, Praemia HEALTHCARE will select only the facilities that achieve A or B level issued by the French National Authority for Health (HAS) based on the 2014 framework or equivalent on the new 2021 framework. The issuer provides on-site audits to assess the ability of the existing medical facilities to accommodate new medical practices. These audits make it possible to identify solutions for adapting the properties to optimise their quality of care and accommodation as well as the well-being of patients and caregivers alike. For the nursing homes, Praemia HEALTHCARE follows the internal Quality of Life in Nursing Homes Charter and the new quality assessment developed by HAS (elderly care facilities will be eligible if they either comply to Praemia HEALTHCARE's standard for quality and comfort established by the Quality of Life Charter, or a positive assessment on a new HAS evaluation).

In terms of accessibility (financial affordability of services), it is worth noting that Praemia HEALTHCARE will allocate the funds to a portfolio of investments based in France only. The French system allows for a wide range of insurance schemes to cover healthcare expenses, making access to healthcare nearly universal and the users' out-of-pocket expenses reasonable in both public and private facilities. Currently, the private facilities of Praemia HEALTHCARE are covered by an agreement with the national healthcare insurance ("Assurance Maladie"); therefore, they all accept "tiers payant" (the patient does not have to pay upfront for healthcare services, and instead the payment is directly handled by the "Assurance Maladie") and patients with the universal health coverage programme complémentaire santé solidaire (formerly CMU-C) and Aide Médicale d'État (AME). However, out-of-pocket expenses for patients may vary depending on the medical procedure and the pricing set by the doctors. Private facilities, such as Praemia HEALTHCARE, have specialist doctors, generally "secteur 2", who have the freedom to set their own fees, which can be higher than the official rates established by the French healthcare system. As a result, patients consulting "secteur 2" doctors may have higher out-of-pocket expenses, as the reimbursement from the social security system is based on the official rates. Therefore, the sub-score for the magnitude of the healthcare facilities is significant.

For the nursing homes, the average price of private-for-profit facilities in France is typically significantly above the average retirement pension and can be two to three times the average pension in some regions even after deducting public subsidies. In terms of fees, nursing home fees consist of three main components: healthcare, dependency, which are both regulated by public authorities, and accommodation. Praemia HEALTHCARE does not record fees at the asset level for healthcare and dependency. Regarding accommodation, the fees represent the largest share of the total cost and are paid by the resident. In private-for-profit nursing homes, some beds may be reserved for residents benefiting from the Social Assistance for Accommodation (ASH) subsidy, which covers part or all of the accommodation fees. In addition, a range of public fundings are available to cover partially or in full the monthly cost (the component of accommodation and beyond), such as APA ("allocation personnalisée d'autonomie") and APL ("aide au logement"). Depending on users' case-by-case considerations, further fiscal reductions could be applied.

We do not have visibility into the number of such accredited beds in Praemia HEALTHCARE facilities ; however, the company has committed that as part of the framework, nursing homes will not be eligible if the accommodation cost is above the median local accommodation cost (e.g. accommodation cost for a single room not accredited to receive the "Aide Sociale Hébergement") in private for-profit nursing homes. The development of infrastructure dedicated to care services for elderly people will most likely provide long-term benefits but raises limitations as the accommodation costs may not ensure financial accessibility for all, including the most vulnerable. Nonetheless, the additional eligibility criterion limits the risk of financing highly priced accommodation facilities, only financially accessible for the high-income population. Therefore, the sub-score for the magnitude of the nursing homes is limited.

Green buildings



The relevance for the green building category is considered high. Projects include financing or refinancing of the acquisitions and ownership of medical and elderly care facilities. Buildings are a key sector for the low-carbon transition because the construction sector is responsible for around 30% of the global final energy consumption. To align with the IEA net zero scenario, carbon emissions from building operations would need to be reduced by more than half by 2030. In the local context of this framework, the need for better buildings is particularly high. For instance, in France, more than half of all buildings with registered certificates have EPC energy class D or lower ratings. In addition, the energy consumption in residential and nonresidential buildings is higher than the EU average.

With regard to the magnitude of this category, the "Haute Qualité Environnementale" (HQE) scheme is considered a stringent certification scheme because of its comprehensive evaluation criteria and the rigorous assessment process that projects must undergo to obtain certification. However, despite a sub-score of "efficient" on the energy theme, an HQE score of "Very good" is not the most stringent level under the certification scheme, and most of the buildings within this category are likely to rely only on this certification. According to the Green Building Council France, in 2015, in France, 53% of the buildings were certified HQE "very good", while 45% received a higher score between "excellent" and "outstanding". Despite not being the highest, the level chosen for this certification is still considerable for the healthcare sector due to the different energy consumption of the buildings in the healthcare sector compared to commercial ones, and that in France only 5% of hospitals in France have an HQE certification, compared to 40% of offices. Alternatively, the EU taxonomy substantial contribution criteria under economic activity 7.7 for the acquisition and ownership of buildings are considered a stringent threshold in terms of the energy consumption of buildings but they focus only on the impact of buildings during the operational phase. Despite the lack of specific eligibility criteria ensuring that high environmental standards are implemented throughout the life cycle of buildings, Praemia HEALTHCARE has deployed a tool to monitor the energy and water consumptions and the GHG emissions of its buildings, as well as energy audits in order to identify the potential energy retrofit works to undertake to improve the performance of buildings. This results in our assessment of a significant magnitude for the category.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. Although the operations can create social and environmental risks, the company has set up different measures to monitor ESG issues and its operators' performance. The issuer has implemented multiple mechanisms to assess and monitor the environmental and social risks associated with its operations. These mechanisms include defining sectors based on ethical and environmental criteria, in which the issuer chooses not to provide financing. Praemia HEALTHCARE's investments and sustainability policies rely on a robust process to identify and mitigate environmental and social risks, and on the final decision by Primonial REIM France or Praemia HEALTHCARE's board of directors.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Projects to be financed under Praemia HEALTHCARE's framework align with its broader sustainability priorities and its commitment to the healthcare sector. The business model of Praemia HEALTHCARE relies on the following tenets: developing a care offer to meet the local challenges and the expectations of users; adopting a low-carbon strategy to fight against global warming; reducing its environmental footprint; building resilience; and having an even greater positive impact on society.

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

The two eligible categories included in Praemia HEALTHCARE's framework are likely to contribute to five of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 3: Good Health and Well-being GOAL 10: Reduced Inequality	Access to Essential services - health	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all 10.3: Ensure equal opportunity and reduce inequalities, including by promoting legislation, policies and action
GOAL 7: Affordable and Clean Energy GOAL 11: Sustainable Cities and Communities GOAL 13: Climate Action	Green buildings	7.3: Double the global rate of improvement in energy efficiency 11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

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

Appendix 2 - Summary of eligible categories in Praemia HEALTHCARE's framework

Eligible Project Category	Description	Sustainability Objectives	Main Impact Reporting Metrics
Access to essential services: health	<p>Medical facilities (i.e. acute care facilities, mental health facilities, post-acute care facilities, disability care homes) that comply with all the following criteria:</p> <ul style="list-style-type: none"> - Quality criteria: facilities achieving A or B level issued by the French National Authority for Health (HAS) based on the 2014 framework or equivalent on the new 2021 framework - Affordability criteria: facilities located in France where everyone has access to publicly funded care in public and private facilities eligible for "Assurance Maladie" reimbursement <p>Elderly care facilities (i.e. nursing homes) that comply with all the following criteria:</p> <ul style="list-style-type: none"> - Quality criteria: to obtain a score equivalent to or higher than the standard of quality and comfort defined in Praemia HEALTHCARE's internal framework established by the Quality of Life in Nursing Homes Charter or obtain a positive opinion on the new quality of life assessment established by the HAS, specific to social and medico-social facilities and services - Affordability criteria: accommodation cost should not be above the median local accommodation cost in private-for-profit nursing homes 	<ul style="list-style-type: none"> -Contribute to resolve problems to aging population depopulation -Contribute to wellness of citizens of these territories -Contribute to access to adequate basic services 	<ul style="list-style-type: none"> - Number of beds and places - Population served, meaning the catchment area of the facilities and/or the number of patients and residents - Breakdown of beds and places by type of facility (acute care, mental health, post-acute care, disability, nursing homes)
Green buildings	<p>Acquisition and Ownership of a Medical facility or Elderly care facility that complies with any of the following criteria:</p> <ul style="list-style-type: none"> - Technical Screening Criteria of the EU Taxonomy including substantial contribution criteria for climate change mitigation, Do No Significant Harm Criteria ("DNSH") and minimum social safeguards ("MSS") - Obtain HQE Construction certification upon completion with a minimum rating of "Very Good", and "Efficient" in the energy management sub-category; or any equivalent environmental certification 	Climate Change Mitigation	<ul style="list-style-type: none"> - Estimated carbon intensity in kgCO₂e/m² /yr - Estimated energy intensity in kWh/m²/yr - Green building certification levels

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](#)

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

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