

Sustainability Rating

Summary

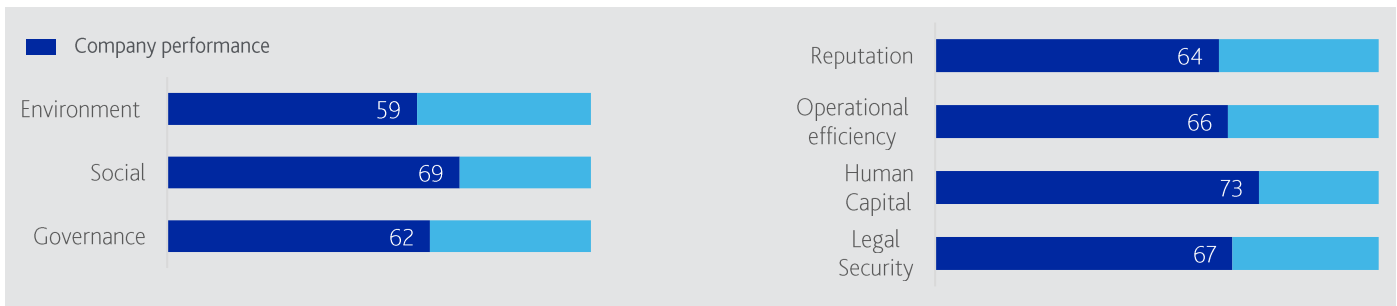


Preliminary note: We assessed Icade Santé SA at its request in line with our methodology of unsolicited rating. This assessment results in an absolute score of 64/100. Since Icade Santé SA is not part of our listed issuers universe, this assessment does not result in a ranking against other listed companies. Therefore, the A1 Rating serves an indicative purpose only, meaning that the company's absolute score is superior to the ones obtained by listed companies within the 95th percentile of our universe. This position against the sector components should not be used for legal reporting or legal valuation purposes.

As of July 2022, Icade Santé SA obtains an A1 rating, based on an overall score of 64/100. Updated indicators for the year 2021 have allowed the overall score to increase by 1 point since our August 2021 original assessment of the company. Icade Santé SA still displays strong willingness and capacity to integrate ESG factors into its strategy, operations and risk management, with advanced results on managing risks related to operational efficiency, reputation, human capital and legal security.

Icade Santé SA ("the company"), created in 2007, is a 58.3% subsidiary of Icade SA ("the Group"). The company owns the Healthcare Property Investment Division's assets of Icade SA. It develops, owns and supports the modernisation of healthcare facilities, with a portfolio of 122 healthcare facilities and 84 Nursing Homes, as of end 2021. Icade Santé SA operates in France, Germany, Italy, Spain and Portugal. The company intends to conduct an IPO, potentially before end-2023, depending on market conditions. Icade Santé has recently changed its status to an SA, from an SAS previously. Further governance changes are likely, ahead or in the wake of the potential IPO. Unless stated, our assessment on subjects related to employees, business ethics and corporate governance continues to reflect Icade SA's commitments and processes as they currently apply to the company.

ESG AND RISKS MANAGEMENT PERFORMANCE (./100)



STRENGTHS

- ▶ Advanced management of human capital risk factors
- ▶ Comprehensive environmental strategy
- ▶ Strong integration of CSR related risks in the internal control systems

WEAKNESSES

- ▶ Minor share of assets benefiting from an environmental certification
- ▶ Limited reporting on responsible lobbying practices
- ▶ Limited means to ensure social and environmental compliance of suppliers and subcontractors

KEY TAKEAWAYS

Impacts: Icade Santé's core activity (the development and ownership of healthcare facilities) allows for a major contribution to Sustainable development goals (SDG) N°3 (Good Health and Well-Being). The company's efforts to improve the energy efficiency of its properties constitute a positive contribution to SDGs N°7 (Affordable and Clean Energy), N°11 (Sustainable Cities and Communities) and N°13 (Climate Action) and account for an advanced energy transition score.

Risks: Icade Santé is covered by Icade Group's robust risk management system, with a comprehensive mapping of major CSR risks. Icade Santé shows an advanced capacity to safeguard its reputation, operational efficiency, human capital cohesion and legal security.

Management: The company displays robust to advanced performances on most material ESG topics for its sector. Most of its commitments are comprehensive and supported by relevant means and processes, and part of them are underpinned by quantified targets. The absence of controversy strengthens our assurance on the company's ability to responsibly manage stakeholders' relationships.

Impacts

VALUE CREATION AND SHARING

<p>Share of investments dedicated to activities likely to generate sustainable value and/or to products with measurable green, social or sustainable goals (Updated – July 2022) [Major, Significant, Limited, None, Unclear]</p>	<p>Major</p>	<p>The Company owns and develops healthcare properties across France, Italy, Germany, Spain and Portugal. These properties include private hospitals, rehabilitation centres, as well as nursing homes. Healthcare facilities represent 100% of the Company's property portfolio. Therefore, all buildings in which the company invests are considered as generating social added value.</p> <p>Furthermore, 6% of their assets in exploitation are considered as having both a social and an environmental added value. As of today, 100% of buildings >4.000 m² under development are certified HQE in France. In Germany, Italy, and Spain, 100% of buildings >4.000 m² whose construction started in 2021 are certified BREEAM or LEED (level very good/silver minimum). Among all assets in exploitation, 6% are certified, either HQE/BREEAM/LEED/DGNB</p> <p>The company's investment expenditures (acquisition and development) have increased by 21% over the past 3 years, from EUR 750m in 2019 to EUR 910m in 2021.</p> <p>The company has set the goal of investing EUR 3bn over 2021-2025. These amounts will mainly serve the acquisition of new or already existing assets.</p> <p>Of note, the company's investment strategy integrates environmental and social criteria:</p> <ul style="list-style-type: none"> ▶ In 2019, the company set a Quality of Life in Nursing Homes Charter which includes an internal framework with assessment criteria related to well-being, quality of living environments, resident safety and care. It is used as part of due diligence conducted before acquisitions. ▶ Icade Santé commits to certify to HQE, BREEAM, LEED or DGNB all major new builds over 4.000 m² with a minimum level HQE very good (for France) / BREEAM very good, and LEED and DGNB silver (for international operations) <p>Icade Santé issued a Social Bond (EUR 600 million) in 2020, to refinance acquisitions or projects relating to existing healthcare facilities and nursing homes in France. The Social Bond assessment covered social goals such as the improvement of access to medical care, the improvement of equipment and quality of healthcare facilities, and the quality of care for elderly people.</p>
<p>Investments in innovation</p> <p>[Major, Significant, Limited, None, Unclear]</p>	<p>Unclear</p>	<p>The budget for investment in innovation is set at Icade SA level and is not split by department. Therefore, although Icade Santé benefits from these investments it cannot quantify the amounts spent in innovation.</p>
<p>CEO-to-employee compensation ratio</p> <p>[Increase, Stable or No Clear Trend, Decrease]</p>	<p>No Clear Trend</p>	<p>The ratio of the Group CEO compensation vs. average employee salary has increased, although not continuously, over the past three years, from 6.29 in 2019 to 7.54 in 2021. <i>(Icade Santé own data to be received)</i></p>
<p>Transparency on tax payments (Updated – July 2022)</p> <p>[Major, Significant, Limited, None]</p>	<p>Major</p>	<p>Icade Santé reports transparently on turnover and taxes paid in key regions of operations (France, Germany, Italy and Portugal).</p> <p>The company reports on the differences between tax rate actually paid and expected tax rate for each of these countries.</p>
<p>Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions</p> <p>[No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]</p>	<p>No Operation in OFC</p>	<p>The Company does not operate in any location considered by the IMF as 'offshore financial centres' and/ or in jurisdictions considered by the OECD as not compliant enough on tax transparency rules.</p>

SOCIAL & ENVIRONMENTAL IMPACTS

Environmental impacts :

We consider Icade Santé's direct carbon footprint to be moderate and the company therefore receives an **A grade** (first on a four-level scale) in this regard. Icade Santé obtains an energy transition score of **56/100**, which is above the average performance of the diversified Financial Services – Real Estate sector (41/100). This performance results from our assessment of Icade Santé's efforts to improve the energy efficiency of its property and to cooperate with tenants on the reduction of environmental impacts related to the use of healthcare facilities.

<p>Trend of CO2 emissions linked to the Company's portfolio (Updated – July 2022)</p> <p>[Decrease, Stable or No Clear Trend, Increase]</p>	<p>Decrease</p>	<p>Icade Santé's CO2 emissions (direct and indirect) linked to energy consumption of its properties' portfolio, normalised to the surface area, have decreased by 5% over the past three years, from 37kg/m² in 2019 to 35 kg/m² in 2021.</p>
<p>Trend of the energy consumption linked to the Company's portfolio (Updated – July 2022)</p> <p>[Decrease, Stable or No Clear Trend, Increase]</p>	<p>Decrease</p>	<p>The energy intensity of Icade Santé's property portfolio has decreased continuously over the past three years by 8% from 540 kWhEP/m² in 2019 to 496 kWhEP/m² in 2021.</p>

Social impacts:

<p>Percentage and trends of women in management (Updated – July 2022)</p> <p>[Increase, Stable or Unclear, Decrease or Undisclosed]</p>	<p>Unclear</p>	<p>The share of women in management positions for Icade Santé has increased although not continuously from 11% in 2019 to 25% in 2021.</p> <p>This ratio is below the Financial Services – Real Estate sector average of 34.76% in 2020 (54 companies out of 94 in the sector communicated on this indicator).</p>
<p>Average number of training hours per employee (Updated – July 2022)</p> <p>[Increase, Stable, Decrease or Undisclosed, No Clear Trend]</p>	<p>Increase</p>	<p>The company reported that all of Icade Santé employees received at least one form of training during 2021 with an average of 15 hours of training per employee, slightly increased over the past 3 years (average of 11 hours of training per employee in 2019 and 12 in 2020).</p> <p>This ratio is aligned with the sector average of 15.6 hours per employee in 2020 (45 companies out of 94 in the sector communicated on this indicator).</p>
<p>Employee turnover (Updated – July 2022)</p> <p>[Decrease, Stable, Increase or Undisclosed]</p>	<p>Decrease</p>	<p>The employee turnover rate for Icade Santé decreased by 5.3 percentage points over the past three years, from 8.5% in 2019 to 3.2% in 2021.</p> <p>This ratio is below the Financial Services – Real Estate sector average of 10.3% in 2020 (46 companies in the sector reported on this indicator).</p>
<p>Absenteeism rate (Updated – July 2022)</p> <p>[Decrease, Stable or Unclear, Increase or Undisclosed]</p>	<p>Unclear</p>	<p>The rate of absenteeism for Icade Santé decreased, albeit not continuously by 0.6 percentage point over the past three years, from 2.3% in 2019 to 1.7% in 2021.</p> <p>This ratio is below the sector average of 2.8% in 2020 (38 companies in the sector communicated on this data).</p>

IMPACTS OF PRODUCTS & SERVICES

Icade Santé is considered to have a major percentage (above 50% of turnover) of activities contributing to sustainable development. These activities contribute to Sustainable development goals N°3 (Good Health and Well-Being), N°7 (Affordable and Clean Energy), N°11 (Sustainable Cities and Communities), and N°13 (Climate Action).

<p>Share of services contributing to sustainable development in total turnover (Updated – July 2022)</p> <p>[Major, Significant, Minor, Inexistent or Undisclosed]</p>	<p>Major</p>	<p><u>Healthcare facilities :</u></p> <ul style="list-style-type: none"> ▶ The Company owns and develops healthcare properties across France and in Italy, Germany, Spain and Portugal. These properties include private hospitals, rehabilitation centres, as well as nursing homes. Healthcare facilities represent 100% of the Company's property portfolio. <p><u>Green buildings :</u></p> <ul style="list-style-type: none"> ▶ In 2021, 100% of sites under development were certified HQE building construction, representing 6% of the company's total assets in exploitation. Of note, the company reports that in the framework of the HQE certification of buildings, 15% of surface areas have been classified as Exceptional and 85% as Excellent.
<p>Sites' accessibility (Updated – July 2022)</p> <p>[Increasing, Stable or Unclear, Decreasing or Undisclosed]</p>	<p>No Clear Trend</p>	<p>The company states to promote sites' connectivity through infrastructure, the proximity of facilities to transportation networks being one of the criteria included in the HQE certification and commits to initiate mobility diagnostics on pilot clinics starting 2022. The company also states to work with local authorities to develop the accessibility and connectivity of healthcare facilities, in the frame of its nursing homes charter. Moreover, the company monitors the territorial distribution of its assets. However, no specific KPI on site accessibility is disclosed.</p>
<p>Assets water consumption (Updated – July 2022)</p> <p>[Increasing, Stable or Unclear, Decreasing or Undisclosed]</p>	<p>Increasing</p>	<p>The estimated water consumption of the company's building portfolio, normalised to the surface area, has increased over the past three years by 12% from 1.19 m³/m² in 2019 to 1.33 m³/m² in 2021.</p>
<p>Number of Beds in healthcare structures (Updated – July 2022)</p> <p>[Increase, Stable or No Clear Trend, Decrease]</p>	<p>Increase</p>	<p>The number of beds increased by 23.5% from 25,165 beds in 2019 to 31,099 beds in 2021 (including all areas of operation).</p>

Risks

RISK FACTORS

Icade Santé's most material risk and opportunity factors relate to:

- Board of Directors
- Business ethics
- Employer value proposition
- Environmental impacts of buildings
- Integration of environmental and social factors in the supply chain
- Accessibility of healthcare facilities

Our analysis reveals that Icade Santé has comprehensively addressed most of these challenges.

Board of Directors

The composition of the Board of Directors (including the diversity, separation of roles between the Board Chairman and the CEO, independence and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact the company's ability to exercise control over the management and foster its long terms competitiveness and profitability, as well as other stakeholders' interests. Since our first assessment in August 2021, Icade Santé has changed its legal status to an SA, and has established its Board of Directors. As this change remains recent, and the company remains controlled by the Icade Group, this update continues to reflect our analysis of the Group's highest governing body which had oversight over the management of the company.

At Icade SA level, the roles of CEO and Chairman are separated, and no executive member sits on the Board (Icade Santé SA Board of Directors follows the same principle). In addition, the Board of Directors diversity appears to be advanced with at least 40% of women directors, and Board members with demonstrated professional experience in the company's sector of activities and on CSR issues. A specific committee is in charge of directors' nomination and board performance is evaluated regularly, with disclosure on the results. These elements may support the Board's ability to exercise effective control over the top-management and integrate ESG topics into the Group's strategy and roadmap. However, the Chairman is not considered independent and Board members mandate terms are of four years, while international standards advocated by MESH recommend 3 years' term. This may slightly lower stakeholders' confidence in the Board's ability to foster the group's long-term competitiveness and other stakeholders' interests. Icade Santé informed MESH that the same corporate governance rules are planned to be implemented progressively in the new structure.

Business ethics

The real estate sector is exposed to corruption and money laundering in particular in activities such as procurement. Operational and legal risks linked to potential employees' misconduct may materialise in significant fines and impact the company's reputation and market position. Since Icade SA has oversight over the company's management and is currently responsible for ensuring Icade Santé's compliance with regulations, business ethics aspects are assessed based on information covering Icade SA (the Group).

The Orpea Group, which suffered negative publicity in France (since January 2022), accounts for only 3.6% of Icade Santé's portfolio. The company is expected to use its rent renewable terms to select quality operators at every opportunity.

Icade Santé displays an advanced performance with respect to corruption prevention and a limited one in terms of responsible lobbying. Our assurance is strengthened by the absence of controversies in these regards.

- ▶ The Group's Code of Conduct includes comprehensive commitments to preventing compliance breaches, under the supervision of the Compliance Department. Formal training programmes for relevant employees and new hires on corruption and money laundering prevention are conducted and in 2021, these covered 92.3% of Icade Santé employees exposed to the risk of corruption. Comprehensive measures are implemented throughout the Group to mitigate risks related to corruption and money laundering; these include internal and external control systems, risk assessments, a whistleblowing system and due diligence in evaluating suppliers before selection.
- ▶ In terms of responsible lobbying, the Group relies on real estate professional federations for most of its actions of interest representation and commits not to fund or support any political party, people while in office and candidate to mandates. However, the measures implemented appear limited to disclosure of information on lobbying activities, approval procedures for gifts and internal audits for lobbying activities. The Group's lobbying position and budget spent as regards key sector issues are not disclosed publicly.

Employer value proposition

Real estate is a dynamic sector in terms of employment, characterised by a highly skilled workforce and a high turnover rate. Efforts to attract and retain talents may therefore represent a strong competitive advantage for Icade Santé. The company is also confronted with new and increasingly important social challenges: age conscious human resources management, lifelong learning and employability, equal opportunities and stress prevention. A good social climate can reinforce employees' trust in their company and its reputation. This is all the more relevant as Icade Santé intends to go public by 2023, which may lead to the singularisation of its corporate culture, based on the specificities of its activities (healthcare and European presence). M ESG's analysis focuses on commitment and measures implemented by Icade Group since these cover Icade Santé's employees.

The Group appears to be respecting the role, representation and responsibility of employee representatives. Collective agreements cover subjects related to working and employment conditions, as well as to the quality of working environment. According to our interlocutors, Icade's Healthcare Property Investment Division employees have been transferred to Icade Santé SA in October 2021 and remain covered by the Group's collective agreements. For Icade Santé employees outside of France (representing 7.5% of the workforce), the company intends to ensure that local laws and regulations are respected. The Group's Employee representatives interviewed by M ESG described the social climate as a climate of mutual trust and non-confrontational. Employee representatives were informed about the first IPO project and process and mandated experts to analyse its potential impacts. According to the interviewed employee representative and the Human Resources Director, the initial plan for IPO was understood by employees as an opportunity for the company to grow and as a logical outcome of the efforts of both employees and the company to expand and develop its activities in France and in Europe.

- ▶ Skills' management is considered key to the Group's success, based on anticipated changes in the business environment, among other factors. Hence, the Group's Human Resources strategy relies on a process of forward planning of jobs and skills, tools to promote and to encourage mobility, training programmes to enhance employees' employability and career interviews. Senior employment is taken into consideration as well in the Group's employment and skills planning agreement. In 2021, all of Icade Santé's employees received at least one form of training, with an average of 15 hours of training per employee, slightly below the sector average (15.6 hours of training per employee in 2020).
- ▶ The Group has implemented comprehensive measures in favour of the well-being of its employees. The Group monitors stress (and its sources) through an opinion survey and has set a toll-free line manned by a specialised service provider, accessible to all employees. In 2021, an e-learning module was conducted on psychosocial risks (mandatory for managers). In addition, within the framework of the psychological risk prevention agreement, an analysis of well-being at work, was carried out at Group level by a joint steering committee comprising representatives of both management and employees.

Environmental impacts of buildings

To align their climate strategy with a 2°C scenario, real estate companies are expected to integrate environmental considerations in their investments and development decisions and to deploy efforts to improve the energy efficiency of existing portfolio. Cooperation of Icade Santé with tenants (companies operating in France, Italy, Germany, Portugal and Spain) is also an essential element to improve the environmental performance of buildings, while reduction of energy consumption from buildings is a key driver for cost-reduction, reputation and customer loyalty.

Icade Santé shows advanced performance with respect to the reduction of buildings' environmental impacts and to the cooperation with tenants to foster buildings' energy efficiency.

- ▶ Icade Santé commits to integrating circular economy principles in its offer and to certify all new builds over 4,000 m² to HQE, BREEAM, LEED or DGNB by 2025, starting 2021 with a minimum level of HQE very good (for France), BREEAM very good, DGNB silver, and LEED silver (for international operations). In 2021, 100% of sites under development were certified to HQE, representing 6% of the total assets in exploitation (France, Italy, Germany, Spain). The company also commits to monitor the energy performance of 100% of healthcare facilities by 2025 (France and international operations). The company targets a 37% reduction of its portfolio carbon intensity in France between 2019 and 2030.
- ▶ The company monitors the energy consumption of its portfolio and reports on efficient measures to improve the energy efficiency of its properties, such as energy efficient boilers, efficient air conditioning, and improvement of buildings insulation. The energy intensity and CO₂ emissions linked to energy consumption of the company's property portfolio have decreased over the past three years, by 8% and 5% respectively.
- ▶ Icade Santé supports tenants in the implementation of their environmental strategy by inviting them to attend CSR & Innovation Committee meetings to discuss topics such as energy consumption, air quality or the circular economy, with the aim of implementing co-developed action plans. In 2021, the company exceeded by 24 percentage points its initial objective of setting up these committees for at least 70% of healthcare operators in France and Europe starting 2020. Moreover, an energy mapping, covering 81% of the company's portfolio, is provided to tenants implementing an energy strategy. The company reports that the definition of mutual environmental targets (between the company and tenants) is a work in progress.
- ▶ Icade Santé reports to be taking part in the Nature 2050 programme, that seeks to protect and adapt particularly vulnerable ecosystems and natural habitats to climate change. Icade Santé commits to finance the rehabilitation and preservation of land for new projects: 1m² of natural habitat for 1m² of land developed

between 2021 and 2025. Since 2017, 45.959m² of natural habitat have been restored and sustained thanks to the activities of the company (out of which 10.143m² in 2021).

Integration of environmental and social standards in the supply chain

Real estate companies often rely on a large number of suppliers and subcontractors operating in various sectors to conduct activities of maintenance (such as cleaning, waste management, security services, etc.). Hence, integration of environmental and social criteria (including green certification, environmental and social clauses, etc.) in activities must be taken into consideration in their CSR strategy. This applies to Icade Santé as it relies on contractors to conduct development and refurbishment works which require strong vigilance on monitoring health and safety risks. Inadequate processes to prevent environmental and social risks in the supply chain may expose the company to operational risks such as work stops (in case of for example accident on site), and reputational damage. Since Icade SA has oversight over the company's management and is currently responsible for ensuring Icade Santé's compliance with regulations, supply chain aspects are assessed based on information covering Icade SA (the Group).

The Group shows strong commitments to the integration of social and environmental factors in the supply chain, which appear however supported by limited measures. The Responsible Procurement Charter formalises exhaustive commitment towards these issues and is included to the set of contractual documents binding the Group to its suppliers. Supply contracts include specific clauses that prohibit degrading work practices, including child and slave labour. In addition, a socially and environmentally oriented criteria grid has been established with an external stakeholder, the French sustainable real estate observatory (Observatoire de l'Immobilier Durable) and is applied by the Group for procurement. However, measures to support these commitments do not appear to include supply-chain risk assessments, internal or external on-site audits and non-compliance procedures.

Accessibility to healthcare facilities

Icade Santé's main activity is to develop healthcare facilities across France, Germany, Italy, Portugal and Spain. These properties include short- and medium-term care facilities (private hospitals, rehabilitation centres) as well as long-term ones (nursing homes). Therefore, the company has the opportunity to contribute to healthcare services' accessibility and quality through its investment strategy. The success of such opportunities is linked to Icade Santé's ability to ensure connectivity of its properties. An insufficient consideration of these variables may affect the company's reputation.

The company shows pro-active efforts to offer accessible healthcare facilities. This objective is embedded in the company's business model. In this regard, Icade Santé issued a EUR 600 million Social Bond in 2020 to refinance acquisitions or projects relating to existing healthcare facilities and nursing homes in France, with the objective to make healthcare accessible to the French population and to dependent elderly people. Although this is not a direct objective, the Company's investments are mainly concentrated on establishments that are integrated into the healthcare system supported by the public authorities that are accessible.

Moreover, the company has set the goal of investing EUR 3bn in France and outside France over 2021-2025 in healthcare infrastructures. The company developed a Quality of Life in Nursing Homes Charter which sets out its values for its investments in this asset class. This Charter is used as part of acquisition audits, as an internal assessment framework with criteria related to well-being, quality of living environments, resident safety and care. The company has put in place in 2019 an audit programme to assess the quality of patient care in its healthcare facilities, in order to provide improvement solutions to healthcare operators. The audit programme was conducted in 2021 as well. When it comes to accessibility, in the framework of the HQE certification (covering 6% of the company's assets in exploitation) and the above-mentioned Charter, the company works with local authorities to develop the accessibility and connectivity of healthcare facilities. Accessibility is considered as a critical prerequisite in investment decisions. The company also monitors the territorial distribution of its assets and intends to conduct audits on the accessibility of pilot clinics starting 2022.

RISK MANAGEMENT

Icade Santé's activities are currently covered by Icade Group's risk management system, which appears comprehensive and covers the corporate's most material CSR risks.

Risk Management is conducted by the Audit, Risk, Compliance and Internal Control Department (DARCCI) in close collaboration with operational and support functions and under supervision of the Executive Committee and the Board's Audit and Risk Committee. This system applies to Icade Santé and all business processes are covered by the Group's five-year audit programme. Moreover, since April 2022, the Group's DARCCI Director has been appointed General Secretary of Icade Santé and the audit and internal control functions are placed under his responsibility.

Corporate-wide risk mapping is in place and reviewed twice a year. The DARCCI provides a taxonomy of risks, to main business line risk owners and requires them to assess their exposure. Major risks are also assessed by the Executive Committee.

- ▶ The Group's risk mapping is fed by results of internal audits, risk owners and line managers' recommendations, and reported incidents. The Group reported that in 2017 an in-depth analysis has been conducted to integrate all relevant ESG topics to the risk map. It was based on regulatory monitoring, a review of the most significant studies, an industry benchmark in addition to an analysis of the Group's contribution to SDGs. ESG risks identified in this framework include compliance to environmental laws, impact of climate change and low carbon transition, safety, data protection, business ethics, corporate governance, consideration of the needs of local communities, responsible procurement, skills development, well-being, and diversity, etc.
- ▶ The residual materiality is assessed depending on the criticality of the risk (estimated probability of occurrence of the risk and its impact) and the associated risk mitigation means. The Group adopts two complementary but yet independent approaches to assess risks: a top-down approach where the major risks are reported and rated twice a year by the Executive Committee; and a bottom-up approach where detailed risks (operational and financial) are reported twice a year by the heads of business and functional units. The Risk Management Department reports on the consistency between the two approaches to the Audit and Risk Committee.
- ▶ Reporting on risk management is conducted by the DARCCI to the Executive Committee and to the Board's Audit and Risk Committee. The latter is composed of two members out of three considered independent. Icade Santé states that, once listed, its Audit Committee will be set and will adopt the same composition.
- ▶ Reporting to stakeholders is made via the annual Registration Document, which includes relevant ESG indicators on key material issues and has been reviewed by an external auditor who expressed a limited assurance. In its 2021 Registration Document, the Group discloses its principal group-wide risk matrix and a detailed list of risks with their impact (regulatory, reputational, operational, financial, physical) and year on year change as well as the main risk control measures and solutions implemented. The internal control and risk management procedures are also described in the same report.
- ▶ A confidential reporting system for whistle-blowers is in place at Group level, available to all employees via an online platform. It is also accessible to Icade Santé's employees. However, there is no evidence that the system is available to external stakeholders.
- ▶ No controversy questioning the efficiency of the Audit and Internal Controls have been identified for the period under review.

REPUTATION

REPUTATION (/100)	
	64
Biodiversity	83
Social and Economic Development	73
Social accessibility of properties	69
Cooperation with tenants on the reduction of environmental impacts from the use of buildings	52
Executive remuneration	54
Integration of social factors in the supply chain	51

OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
	66
Promotion of labour relations	84
Audit and internal controls	81
Environmental strategy	71
Board of Directors	70
Energy efficiency of buildings	60
Responsible lobbying	32

HUMAN CAPITAL

HUMAN CAPITAL (/100)	
	73
Career management	90
Freedom of association	70
Non-discrimination and diversity	66
Health and safety	65

LEGAL SECURITY

LEGAL SECURITY (/100)	
	67
Corruption	67

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

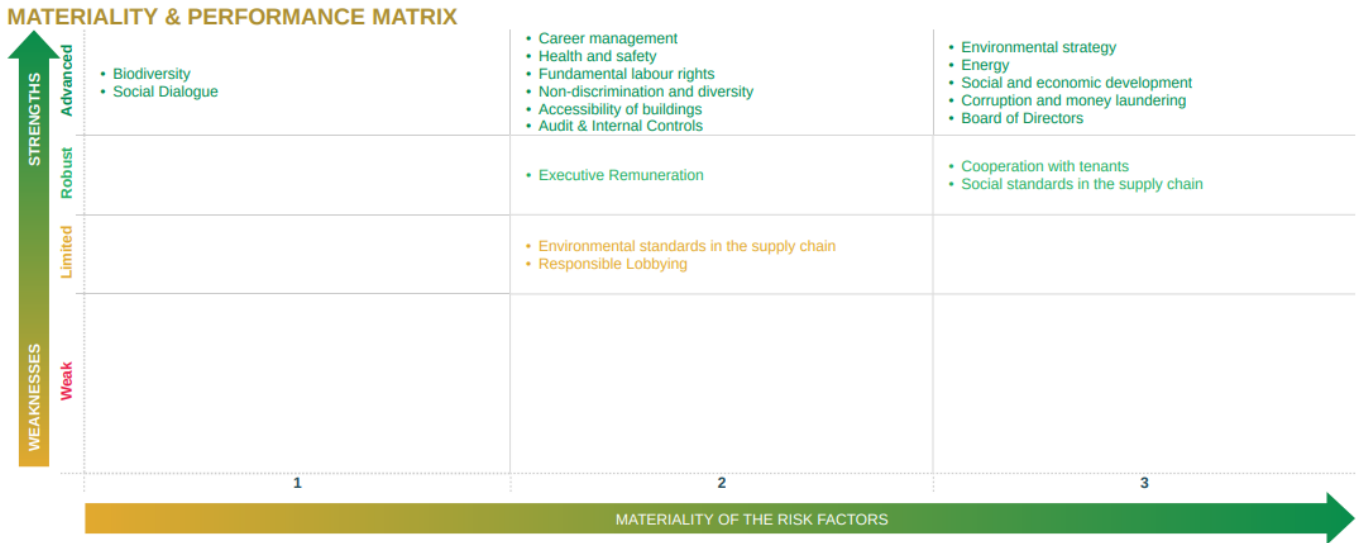
Advanced: from 60 to 100

Management

INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE

- ▶ Since the initial assessment in August 2021, Icade Santé has put in place its Board of Directors, the remit of which includes reviewing the company's ESG related projects. A CSR committee is to be put in place following a potential IPO. In the meantime, our analysis focuses on integration of ESG factors into corporate governance at the Icade Group level. Elements pertaining to Icade Santé's post-IPO governance are presented in our rationale below, although some of these are yet to be implemented. They are therefore not yet reflected in our scores. Most factors under review demonstrate the Group' strong willingness and capacity to integrate ESG factors into its governance structure and decision-making processes.
- ▶ **At Icade Group board level**, an Innovation and CSR Committee, composed of three directors, is responsible for, among others: sharing the strategic priorities in terms of innovation and CSR proposed by senior management and informing the Board of Directors on actions taken by senior management on these two matters. The CSR report is annually reviewed by the Innovation & CSR Committee, the Board and an external third-party. The Committee met twice in 2021 to discuss Icade's CSR and innovation commitments and actions. Moreover, a CSR Advisory Committee is also in place. It is composed of external stakeholders having expertise in the area of CSR (such as representatives from social economy entities, scientists, entrepreneurs, urban planners, etc.), the Executive Committee and the Chairman of the Board of Directors. The committee meets once a year to advise the Group on its CSR priorities. Most relevant CSR issues for the Group are discussed at Board level; these include business ethics, responsible customer relations, energy efficiency of buildings, climate change, promotion of local development, accessibility of buildings and human resources.
 - Icade Santé informed M ESG of its intention to implement a CSR committee at board level in the post IPO structure. This committee will oversee validate and monitor the company's CSR strategy. The latter will be presented by the CSR Department reporting to the Committee.
- ▶ **At Icade Group management level**, the Group's Executive Committee, composed of eleven members including the Head of CSR and Innovation, monitors the implementation of the CSR strategy on a weekly basis. The CSR Department oversees CSR commitments and executes action plans to implement the Group's CSR strategy. Low-carbon transition is one of its priorities. The department works in partnership with the business divisions' management committees and CSR divisional representatives which coordinate CSR initiatives for employees.
 - Icade Santé informed M ESG that the CSR Manager is attached to the Investment Director (France), reporting to the CEO. In addition, the CSR policy is validated by Icade Santé's CEO and reviewed regularly by the Executive Committee (which includes the Group's CEO). In addition, an Executive Committee member reviews CSR topics once a week.
- ▶ At Group level, CSR risks are covered by the **internal controls system**, which entails comprehensive risk mitigation processes (these are analyzed in the "risk management" part on p 7 of this document).
- ▶ The Group's CSR strategy and objectives are communicated to **stakeholders** via the third-party reviewed Sustainability Report.
- ▶ **Executive remuneration** appears to integrate several CSR components. 10% of the variable remuneration of Executive Committee members is linked to the Group's CSR commitments, with low-carbon and the integration of the Group's Purpose (Raison d'Etre) in all activities as main objectives. However, quantitative targets linked to these objectives are not disclosed. 90% of Icade Santé employees and managers have annual CSR objectives integrated into their annual performance objectives. The Company reports that should the company become listed, 10% of Executive's variable remuneration will be linked to CSR objectives as well, and 100% of managers and Executive Committee members will have CSR objectives as part of their remuneration.

ESG MATERIALITY AND PERFORMANCE MATRIX



ENVIRONMENT

Strengths	Areas for improvement
<p>Icade Santé has adopted an environmental strategy addressing all relevant risk factors linked to its activities in France and in Europe. Comprehensive measures are being implemented. This may positively affect operational efficiency.</p> <p>The company intends to develop in 2022 a comprehensive methodology to assess environmental risks in its due diligence process for all new acquisitions and/or developments. In addition, Icade Santé supports its healthcare partners by inviting them to attend CSR & innovation committee meetings to discuss topics such as energy, air quality or circular economy with the aim of implementing co-developed action plans and support the company's environmental strategy. This may positively impact operational costs and foster brand recognition.</p> <p>The company's commitment and measures implemented to protect biodiversity appear comprehensive. The proactiveness of Icade Santé in this regard is materialised by its involvement in the Nature 2050 programme, the environmental impact assessments and risk mapping conducted as well as the implementation of HQE certification for part of its portfolio. Over the past two years, 100% of the land area developed by Icade Santé resulted in the restoration of an equivalent area under the Nature 2050 programme, meeting its commitment in this regard.</p>	<p>Although Icade Santé has set some quantified targets as regards the protection of biodiversity, others, related to the reduction of energy consumption and the reduction of carbon intensity by 2030 are still in the process of being set for its international (outside of France) portfolio.</p> <p>The share of green-certified buildings in the company's portfolio remains limited despite the investments and developments conducted in this regard. In 2021, 100% of sites under development were certified HQE building construction representing 6% of the company's total assets in exploitation.</p> <p>As regards the integration of environmental factors in the supply chain, despite a comprehensive commitment, the means allocated appear to be limited to training and integration of environmental issues into contractual clauses. This might represent operational risks for the company if it fails to properly assess the environmental performance and compliance of its suppliers.</p>

SOCIAL

Strengths	Areas for improvement
<p>At Group level, advanced commitments and measures to ensure the respect of fundamental labour rights appear to be in place, reinforced by strong social dialogue. Icade Group also displays very high performance in 'Career management and promotion of employability'. Extensive measures are also in place to prevent stress and promote well-being at work. The company states that Icade Group's human resources policies and processes still cover Icade Santé's employees. This may positively affect the new entity's human capital cohesion and in turn, operational efficiency.</p> <p>Icade Santé's highly relevant commitment and pro-active efforts to contribute to social and economic development of communities, and to support tenants in providing healthcare of high-quality standards are key components of the company's reputation and licence to operate. Accessibility and connectivity of buildings are criteria systematically included in the investment decision which may strengthen the company's reputation.</p>	<p>An area for improvement regards the negative trend observed over the past three years regarding the share of employees with disabilities.</p>

GOVERNANCE

Strengths	Areas for improvement
<p>A strong integration of CSR issues within the Group's internal controls system illustrated by a comprehensive risk mapping strengthens its overall ability to mitigate related risks. The company states that it plans to implement a similar risk management system for the post IPO structure.</p> <p>Highly relevant commitment and advanced measures to prevent corruption, including due diligence, audits, and the appointment of a Compliance officer to disseminate an internal culture of business ethics may protect the company's reputation and legal security.</p>	<p>Icade Group's Board entails less than 50% of independent members. Icade Santé intends to implement the same corporate governance rules as the Group once listed. In the perspective of the contemplated IPO, increasing the Board's level of independence could strengthen stakeholder's confidence in the company's ability to exercise an efficient control on top management and ensure that all stakeholders' interests are respected.</p> <p>An area for improvement for Icade Group regards the disclosure of information related to principles and processes guiding the company's influence strategies and practices. This includes disclosure on lobbying position as regards key sector issues. For the future listed entity, defining a responsible strategy in this respect could positively affect its reputation.</p>

DETAILED EXPOSURE TO CONTROVERSIES

ESG Issues: Generic Name	Number of companies facing associated cases within the sector	Company exposure	Company reactivity
Customer Relations	1	No	N/A
Environmental standards in the supply chain	0	No	N/A
Social standards in the supply chain	0	No	N/A
Prevention of corruption	3	No	N/A
Responsible Lobbying	0	No	N/A
Fundamental labour rights	0	No	N/A
Non-discrimination and diversity	0	No	N/A
Environmental strategy	0	No	N/A
Biodiversity	0	No	N/A
Energy efficiency of buildings	1	No	N/A
Cooperation with tenants	0	No	N/A
Social and economic development	3	No	N/A
Social accessibility of properties	2	No	N/A
Board of Directors	4	No	N/A

Audit & internal controls	4	No	N/A
Shareholders	4	No	N/A
Executive remuneration	1	No	N/A
Social Dialogue	0	No	N/A
Reorganisation	0	No	N/A
Career management	0	No	N/A
Health and safety	0	No	N/A

No controversy affecting Icade Santé has been detected in media browsed by M ESG, which strengthens our assurance on the company's ability to manage its relationships with stakeholders.

Methodology

Corporate Rating Scale

Our consolidated rating scale ranges from A1 to D3.

- The consolidated rating translates the overall and relative ESG performance of an issuer according to its quartile performance and position within this quartile.



Positions the issuer's overall ESG performance within our research universe, on a 12-level scale:

- The **letter** (A, B, C or D) positions the issuer's ESG score within one of the four quartiles of our overall research universe
- The **number** (1, 2 or 3) positions the issuer's ESG score in relation to its' peers within the same quartile.

Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. We have categorized these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

We believe that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$R_y = \frac{\sum(S_y \times W_y)}{\sum W_y}$$

Risk Typology – The Four Main Categories

Reputation	<ol style="list-style-type: none"> 1. Brand recognition, level and variation of brand image and organization, its leaders and consulting shareholders 2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies 3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties) 4. Talent attraction 5. Variation of levels of shareholder support and satisfaction
Human Capital Cohesion	<ol style="list-style-type: none"> 1. Stability of labour relations and social conflict mitigation 2. Retention of skills and know how; skills development 3. Attraction and mobilization of core skills 4. Company culture and values
Operational Efficiency	<ol style="list-style-type: none"> 1. Production cost management (work accidents, competencies, reducing energy consumption etc) 2. Competitiveness of products and services (training, waste reduction, employee training and participation) 3. Organizational and process effectiveness (audits and control mechanisms, environmental strategies etc) 4. Innovation and preventing production and organizational process techniques from becoming obsolete; prevention of technological obsolescence 5. Security and quality of supplies and revenues
Legal Security	<ol style="list-style-type: none"> 1. Recourse and complaints, litigation, legal proceedings, trials and fines

Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorized into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorizes entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for our controversy analysis is based on our exclusive research. The Controversy Database is updated daily and involves correspondence with issuers.

Energy Transition Strategy Score

By considering the size, sector of activity and nature of its products and services, we assess a COMPANY's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on our exclusive research and is updated at the same time.

Carbon Footprint

A COMPANY's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organization's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, we estimate the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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