

## Second Party Opinion

# Korian's Social Financing Framework

Oct. 5, 2021

Korian is a European care group that specializes in providing services and solutions to older adults and people with health issues. The company has over 1,000 facilities across France, Germany, Italy, Belgium, Spain, the Netherlands, and the U.K., and operates via three segments: long-term care, health care, and community care. In 2020, about 525,000 residents used its facilities.

In our view, Korian's Social Financing Framework, published on Oct. 5, 2021, is aligned with:

- ✓ Social Bond Principles, ICMA, 2021
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021

## Issuer's Sustainability Objectives

Korian's core objective is to provide services and support to older adults and people with health issues, as well as their families, through long-term care, health care, and community care. The group aims to provide quality later-life care that respects its residents' and patients' dignity, and contributes to their quality of life.

In 2019, Korian launched its environmental, social, and governance (ESG) strategy to address material ESG challenges in its sector. The strategy consists of five overarching goals: (i) to provide care excellence while ensuring dignity and choice, (ii) to be an employer of choice; (iii) to facilitate the development of a more inclusive society; (iv) to be a committed and responsible local care provider; and (v) to reduce the group's environmental footprint. Korian reports on its progress against these core objectives through a series of metrics that illustrate historic performance.

In line with Korian's mission to provide quality care to older adults and people with health issues, the group has established a social financing framework. This framework follows Korian's recently published Green Bond Framework and subsequent green bond issuance, and its 2020 sustainability-linked Euro private placement. With its Social Financing Framework Korian seeks to: (i) to increase and improve long-term care nursing home capacity for dependent older adults; (ii) to increase and improve medical capacity for people in need of medical support; (iii) to increase and improve access to alternative, nonmedical services, technologies, and housing solutions that facilitate the retention of older adults' autonomy; and (iv) to improve the daily provision of care to and foster a safer living environment for its patients.

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## Second Party Opinion Summary

### Use of proceeds

**Alignment**  Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

**Score** Satisfactory **Strong** Advanced

Korian is committed to using the net proceeds of debt instruments issued under this framework to fund eligible social projects that fit into the Social Bond Principles' category of access to essential services (health care).

### Process for project evaluation and selection

**Alignment**  Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

**Score** Satisfactory **Strong** Advanced

Korian clearly communicates how it will process and approve eligible social projects. Korian will form a social financing committee, which will comprise members from its corporate social responsibility, human resources, quality, and finance teams, to evaluate and select various social projects. The committee will also compile a list of activities that Korian will not finance, such as projects that have not been subject to an environmental review, those where affordability cannot be demonstrated, and any assets bearing material controversies. As part of its process for project evaluation and selection, Korian also identifies and manages perceived social and environmental risks.

### Management of proceeds

**Alignment**  Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

Korian is committed to tracking the proceeds allocated to eligible social projects until they have been fully allocated. Korian will monitor the allocation of net proceeds from social debt instruments issued under its framework via its internal accounting and information systems. Finally, Korian specifies how any unallocated proceeds will be temporarily managed.

### Reporting

**Alignment**  Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.


**Score** Satisfactory **Strong** Advanced

Korian is committed to reporting the allocation of proceeds and the social impact of financed projects on an aggregated basis until full allocation of the proceeds. An annual social financing report will disclose the allocation of the net proceeds and any social impact resulting from the social financing proceeds.

## Framework Assessment

### Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

### Commitments score

Satisfactory

**Strong**

Advanced


We consider Korian's overall use of proceeds commitments to be strong.

Korian plans to use its Social Financing Framework to issue social bonds, including private placements, social loans, and any other social financing instruments deemed eligible. The proceeds of any instrument issued under the framework will be used exclusively to either construct, refurbish, or acquire assets; or to provide services, solutions, and technologies that will enable Korian to meet at least one of its social objectives: (i) to increase and improve long-term care nursing home capacity for dependent older adults; (ii) to increase and improve medical capacity for people in need of medical support; (iii) to increase and improve access to alternative, nonmedical services, technologies, and housing solutions that facilitate the retention of older adults' autonomy; and (iv) to improve the daily provision of care to and foster a safer living environment for its patients. These objectives all fall under the Principles' category of 'access to essential services', and are therefore aligned with the Principles. Furthermore, Korian's target populations are older adults, which Korian defines as being over 65 years of age, and those who are dependent on others for some degree of care, which is defined by the health authorities or insurance system of the respective country.

In addition, Korian clearly illustrates the eligibility criteria each project type must satisfy to be deemed eligible, including that its services are affordable. Two aspects of this framework we consider as contributing to transparency on use of proceeds are that it describes how the issuer will disclose the proportion of financing issued under the framework that is used for financing and refinancing, and that it has a capped look-back period of three years for its refinanced eligible projects. Equally, an advanced feature of this framework is that it identifies both relevant sustainability objectives and benefits that would arise through its allocation of proceeds to eligible social projects. Korian goes further and links its social projects to specific targets from the U.N.'s Sustainable Development Goals (SDGs), which we view as another positive feature.

### Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

### Commitments score

Satisfactory

**Strong**

Advanced

We consider Korian's overall process for project evaluation and selection to be strong.

Korian's Social Financing Framework includes a description of its process to approve and oversee eligible social projects. Korian has formed a social financing committee, which is comprised of members of its corporate social responsibility, human resources, quality, and finance teams, to perform the evaluation and selection process. The committee also consists of members (one executive from the general management board and an operational expert) with ESG subject matter expertise. We view this as an advanced feature of the framework. The committee, which


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will meet twice per year, will also compile a list of activities that Korian will not finance, such as projects that have not been subject to an environmental review, those where affordability cannot be demonstrated, and any assets bearing material controversies.

Furthermore, the framework is clear on what its process for project evaluation and selection will deem eligible for financing, and we find that the criteria each target population should satisfy to be eligible for financing are specific. For example, the exclusionary criteria specifies that where affordability of assets, projects, and services cannot be demonstrated, these project types are to be excluded. The framework also uses official definitions to describe its target populations and uses external data to support their eligibility criteria. We view the clear eligibility criteria as a strong aspect of this framework.

### Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.


 Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

We believe Korian's Social Financing Framework is aligned with the Principles, since it states that all proceeds from any financing issued under this framework will be allocated to eligible social projects and that Korian's finance and corporate social responsibility teams will track and manage the allocation of proceeds.

Korian has committed to tracking the details of the use of proceeds annually on an aggregated basis, and intends to fully allocate proceeds within 24 months of issuance. In addition, should any amounts remain unallocated, Korian specifies in the framework how any unallocated proceeds may be temporarily invested or maintained in cash and cash equivalents.

### Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Korian's Social Financing Framework is aligned with this component of the Social Bond Principles and Social Loan Principles.

### Disclosure score

Satisfactory

**Strong**

Advanced

We consider Korian's overall reporting practices to be strong.

Korian has committed to report annually on the allocation of proceeds and, where feasible, on the social impact of eligible social projects for the full term of any debt instrument issued under the framework. This information will be publicly available on Korian's website and separately reported in its Universal Registration Document. Allocation reporting will include the total amount of proceeds allocated, the share of financing versus refinancing, the number of projects, and the amount of unallocated proceeds, if any.

A strong feature of the framework, in our view, is that Korian will have an independent third party verify its allocation of funds post issuance. The framework also commits to report on the actual and expected impact of the projects financed, such as expected additional beneficiaries and expected additional employment. Similarly, Korian will, on a best-effort basis, disclose the method and assumptions used to generate these impact indicators. These strong attributes

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notwithstanding, we believe the level of sophistication of these social impact indicators is somewhat limited but reflects the still-nascent stage of the social financing market.

## Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Korian's Social Financing framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Access to essential services (health care)	 <b>*3. Good health and well-being</b>	 <b>*9. Industry, innovation and infrastructure</b>	 <b>*10. Reduced inequalities</b>

\*The eligible project categories link to these SDGs in the ICMA mapping.

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