

# Second-Party Opinion

## SFIL Group Social Note Framework



### Evaluation Summary

Sustainalytics is of the opinion that the SFIL Group Social Note Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** While the proceeds will not be used on a project basis, Sustainalytics considers SFIL’s investments in hospitals to be impactful and aligned with the Social Bond Principles categories seeking to achieve positive socio-economic outcomes for target populations. Sustainalytics is of the opinion that the use of proceeds will meaningfully support France’s health care system in accordance with France’s National Healthcare Strategy 2018-2022 and advance the UN Sustainable Development Goals, specifically SDG 3.



**PROJECT EVALUATION / SELECTION** SFIL established an internal mandatory process for assessing the Healthcare Added Value and credit worthiness of the public hospital loans prior to the approval phase. The selection process is executed by SFIL’s Head of Investor Relations & Sustainability and the ALM and Financial Markets Management. The Regional Healthcare Agencies ensure that an environmental and social risk management process is in place in accordance with France’s Code of Public Health, which SFIL considers in all allocation decisions. Sustainalytics considers this approach to be in line with market practices.



**MANAGEMENT OF PROCEEDS** SFIL will track its social bond proceeds internally through a register established to monitor its entire Health Loan Portfolio. Pending full allocation, SFIL will hold its unallocated proceeds as per the company’s treasury policy. Sustainalytics assesses this process to be aligned with market practices.



**REPORTING** SFIL commits to providing allocation reporting on an annual basis until proceeds are fully allocated and on a timely basis in case of material changes on its website. The allocation report will provide relevant transaction information such as the total amount of proceeds allocated to the Health Loan Portfolio or others. This process is in line with market practice. With regards to impact reporting, SFIL will provide data on an annual basis including the hospital capacity generated (in terms of number of spaces, beds, etc.), on a best effort basis.

|                        |                           |
|------------------------|---------------------------|
| <b>Evaluation date</b> | May 13, 2022 <sup>1</sup> |
| <b>Issuer Location</b> | Paris, France             |

#### Report Sections

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<sup>1</sup> This document is an update of a Second-Party Opinion, originally published in January 2019. In May 2022, SFIL Group engaged Sustainalytics to reassess the alignment of its Social Note Framework. No changes were made to the eligible use of proceeds categories.

## Introduction

SFIL Group (“SFIL”, or the “Company”) is a French public development bank that was created in February 2013 with the aim of ensuring the availability of financing for the country’s public sector. SFIL’s sole and wholly owned subsidiary, Caisse Française de Financement Local (CAFFIL), is the entity through which the issuer raises funds on capital markets, in addition to raising funds directly on capital markets. Since 2016, the group is also an active issuer directly through SFIL. SFIL has developed a social bond framework under which it will issue multiple social bonds and use the proceeds to finance and refinance expenditures related to public healthcare

SFIL has developed the SFIL Group Social Note Framework (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that ensure adequate financing for France’s public hospital system. The Framework defines eligibility criteria in the following area:

1. SFIL’s Health Loan Portfolio: all public hospital loans issued by SFIL since 2013

SFIL engaged Sustainalytics to review the SFIL Group Social Note Framework, dated May 2022, and to provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SFIL’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SFIL representatives have confirmed (1) they understand it is the sole responsibility of SFIL to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SFIL.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

<sup>2</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>3</sup> The SFIL Group Social Note Framework is available on SFIL Group’s website at: <https://sfil.fr/en/sfil-group-investors/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, SFIL is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SFIL has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the SFIL Group Social Note Framework

Sustainalytics is of the opinion that the SFIL Group Social Note Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of SFIL's Social Bond Framework:

- Use of Proceeds:
  - SFIL intends to use the proceeds of the SFIL Group Social Note Framework for its Health Loan Portfolio consisting of all the public hospital loans originated by the company since 2013.
    - While the proceeds will not be used on a project basis, as SFIL uses a portfolio approach, Sustainalytics considers investments towards the provision of public health services for the whole population regardless of income or social or financial status, research to improve care and develop new treatments and training for healthcare personnel, including investments in specialized medical equipment, construction projects and renovation work and information systems, to be aligned with the eligibility categories of the Social Bond Principles and impactful, especially given SFIL's consideration of the Healthcare Added Value<sup>5</sup> ("HAV") of public hospitals in the selection process of eligible loans.
    - Sustainalytics also believes that SFIL's investments will meaningfully support France's health care system in accordance with France's recent 10-year investment plan to strengthen that system.<sup>6</sup> For additional information on impact, please see Section 3.
- Project Evaluation and Selection:
  - SFIL established an internal two-step credit analysis as well as an internal scoring methodology applied to all public hospital loans to assess the HAV and credit worthiness of a given public hospital prior to approving the specific loan. The selection process is executed by SFIL's Head of Investor Relations & Sustainability and the ALM and Financial Markets Management.
  - SFIL confirmed that the Credit Risk Committee, comprising the CEO, CFO, CRO, reviews all credit risk procedures and methodologies used to assess the HAV and credit worthiness of the loans. The Regional Healthcare Agencies ensure that an environmental and social risk management process is in place in accordance with France's Code of Public Health, which SFIL considers in all allocation decisions. For additional details, refer to Section 2.
  - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - SFIL will track its social bond proceeds internally through a register established to monitor its entire Health Loan Portfolio. SFIL has confirmed that it will aim to ensure that the health loan

<sup>5</sup> The Healthcare Added Value ("HAV") of public hospitals is estimated as the quality of the medical coverage provided to all populations, in all areas in France.

<sup>6</sup> Government of France, "Ségur de la Santé", (2021), at: [https://solidarites-sante.gouv.fr/IMG/pdf/211019\\_-\\_dp\\_national\\_-\\_segur\\_de\\_la\\_sante\\_sur\\_les\\_investissements.pdf](https://solidarites-sante.gouv.fr/IMG/pdf/211019_-_dp_national_-_segur_de_la_sante_sur_les_investissements.pdf)

- portfolio will always exceed the volume of outstanding social bond proceeds until full allocation.<sup>7</sup>
- Pending full allocation of the funds, SFIL will invest the unallocated proceeds as per the company's treasury policy.
  - Based on the above, Sustainalytics considers this process to be aligned with market practice.
  - Reporting:
    - SFIL commits to providing allocation and impact reporting on an annual basis until proceeds are fully allocated and on a timely basis in case of material changes on its website.
    - The allocation report will provide relevant transaction information such as the total amount of proceeds allocated to the Health Loan Portfolio or others. Moreover, SFIL confirmed that an auditor will provide an annual confirmation of the social bond proceeds' allocation in line with the framework's eligibility criteria.
    - With regards to impact reporting, SFIL will report annually on a best effort basis on the hospital capacity generated (in number of spaces and beds) and the number of hospital stays.<sup>8</sup>
    - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice. Alignment with Social Bond Principles 2021

Sustainalytics has determined that the SFIL Group Social Note Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

## Section 2: Sustainability Strategy of SFIL

### Contribution of Framework to SFIL Group's sustainability strategy

SFIL was established in 2013 by the French government as a public development bank to provide long-term funding to the French public-sector following the 2008 financial crisis, which had curbed funding availability. SFIL operates under a specific public mandate to secure funding for the French healthcare system and for social infrastructure investment requirements, among others. SFIL's strategic plan named "#Objectif 2026" puts emphasis on three sustainability pillars: (i) focus on local public sector activity, (ii) focus on the export credit activity, and (iii) focus on financing.<sup>9</sup> The activities expected to be financed under the Framework will primarily contribute to the "focus on local public sector activity" priority identified in the sustainability strategy.

In 2018, SFIL set up a social issues program with the aim of providing financing to the public hospital sector in France.<sup>10</sup> In 2021, the distribution of loans to public hospitals represented 13% of SFIL's total EUR 4.9 billion loans distributed to the local public sector.<sup>11</sup> Sustainalytics believes that SFIL's issuance of social bonds will further support its mandate to secure funding for France's public healthcare and social infrastructure system.

Moreover, SFIL secured in 2021 market shares of around 20%<sup>12</sup> for the financing, in partnership with La Banque Postale, of French local authorities and public hospitals, further highlighting the Company's suitability to play a meaningful role in supporting France's social infrastructure. SFIL's role in fostering public healthcare and social infrastructure is also underlined by the local context in which approximately 60% of all French public-sector investments are realized with funding secured through public banks such as SFIL. Therefore, based on SFIL's mandate to secure funding for France's social and healthcare infrastructure, Sustainalytics considers that the Company is well positioned to issue social bonds.

Sustainalytics is of the opinion that the SFIL Group Social Note Framework is aligned with the company's overall sustainability strategy and the Framework will further the Company's action on its key social priorities.

<sup>7</sup> SFIL has further communicated to Sustainalytics that hospitals can repay their loans before final maturity thus, reducing the health loan portfolio. As a result, after allocation, SFIL can only commit on a best effort basis.

<sup>8</sup> SFIL confirmed that KPI 'places' is used to quantify the number of partial hospitalizations (medical treatments of less than one day), while KPI 'beds' is used to quantify the number complete hospitalizations (medical treatment of more than one day). The 'stays' measure the number of visits in the hospital, independently of the visit duration (within one day or over several days).

<sup>9</sup> SFIL. "Annual Financial Report 2021", at: <https://sfil.fr/en/wp-content/uploads/sites/2/2022/04/2021-Annual-Financial-Report.pdf>

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> According to SFIL's internal calculation based on the market estimate in La Banque Postale's October 2021 economic report.

### Approach to managing social and environmental risks associated with the projects

SFIL intends to use the proceeds to finance and refinance a Health Loan Portfolio including public health services, research and development for treatment and training for healthcare professionals. While healthcare infrastructure has a clear positive social impact, Sustainalytics recognizes that healthcare and social infrastructure projects may pose specific risks such as the unequal patient treatment, safety and quality of the healthcare treatment, cost control risks and occupational health and safety risks on construction sites.

Sustainalytics is of the opinion that SFIL is able to manage or mitigate potential risks through implementation of the following:

- SFIL's Health Loan Portfolio is regulated by the French Public Healthcare Code ("Code de la Santé Publique"), which oversees the operations of the French national healthcare system. Article L.1411-1<sup>13</sup> and Article L.1110-1<sup>14</sup> of the Code require local public hospitals to offer universal healthcare to the entire French population, particularly to financially and socially vulnerable groups, elderly or homeless people, with the purpose of reducing social inequalities free of any kind of discrimination. Article L.1110-3<sup>15</sup> further regulates that any kind of discrimination for the access to medical treatment is explicitly prohibited. Under article L.6111-1-1<sup>16</sup>, the French public hospitals are required to provide free healthcare to the population in the absence of insurance.
- SFIL's public hospital loan exposures are bound by the Company's two-step credit evaluation process, during which the Credit Risk department assesses public hospitals' Healthcare Added Value taking into account the hospital's capacity to deliver a wide medical coverage to a large population as well as a relatively equal distribution of healthcare services geographically.
- Moreover, SFIL confirmed that the monitoring and prevention of environmental and social risks commonly associated with healthcare systems are executed by France's Regional Healthcare Agencies ("Agences Régionales de Santé"), which is also responsible for ensuring adequate resource allocation for the entire healthcare system, in line with the French Public Healthcare Code.
- For mitigating risks associated with occupational health and safety, SFIL has communicated international standards such as the ILO's Guidelines on Occupational Safety and Management Systems<sup>17</sup> and the EU's OSH Framework Directive<sup>18</sup> apply as appropriate.

Based on the above, Sustainalytics considers that SFIL's financing of public hospital loans will be executed within a strict administrative and legislative structure which provides an adequate framework for ensuring a proper level of risk mitigation against the above-mentioned social and environmental risks.

### Section 3: Impact of Use of Proceeds

The use of proceeds category described in the framework is aligned with those recognized by the SBP. Sustainalytics has focused on below where the impact is specifically relevant in the local context.

#### The importance of investing in healthcare in France

The French healthcare system is a fully integrated network of public and private service providers including hospitals, doctors and other medical specialists who provide healthcare services to citizens.<sup>19</sup> The public healthcare system in France is open to all citizens and provides universal healthcare, guaranteeing coverage of healthcare expenses with optional private insurance available for those who want additional coverage.<sup>20</sup>

<sup>13</sup> Excerpts from French Public Healthcare Code are available at: <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072665&idArticle=LEGIARTI000006686891&dateTexte=&categorieLien=cid>

<sup>14</sup> Excerpts from French Public Healthcare Code are available at: [https://www.legifrance.gouv.fr/codes/section\\_lc/LEGITEXT000006072665/LEGISCTA000006140603/#LEGISCTA000006140603](https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006072665/LEGISCTA000006140603/#LEGISCTA000006140603)

<sup>15</sup> Ibid.

<sup>16</sup> Excerpts from French Public Healthcare Code are available at: [https://www.legifrance.gouv.fr/codes/section\\_lc/LEGITEXT000006072665/LEGISCTA000006125350/#LEGISCTA000006125350](https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006072665/LEGISCTA000006125350/#LEGISCTA000006125350)

<sup>17</sup> ILO, "Guidelines on occupational safety and health management systems", (2001), at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---safework/documents/normativeinstrument/wcms\\_107727.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---safework/documents/normativeinstrument/wcms_107727.pdf)

<sup>18</sup> The European Union information agency for occupational safety and health, Directive 89/391/EEC - OSH "Framework Directive", at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

<sup>19</sup> Expatica, "The French healthcare system", (2022) at: <https://www.expatica.com/fr/healthcare/healthcare-basics/a-guide-to-the-french-healthcare-system-101166/#:~:text=France%20has%20a%20high%20quality,%2C%20hospitals%2C%20and%20specialist%20providers.>

<sup>20</sup> Ibid

Government-funded agencies cover more than 75% of health expenditures in France.<sup>21</sup> Total health expenditure accounted for 11.1% of GDP in 2019, the highest share in the EU along with Germany.<sup>22</sup> However, data from 2017 suggests that France has a relatively high level of unmet medical needs compared to other EU member states, showing that 30% of adults reported unmet needs for healthcare such as medical examinations or treatment.<sup>23</sup> The population groups with greater unmet needs in the EU include people with lower incomes, the elderly, or those who have less education and people living in remote areas.<sup>24,25</sup> Since the French public healthcare system is open to the entire French population and given that the French law requires public hospitals to provide healthcare services across all French regions including the most isolated areas, Sustainalytics is of the opinion that the use of proceeds for improvements in public healthcare services will provide a meaningful contribution to France’s healthcare system. As such, it will help ensure adequate provision of universal health services, social cohesion, and will contribute to serving populations with unmet needs, in line with France’s National Healthcare Strategy 2018-2022.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the SFIL Group Social Note Framework advances the following SDG and target:

| <b>Use of Proceeds Category</b> | <b>SDG</b>                               | <b>SDG target</b>  |
|---------------------------------|--|--|
| Health Loan Portfolio           | 3. Good Health and Well-being for People | 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. |

**Conclusion**

SFIL has developed the SFIL Group Social Note Framework under which it intends to issue social bonds and use the proceeds to finance or refinance the debt of a Health Loan Portfolio consisting of all public hospitals originated by SFIL Group since 2013. While the proceeds are not used on a project basis, Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The SFIL Group Social Note Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the SFIL Group Social Note Framework is aligned with the overall sustainability strategy of the Company and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals, specifically SDG 3. Additionally, Sustainalytics is of the opinion that SFIL has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that SFIL Group is well-positioned to issue social bonds and that the SFIL Group Social Note Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

<sup>21</sup> Ibid  
<sup>22</sup> Knoema, “France - Total health expenditure as a share of GDP”, at: <https://knoema.com/atlas/France/topics/Health/Health-Expenditure/Health-expenditure-as-a-share-of-GDP>  
<sup>23</sup> OECD, “Inequalities in unmet needs for health care”, at: <https://www.oecd-ilibrary.org/sites/ee36f24d-en/index.html?itemId=/content/component/ee36f24d-en>  
<sup>24</sup> EuroStat 2017, “Unmet health care needs statistics.”, at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet\\_health\\_care\\_needs\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet_health_care_needs_statistics)  
<sup>25</sup> European Commission, Benchmarking Access to Healthcare in the EU, 2018: [https://ec.europa.eu/health/publications/benchmarking-access-healthcare-eu\\_en](https://ec.europa.eu/health/publications/benchmarking-access-healthcare-eu_en)

## Appendix

### Appendix 1: Social Bond/ Social Bond Programme - External Review Form

#### Section 1. Basic Information

|   |   |
|---|---|
| Issuer name:  | SFIL Group                                  |
| Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: | SFIL Group Social Note Framework            |
| Review provider's name:   | Sustainalytics                              |
| Completion date of this form:   | May 13, 2022                                |
| Publication date of review publication:                               | May 2022, originally published January 2019 |
| Original publication date <i>[please fill this out for updates]:</i>  |   |

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (if applicable):

While the proceeds will not be used on a project basis, Sustainalytics considers SFIL's investments in hospitals to be impactful and aligned with the Social Bond Principles categories seeking to achieve positive socio-economic outcomes for target populations. Sustainalytics is of the opinion that the use of proceeds will meaningfully support France's health care system in accordance with France's National Healthcare Strategy 2018-2022 and advance the UN Sustainable Development Goals, specifically SDG 3.

#### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                        |
| <input type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SFIL established an internal mandatory process for assessing the Healthcare Added Value and credit worthiness of the public hospital loans prior to the approval phase. The selection process is executed by SFIL's Head of Investor Relations & Sustainability and the ALM and Financial Markets Management. The Regional Healthcare Agencies ensure that an environmental and social risk management process is in place in accordance with France's Code of Public Health, which SFIL considers in all allocation decisions. Sustainalytics considers this approach to be in line with market practices.

#### Evaluation and selection

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives                                   | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |



- Summary criteria for project evaluation and selection publicly available       Other (please specify):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

SFIL will track its social bond proceeds internally through a register established to monitor its entire Health Loan Portfolio. Pending full allocation, SFIL will hold its unallocated proceeds as per the company's treasury policy. Sustainalytics assesses this process to be aligned with market practices.

#### Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

SFIL commits to providing allocation reporting on an annual basis until proceeds are fully allocated and on a timely basis in case of material changes on its website. The allocation report will provide relevant transaction information such as the total amount of proceeds allocated to the Health Loan Portfolio or others. This process is in line with market practices. With regards to impact reporting, SFIL will provide data on an annual basis including the hospital capacity generated (in terms of number of spaces, beds, etc.), on a best effort basis.

**Use of proceeds reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported:**

- Allocated amounts
  Social Bond financed share of total investment
- Other (please specify): *the number of loans in the Health Loan Portfolio and the average loan life.*

**Frequency:**

- Annual
  Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported (expected or ex-post):**

- Number of beneficiaries
  Target populations
- Other ESG indicators (*please specify*): hospital capacity generated (in number of spaces and beds) and the number of hospital stays

**Frequency:**

- Annual
  Semi-annual
- Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report
- Information published in ad hoc documents
  Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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