

# SECOND PARTY OPINION

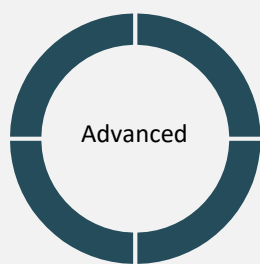
on the sustainability of CHU de Rennes' Social Notes

V.E considers that the Notes underwritten by BayernLB for the benefit of CHU de Rennes are aligned with the four core components of ICMA's 2021 Social Bond Principles ("SBP").



## Issuance

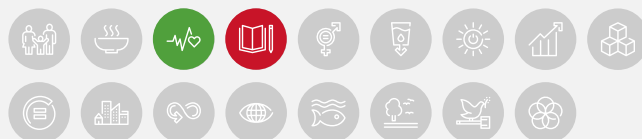
### Contribution to Sustainability:



☒ Advanced
 ☐ Limited
 ☐ Robust
 ☐ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

### SDG Mapping



### Characteristics of the Issuance

Social Project	Construction of a Surgical and Interventional Centre at the CHU de Rennes
Target populations	Defined
Project location	Rennes, France
Existence of Framework	No
Share of refinancing	0%
Look-back period	N/A

## Issuer

### Controversial Activities

The Issuer appears to be involved in two of the 17 controversial activities screened under our methodology:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Alcohol               | <input type="checkbox"/> Coal                                  | <input type="checkbox"/> Nucléaire                        |
| <input type="checkbox"/> Animal welfare        | <input type="checkbox"/> Gambling                              | <input type="checkbox"/> Pornography                      |
| <input type="checkbox"/> Cannabis              | <input type="checkbox"/> Genetic engineering                   | <input checked="" type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern  | <input type="checkbox"/> High interest lending                 | <input type="checkbox"/> Tar sands and oil shale          |
| <input type="checkbox"/> Civilian firearms     | <input checked="" type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Tobacco                          |
| <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> Military                              |   |

### ESG Controversies

Number of controversies	One
Frequency	Isolated
Severity	Significant
Responsiveness	Non communicative

## Coherence

Coherent

Partially coherent

Not coherent

V.E considers that the intended Notes are coherent with CHU de Rennes' strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.

## Key Findings

V.E considers that the Notes underwritten by BayernLB for the benefit of CHU de Rennes are aligned with the four core components of the SBP.

### Use of Proceeds – aligned with SBP and Best Practices identified by V.E

- The Eligible Project is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Project.
- The Social Objectives are clearly defined, these are relevant for the Eligible Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear, these are considered relevant, measurable, and will be quantified in the reporting.
- The Issuer has transparently communicated that the estimated share of refinancing will be equal to 0% (financing only new expenses i.e. post issuance)

### Evaluation and Selection – aligned with SBP and Best Practices identified by V.E

- The Process for Project Evaluation has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities are clear and include relevant internal and external expertise The process will be disclosed in this SPO.
- Eligibility criteria (selection) for the Eligible Project selection have been clearly defined and detailed by the Issuer for the Eligible Project.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Project (see full analysis p.15-17).

### Management of Proceeds – aligned with SBP

- The Process for the Management and Allocation of Proceeds is clearly defined and is described in this SPO.
- The allocation period will be shorter or equal to 36 months.
- Net proceeds of the Notes will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is available in this SPO.
- The Issuer has provided information on the procedure that would be applied in case of project divestment or postponement and it has committed to reallocating divested proceeds to projects with the same eligibility criteria within 24 months.

### Reporting – aligned with SBP

- The Issuer has committed to reporting on the Use of Proceeds annually until full allocation of the funds. The report will be publicly disclosed on the Issuer's website.
- The reporting will cover relevant information related to the allocation of the proceeds and to the expected social benefits of the Eligible Project.
- The reporting methodology and assumptions used to report on the social benefits of the Eligible Project will be disclosed in the reporting.
- An external auditor will verify the tracking and allocation of funds to the Eligible Project until full allocation and in case of material changes.
- Indicators used to report on social benefits of the Eligible Project will be verified internally by the Issuer.

## Contact

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# SCOPE

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V.E was commissioned to provide an independent opinion (thereafter « Second Party Opinion » or « SPO ») on the sustainability credentials and management of the Social Notes<sup>1</sup> (NSV of German Law) (the « Notes ») underwritten by BayernLB for the benefit of CHU de Rennes (the « Issuer » or « CHU »).

Our opinion is established according to V.E's Environmental, Social and Governance (« ESG ») exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Social Bond Principles (Social Bond Principles or « SBP ») edited in June 2021.

Our opinion is built on the review of the following components:

- Issuance : we assessed the Notes' characteristics, including the coherence between them and the Issuer's social commitments, the Notes' potential contribution to sustainability and their alignment with the four core components of the SBP 2021.
- Issuer: we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>2</sup>.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E' exclusive ESG rating database, and (iii) information provided by CHU de Rennes, through documents and interviews conducted with stakeholders involved in the Notes' issuance.

We carried out our due diligence assessment from September 8<sup>th</sup> to November 3<sup>rd</sup>, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

## Types of External Reviews supporting this Issuance

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

<sup>1</sup> The "Social Notes" are to be considered as the Notes to be potentially issued, subject to the discretion of the Issuer. The name "Social Notes" has been decided by the Issuer: it does not imply any opinion from V.E.

<sup>2</sup> The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

# COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the envisaged Notes are coherent with CHU de Rennes' strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Health is an important issue in sustainable development. Health institutions have a key role to play in improving health services and can promote various initiatives to (i) improve accessibility to their services for vulnerable populations to ensure the right to health for all; (ii) work for the transfer of knowledge and know-how to develop local health systems (including abroad); (iii) host projects in medical research, research and development of new products or training of the next generation of health professionals.

Providing quality care and ensuring patient safety are fundamental issues for hospitals. In a sector facing increasing staff shortages, ensuring good working conditions, as well as attracting, retaining and upgrading talent, is crucial to maintaining the quality and diversity of services offered by these institutions.

Moreover, in the context of the Covid-19 crisis, health facilities face particularly important health and social challenges. The International Labour Organisation (ILO) stresses the need for sustainable investment in health systems, including health workers, and for decent working conditions, training and equipment.

The integration of environmental issues into the activities of hospitals is a key issue, for the reduction of energy consumption and CO<sub>2</sub> emissions from the energy consumption of buildings. A responsible environmental policy for health care institutions also includes a waste management strategy aimed at limiting waste production at source and ensuring waste separation.

The CHU de Rennes seems to recognise its role in finding solutions to make the health sector more sustainable. The CHU has developed a strategy to improve its healthcare offer, the working conditions of its employees, the patient pathway, as well as the environmental impact of its operations. In particular, it has put in place the following strategies and measures:

- The Multi-year Investment Programme, for the period 2020-2024, is mainly dedicated to the reconstruction plan of the CHU of Rennes. It also includes a higher investment for biomedical equipment, in order to allow the acquisition of new necessary equipment for the development of new activities;
- Obtaining ISO 9001 certification for the CHU's Research and Innovation Department for its research promotion and coordination activities;
- The strengthening of the Quality of Life at Work Policy, initiated in 2017. The Hospital Life Commission (CVH) and the Institutional Medical Commission (CME) are involved in social policy and in improving the quality of life at work.

The sustainable development strategy of the Rennes University Hospital is reflected in the reconstruction project of the Pontchaillou site, through objectives such as:

- The grouping of the main activities and functions on one site, thus improving the patient pathway, reducing the transport time required for personnel and equipment delivery, and allowing more collaboration between research units;
- The development and implementation of the medical and care project, to meet the missions of a local, referral and regional and extra-regional hospital;
- Responding to the challenges of research and innovation, with, for example, integrated spaces and platforms shared with research and teaching centres (Rennes 1 University, the Ecole des Hautes Etudes en Santé Publique (EHESP) and the Villejean campus);
- An environmental and eco-responsible approach for the future university hospital project, particularly during the construction of the buildings, in terms of energy efficiency, pollution control and waste management.

# ISSUANCE

The Issuer has described the main characteristics of its Notes in its internal documentation, which cover the four core components of the SBP 2021. The Issuer has committed to making this document publicly accessible on its website<sup>3</sup>, in line with good market practices.

## Alignment with the Social Bond Principles

### Use of Proceeds



The net proceeds of the Notes will exclusively finance, in part or in full, a single project (the “Selected Project”), as indicated in Table 1.

- The Eligible Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Project.
- The Social Objectives are clearly defined, these are relevant for the Eligible Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear, these are considered relevant, measurable, and will be quantified in the reporting.
- The Issuer has transparently communicated that the estimated share of refinancing will be equal to 0% (financing only new expenses i.e. post issuance).

BEST PRACTICES
⇒ The definition and eligibility criteria (selection) are clear and in line with international standards. ⇒ Relevant social benefits are identified and measurable for the Eligible Project. ⇒ The Issuer has transparently communicated that the estimated share of refinancing at Note level will be equal to 0%.

<sup>3</sup> <https://www.chu-rennes.fr/>



Table 1. V.E's analysis of Eligible Project, Social Objectives and Expected Benefits.

- Nature of expenditures: CapEx
- Location of Eligible Project: Rennes, France

ELIGIBLE PROJECT	DESCRIPTION	SOCIAL OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Construction of a Surgical and Interventional Centre (CCI) at the CHU of Rennes	<p>Reconstruction project of the Pontchaillou site:</p> <ul style="list-style-type: none"> <li>- Demolition of existing obsolete buildings;</li> <li>- Construction of a Surgical and Interventional Centre (CCI) integrating the activities of operating theatres, critical care and surgical hospitalisations.</li> </ul> <p><u>Target Populations :</u></p> <ul style="list-style-type: none"> <li>- Patients (inhabitants of Rennes, inhabitants of the Region for referral care, vulnerable populations targeted by missions of general interest);</li> <li>- The professionals of the CHU de Rennes.</li> </ul>	<p><u>Access and quality of essential health services</u></p> <p>Improved quality of patient care</p> <p>Increased number of surgical interventions</p> <p>Improved patient and family satisfaction</p> <p><u>Quality of working conditions</u></p> <p>Improved working conditions for health professionals</p> <p>Creation of links between the CHU and nearby universities</p>	<p>The Eligible Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Project.</p> <p>The target populations are clearly defined.</p> <p>The Social Objectives are clearly defined, these are relevant for the Eligible Project and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefits are clear, these are considered relevant, measurable, and will be quantified in the reporting.</p>

## SDG Contribution

The Eligible Project is likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE PROJECT	SDG	SDG TARGETS
Construction of a Surgical and Interventional Centre (CCI) at the CHU de Rennes	 <b>3</b> Good Health and Well-Being	The Notes generally contribute to SDG 3.
	 <b>4</b> Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

## Evaluation and Selection of the Eligible Project



Due to the specificities of the funding framework, there is no process of evaluation and selection of "Eligible Projects". Nevertheless, the process for deciding on the funding of the Eligible Project has been defined in the internal documentation provided during our evaluation.

- The Process for Project Evaluation has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities are clear and include relevant internal and external expertise. The process will be disclosed in this SPO.
- Eligibility criteria (selection) for the Eligible Project selection have been clearly defined and detailed by the Issuer for the Eligible Project.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Project (see full analysis p.13-15).

## Governance and Decision-making Process

- The Selected Project, the construction of the Surgical and Interventional Centre (CCI), is the first operation of the Rennes University Hospital reconstruction project. The Selected Project was the subject of a design and build contract organised in the form of a competitive dialogue, the procedure of which is detailed in the Cahier des Clauses Administratives Particulières (CCAP). A jury decides on the outcome of this competitive dialogue. Its composition includes relevant internal and external expertise, both from the CHU of Rennes and from external personalities. There is also a technical commission to steer the competitive dialogue and prepare the jury meetings.
- The procedure for this competitive dialogue is defined by the specifications of the ITC. These specifications are the result of a Real Estate Master Plan (SDI), which defines the different stages of the reconstruction project of the University Hospital and the conditions of its implementation.

The development of the SDI was done by:

- A project team: led by a trio (Deputy Director in charge of the project, medical representative - head of unit, representative of the Health Care Department), which ensures the link with the various internal and external players concerned (clinical and medico-technical units, functional departments, City / Metropolitan services, etc.)
- 7 multidisciplinary and multi-professional thematic working groups, formed on the basis of a call for applications from CHU professionals, to contribute to the discussions on the organisations ("functional plans") of the new CHU. The themes dealt with by these groups are: outpatient functions, accommodation, technical facilities, non-programmed circuit, medical-technical and hotel logistics, university hospital campus, hospital in the city.
- A joint committee representing "users - professionals" of the CHU has been in place since 2016 (20 professionals and 20 representatives of users or associations), to work on the environment and the development of the hospital hotel. The CHU's user associations are represented within the hospital's governance.
- Presentations were made to the CHU's internal bodies (Supervisory Board, Medical Committee, Technical Committee and Nursing, Rehabilitation and Medical-Technical Care Committee) throughout the process of drawing up the SDI.
- A consultation committee was set up and consulted at each stage of the project, including the various institutional partners interfacing with the CHU (partnerships, urban planning aspects, university aspects, etc.). In total, more than 500 people, stakeholders in the project, participated in the development of the SDI.

The traceability of the decisions seems to be ensured throughout the process, through minutes that are written for each phase of the decision process.

The Issuer has provided information on the process of identifying and managing possible ESG controversies related to the Eligible Project.



### Eligibility Criteria

The process is based on explicit eligibility (selection) criteria, consistent with the social objectives defined for the Selected Project.

- The selection criteria are based on the definition of "Selected Project" in Table 1 of the Use of Proceeds section.

#### BEST PRACTICES

⇒ Eligibility and exclusion criteria for Eligible Project selection are clearly defined and detailed.

## Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and is described in this SPO.
- The allocation period will be shorter or equal to 36 months.
- Net proceeds of the Notes will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is available in this SPO.
- The Issuer has provided information on the procedure that would be applied in case of project divestment or postponement and it has committed to reallocating divested proceeds to projects with the same eligibility criteria within 24 months.

## Management Process

- The net proceeds of the Notes will be paid into the single account of the CHU managed by the Public Treasury, in accordance with the rules of public accounting.
- The disbursements made by the Public Treasury for the expenses of the CHU will be made on the basis of invoices and according to the progress of the work.
- Unallocated funds will be retained by the Treasury in accordance with its usual cash investment strategy.
- In the event of postponement/stoppage of the project, the Issuer undertakes to reallocate the funds within 24 months, in line with good market practice. In the event of exceptional circumstances leading to the termination of the project, the funds will be reallocated to a project meeting strictly the same criteria as validated by COPERMO<sup>4</sup>.

Traceability and verification of the monitoring method and allocation of proceeds are ensured throughout the process:

- The CHU works department and the finance department are responsible for monitoring expenditure and allocating funds. In case of deviation, a blocking system is put in place.
- The internal verification of the allocation of funds is ensured by two levels of control, in compliance with the rules relating to public finance, namely the separation of the authorising officer and the accountant:
  - The authorising officer (the Finance Department of the CHU) carries out a first level of control over the allocation of funds;
  - The Public Treasury carries out a second level of control for the corresponding disbursement.

External verification of the allocation of funds will be carried out as part of the COPERMO investment project review and as part of the audit programme of the Chambre Régionale des Comptes.

### BEST PRACTICES

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.

<sup>4</sup> These criteria are: number of intervention rooms, number of conventional hospital beds, number of places in the outpatient unit.

## Monitoring &amp; Reporting



- The Issuer has committed to reporting on the Use of Proceeds annually until full allocation of the funds. The report will be publicly disclosed on the Issuer's website.
- The reporting will cover relevant information related to the allocation of the proceeds and to the expected social benefits of the Eligible Project.
- The reporting methodology and assumptions used to report on the social benefits of the Eligible Project will be disclosed in the reporting.
- An external auditor will verify the tracking and allocation of funds to the Eligible Project until full allocation and in case of material changes.
- Indicators used to report on social benefits of the Eligible Project will be verified internally by the Issuer.

## Indicators

The Issuer is committed to transparent reporting at Eligible Project level on:

- Proceeds allocation: The indicators selected by the Issuer to report on fund allocation cover all relevant information.

REPORTING INDICATORS
⇒ A list of the types of expenditure funded by the Notes ⇒ The degree of progress of the project ⇒ The percentage of funds allocated vs. unallocated ⇒ Type and amount of temporary investment of unallocated funds (if any)

An area for improvement is to communicate the co-financing share of the total cost of the Eligible Project (i.e. the amount and share of non-Grant funds used to finance the total cost).

- Social benefits: The indicators selected by the Issuer to report on social benefits are clear and relevant.

ELIGIBLE PROJECT	SOCIAL BENEFIT INDICATORS	
	OUTPUT INDICATORS	IMPACT INDICATORS
Construction of a Surgical and Interventional Centre (CCI) at the CHU of Rennes	<ul style="list-style-type: none"> <li>- Number of surgeries performed at the CCI</li> <li>- Quality of care within the CCI (in connection with the certification from the Health High Authority<sup>5</sup>): measurement of block performance - utilization rate (%), compliance with programming windows, overflow rate (%)</li> <li>- Total number of people cared for in the new CCI (per year)</li> <li>- Travel avoided with the grouped services from the southern hospital (in km)</li> </ul>	<ul style="list-style-type: none"> <li>- Annual evolution in market share (CCI rate in the CHU recruitment zone) (%)</li> <li>- Annual evolution of the number of patients cared for by the services within the CCI (%)</li> <li>- Annual evolution in patients' satisfaction (%)</li> <li>- Annual evolution of the quality of life at work of healthcare professionals' satisfaction (%)</li> <li>- Evolution in absenteeism rate of health professionals (%)</li> <li>- Evolution of outpatient care (%) (No. of day hospital stays / year for the CCI)</li> <li>- Annual evolution in the number of hospital interns per semester at the CHU in connection with the construction of the CCI (%)</li> </ul>

<sup>5</sup> [https://www.has-sante.fr/fr/cms/c\\_411173/fr/comprendre-la-certification-des-etablissements-de-sante](https://www.has-sante.fr/fr/cms/c_411173/fr/comprendre-la-certification-des-etablissements-de-sante)

Areas for improvement consists (i) in case of co-financing, to commit to report on social benefits pro rata to the Notes' contribution to the total cost of the CCI and (ii) in communicating, at least to investors, in case of material developments relating to the Notes and/or the Selected Project, including in case of ESG controversies project modification.

#### BEST PRACTICES

⇒ The issuer will report on allocation of proceeds and on environmental/social benefits at project level.

## Contribution to sustainability

### Expected Impacts

The potential positive Impact of the Eligible Project on social objectives is considered to be advanced.

ELIGIBLE PROJECT	EXPECTED IMPACT	ANALYSIS
Construction of a Surgical and Interventional Centre (CCI) at the CHU de Rennes	ADVANCED	<p>In the context of the Covid-19 crisis, health facilities face particularly high health and social challenges. The International Labour Organisation (ILO) stresses the need for sustainable investment in health systems, including health workers, and for decent working conditions, training and equipment.</p> <p>The social objectives of access and quality of essential health services and quality of working conditions targeted by the selected project respond to the challenges of the sector. The scope of the impact covers a large target and several local and national stakeholders, including vulnerable populations. As a public infrastructure project, it is expected to serve the general public, including beneficiaries of the Universal Health Coverage (CMU) and State Medical Aid (AME). The expected benefits are long term, in terms of access to health services as well as job creation.</p>
GLOBAL ASSESSMENT	ADVANCED	

### ESG Risks Identification and Management systems in place at Project level

The identification and management of the environmental and social risks associated with the Eligible Project are considered robust<sup>6</sup>.

The main environmental and social risks associated with the Selected Project are covered by the Environmental Pre-programme, the Environmental Notice, the Green Works Charter, and the Environmental Impact Assessment.

The Environmental Impact Assessment (EIA) covers all the environmental risks identified as material for this Project. In addition, in cases where the impact is considered negative, the EIA proposes mitigation, avoidance, compensation or accompanying measures.

The Green Works Charter lists all foreseeable impacts (including those mentioned below) and identifies actions and measures to manage and limit these impacts. The Charter defines the environmental quality participants: the Assistant to the Contracting Authority (AMO) responsible for the environment, the Principal Environmental Officer (REP) and the Company Environmental Officer (REE) (for each company involved in the operation). The REP is responsible for the implementation of environmental strategies related to the construction, as well as corrective actions. In case of non-compliance with the charter, corrective actions and penalties are detailed.

#### Environmental management and eco-construction

For the construction phase of the CCI and within the framework of the HQE<sup>7</sup> approach "Health Establishments, version 2008" ("Etablissements de santé, version 2008"), a Responsible Management System (RMS) has been set up. The implementation of the RMS makes it possible to meet the environmental performance requirements set upstream by the Owner ("Maître d'Ouvrage") for this operation. It should be noted that although the CHU does not wish to engage in environmental certification procedures such as HQE, BREEAM, LEED etc., it relies on some of their criteria and objectives.

#### Protection of biodiversity

The "Harmonious relationship of the building with its immediate environment" is a target of the Environmental Pre-Programme, with the criterion of reaching the "high performance" level according to the HQE standard. In addition, the issues related to the protection of biodiversity are identified and covered by the Environmental Impact Assessment conducted by the CHU as part of the reconstruction project. A study of the biodiversity onsite by an ecologist will be carried out as part of the Environmental Pre-Programme, and landscaping promoting the integration of biodiversity is planned as part of the urbanisation programme.

#### Energy consumption and energy efficiency

<sup>6</sup> The "X" indicates the E&S risks that have been activated for each Eligible Category.

<sup>7</sup> HQE stands for « Haute Qualité Environnementale » (High Environmental Quality), it is a certification for the environmental quality of buildings.

The project is subject to the decree of the 10<sup>th</sup> of April 2017 on positive energy and high environmental performance buildings<sup>8</sup>. In this respect, the contractual requirements ("cahier des charges") sets an "energy level at 3"<sup>9</sup> implying a consumption target of RT2012 -40%. The Environmental Pre-Programme thus covers energy management and targets the "high performance" level. The EIA also covers energy management with the identification of avoidance and reduction measures. The Green Worksite Charter defines measures to reduce energy consumption on the worksite, including a monthly assessment of consumption by the Principal Environmental Manager. A system for monitoring and controlling energy consumption related to the operation of the CCI is also provided for and integrated into the accounting and financial management of the CCI's healthcare activities, with notably dedicated meters for each of the activities.

#### Management and reduction of greenhouse gas emissions

With regard to the carbon footprint, the above-mentioned decree sets the greenhouse gas emission thresholds to be respected (carbon level 1)<sup>10</sup>. The CHU wishes to go further and is aiming for a carbon level 2, with stricter greenhouse gas emission thresholds, as mentioned in the Environmental Pre-Programme. In addition, the contractual requirements specify that renewable energy should be used at the level of 40 kWh/m<sup>2</sup>. The Project Manager ("maître d'œuvre") will produce a study on renewable energies presenting the advantages/disadvantages of the various solutions as well as the investment costs and the impact on greenhouse gas emissions. This topic is also addressed in the Green Worksite Charter, which requires monitoring of CO<sub>2</sub> emissions related to the worksite and to transport.

#### Waste management in the new building

The management of waste from hospital activities is one of the targets of the Environmental Pre-Programme, with a "high performance" level to be achieved according to the HQE standard. Internal procedures for sorting at source and waste management already exist within the CHU and must be integrated by the designers of the CCI reconstruction project. Studies are expected by the CHU on the following subjects: diagram of waste management by type of waste, flow plans for the various types of waste, specific study on the treatment of biomedical waste. The CHU has also implemented a strategy and measures to reduce waste at source in the CCI, through the creation of a new logistic platform as part of the CHU's reconstruction plan to reduce the packaging of supplies, as well as an action plan presented to the Medical Commission of the Establishment ("Commission Médicale d'Établissement" or "CME").

#### Construction site waste management

The phasing plan and methodology of the CHU's construction site specifies that a Waste Management Organization Scheme ("Schéma d'Organisation de Gestion des Déchets" or "SOGED") will be elaborated, including commitments in terms of waste management, and will be updated throughout construction. The Environmental Pre-programme also defines a strategy of at-source reduction of construction site waste. According to the "Green Building Worksite Charter", at least 60% of the total mass of waste generated must be recovered. The Worksite Environment Manager is in charge of follow-up and traceability of all the evacuated waste. The follow-up is also ensured by collecting waste tracking forms and keeping a waste register, in accordance with regulations. The cleaning and the cleanliness of the building site are monitored by the CHU de Rennes, with the possibility of calling upon an external service provider if necessary.

#### End-of-life management of infrastructures

The Environmental Pre-Programme mentions the importance of a Life Cycle Assessment (LCA) of buildings to consider the performance of the building over its entire life, including the deconstruction phase. A Life Cycle Assessment (LCA) study was conducted as part of the design-build contract. However, we have no visibility on how the analysis' results will be taken into consideration.

#### Prevention and control of local pollution (noise, vibrations, dust)

Being a "low environmental impact worksite" is one of the targets of the Environmental Pre-Programme, aiming at the "high performance" level. The CHU has set up a contractual worksite charter, which specifies all the requirements: reduction of nuisances (noise, light, vibrations, traffic, etc.) and pollution (quality of air, water, soil, etc.). A "Low Nuisance Site Manager" or "Green Worksite Manager" will be present throughout the entire operation. There will also be a "Noise Manager" designated who can be reached during the opening hours of the site, and a "Traffic Man" responsible for rotation schedules and supplies, as a response to flow risks. In addition, the Bacteriology - Hospital Hygiene Department of the CHU is responsible for managing the nuisances and risks caused by the CHU's activities, in order to limit the impact of the activities on patients and local residents (water quality, effluents, noise, etc.).

#### Respect for fundamental human and labour rights

The Selected Project is subject to a design-build contract (subject to French law) and to respect fundamental human rights and associated labour rights. The contract was signed within the framework of the Public Procurement Code ("Code de la

<sup>8</sup> <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000034438677&categorieLien=id>

<sup>9</sup> The "Energy 3" level is an additional effort compared to the previous levels. Achieving it will require an effort in terms of the energy efficiency of buildings and systems and a significant use of renewable energies, whether heat or renewable electricity.

<sup>10</sup> <http://www.batiment-energiecarbone.fr/IMG/pdf/referentiel-energie-carbone-niveau-de-performance-2016-10.pdf>

commande publique”). The CCAP (Administrative Clauses) brings together all the administrative provisions of the public procurement contract, and is subject to compliance with the provisions of French labour law.

#### Improving the health and safety of workers

The CHU calls on the services of a Health and Safety Protection Coordinator (“Coordinateur Sécurité et Protection de la Santé” or “CSPS”), an external service provider who will ensure that the health and safety rules are respected by all parties involved. The CCAP specifies the penalties for non-compliance. The safety prevention and production policy is detailed in the Site Methodology Note, which includes a continuous improvement approach through feedback from the field.

#### Health and safety of users and third parties

Safety measures targeting local residents and users during the construction phase are detailed in the Green Worksite Charter. In addition, the Environmental Pre-Programme proposes the support of an AMO Environmental Manager, notably responsible for the control and respect of the regulations in force and the prefectural decrees related to the operation, by the companies awarded the works contracts.

#### Commitments in favour of information and consultation of stakeholders

In accordance with the provisions of the Environment Code and the Town Planning Code, the CHU de Rennes is setting up a public consultation phase from the 16<sup>th</sup> of March to the 13<sup>th</sup> of April 2020, within the framework set by the National Committee for Public Debate (CNDP). Within the Quality and User Relations Department of the CHU, complaints and grievances from users and local residents can be referred to the Users' Commission, including the possibility of mediation, and as a last resort, the possibility of turning to the administrative court. Consultation reports are drawn up, formalising the summary of the discussions and proposals that have emerged as part of the dialogue between the CHU and its various stakeholders, particularly with regard to the major issues of the reconstruction project (mobility, travel and accessibility, development of public spaces and landscapes, services offered to users, methods of access to emergencies, coordination between the CHU and the town's medical services, linkage with the projects and expectations of the partners present near the CHU).

# ISSUER

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## Management of ESG Controversies

As of today, the CHU de Rennes is facing one stakeholder-related ESG controversy, linked to one of the six domains we analyse:

- Business Behaviour domain, in the criteria “Responsible Customer Relations”.

Frequency: The controversy is considered isolated, in line with the sector average.

Severity: The severity of their impact on both the CHU and its stakeholders is considered high, in line with the sector average.

Responsiveness: The CHU is considered non-communicative, as it has not publicly communicated on this controversy due to medical confidentiality. However, we consider that appropriate internal measures have been put in place.

## Involvement in Controversial Activities

The Issuer appears to be involved in two of the 17 controversial activities examined in our methodology, namely:

- Minor involvement in Human Embryonic Stem Cells: Rennes University Hospital is among the hospitals and clinics with IVF activities (centre set up at the level of the University Hospital). An involvement is therefore possible because supernumerary embryos resulting from IVF and not used by couples can be used for research purposes.
- Major involvement in Reproductive Medicine: Rennes University Hospital offers family planning services and has a Voluntary Pregnancy Intervention (VPI) centre. It should be noted that this is an obligation of Public Health Establishments under French law.

The research on controversial activities examines companies to identify business activities that are subject to philosophical or moral beliefs. This information does not suggest any endorsement or disapproval by Vigeo Eiris of its content.



# METHODOLOGY

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In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

## COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

## ISSUANCE

### Alignment with the Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by V.E according to the ICMA's Social Bond Principles – June 2021 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Social Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

### Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

### Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

### Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

## Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

### Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;<sup>11</sup>
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

### ESG risk management for Eligible activities

The identification and management of the potential ESG risks associated with the Eligible Projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

## ISSUER

### Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable<sup>12</sup> sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

### Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.

<sup>11</sup> The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the Project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

<sup>12</sup> 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- The specific nature of the controversial products or services provided by the company.

## V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

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Transparency on the relation between V.E and the Issuer: V.E has delivered one SPO for CHU de Rennes in March 2020. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

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