

+33 (0)1 78 40 80 00

59, Avenue Pierre Mendès France
75013 Paris
France

To the attention of the Chairman of the Board of
Directors

ORPEA

Administrative headquarters
12 rue Jean Jaurès - CS 10032
92 813 Puteaux Cedex
France

Paris on 7 February 2022

SENT VIA REGISTERED MAIL

RE: Redesigning your model and adopting the status of a 'mission-driven company' to ensure proper respect for all your stakeholders, your employees and residents first among them.

Mr. President,

As you know, Mirova is an engaged shareholder in sustainable finance, and a shareholder in your company's capital since our creation, with 3.90% as of 12/31/2021. Our *raison d'être* is to finance companies that provide solutions to sustainable development issues. End-of-life care, particularly for those whose conditions make them dependent, is a major social issue where the private sector must supplement public action. We fully recognise the social utility of your activities in assisting the elderly, in a context of ageing populations and of a growing recourse to non-familial solutions. We are also aware of the difficulties inherent in your sector of activity, linked to the fragility of the residents and the arduous nature of the work involved. However, we also believe that the search for an appropriate economic model must imperatively go hand in hand with attention to ensuring the quality of care and treatment.

As a committed and long-term shareholder, we are used to addressing topics one-on-one with the companies we are invested in, to provide constructive support for their transformation. However, given the scale of the present scandal, which raises doubts about the information provided over the last years, we have decided to make public both our questions and our desire to see changes at the company. Following the numerous exchanges we have had with ORPEA teams, we were convinced that your Group genuinely wished to structure its CSR approach, and was progressively implementing the appropriate means to strengthen and monitor the quality of service provided to the residents while offering employees healthy working conditions. We especially appreciated the creation of a Head of CSR position, the creation of a CSR committee at Board level and, more generally, the crisis management associated with the Covid-19 pandemic, which has been our main focus over the last two years.

The recently published book, *Les Fossoyeurs* (The Gravediggers), has unleashed a massive outcry from families and workers denouncing facts which, if true, are indeed unacceptable. The points of our earlier discussions that remained unresolved – namely, effective implementation of measures to guarantee protections for the physical and mental health of residents, as well as employees' quality of life at work – must now be the subject of firm and swift commitments on your part. That is why we are now writing this letter asking you to fully refocus ORPEA's governance, first and foremost by adopting the status of 'mission-driven company' (*société à mission*).

You will also find attached as an Appendix the actions that we consider likely to significantly improve and buttress the operational management of proper care and Human Resources. These

requests for action reiterate and reinforce the points already raised in our previous discussions with the IR/CSR teams. We will pass these suggestions on to them as well, and hope that you share them with the members of your Board's CSR Committee.

Becoming a Mission-driven Company

ORPEA plays a key role in our Western societies, especially since the public sector is not capable of meeting the current need for care of senior citizens. Due to the social utility it provides, ORPEA is particularly suited to becoming a mission-driven company. Adopting a *raison d'être* (corporate purpose) that includes the notion of 'quality care' and setting social objectives covering responsible HR management would help to definitively anchor this notion of public interest. Establishing a Mission Committee, to include both external members and employees, concrete objectives associated with performance criteria, and publishing a mission report subject to audit by an independent third party would make it possible to ensure the means necessary to achieve stated objectives are mobilised.

We therefore encourage you to submit a modification of your articles of incorporation in favour of a mission-driven company to your shareholders for a vote at your next annual general meeting, or at an exceptional general meeting, convened as soon as possible.

Other actions to strengthen CSR governance

Transparency. Restoring trust between ORPEA and its stakeholders seems crucial at this juncture. To make this happen, we invite the Board to communicate transparently on the management of this crisis before it broke. In particular, we would like to know the date on which the Board was informed that an investigative publication was underway, its reasons for not informing shareholders, and why the Board did not request that every directors aware of this investigation refrain from trading ORPEA's shares.

Board Representativeness. We note the presence of two employee representatives, appointed by the Social & Economic Committee (CSE) of the ORPEA Social & Economic Unit (UES). In order to support Board representativeness, we invite you to encourage the participation of representatives from the pool of employees working at facilities, chosen by an electorate covering all of the Group's activities and locations.

Role and composition of the CSR committee. We encourage ORPEA to include employee representatives in its CSR committee, to benefit from their feedback. It also seems to us that monitoring implementation of a strategy aimed at ensuring the quality of services and thus the well-being of residents is an crucial addition to the committee's tasks. While the topic has received scant attention in recent years, we are counting on the existence of this recently created committee to assist the Board in its task of oversight, with an accelerated implementation of ORPEA's (CSR) strategy.

Checks and balances. To compensate for the combined functions of Chief Executive Officer and Chairman, we call on the Board to appoint an independent Vice-Chairman with appropriate powers, including the ability to organise separate meetings of independent directors. In the longer term, we favour the separation of the leadership functions. It should be noted that directors representing shareholders cannot, in our view, be described as independent.



CSR and executive compensation. We have had many opportunities to discuss with your teams the idea of including environmental and social criteria in executive remuneration. We appreciate their recent addition, but have further suggestions on this matter. Considering the need to accelerate ORPEA's transition to a robust model for effective social risk management, we recommend to the Remuneration Committee to maintain the current weighting of ESG criteria in short and long-term variable compensation, and to refocus these criteria on implementing the mechanisms proposed in the appendix.

Compensation of Mr Le Masne. We appreciate the decision to suspend all payout pending the outcome of the Board's assessment. Given the number of complaints and the consequences of this controversy for the company, we invite the Board to consider Mr. Le Masne's inability to deploy a robust CSR strategy during his term of office as misconduct that justifies withholding his severance package, maintaining the condition of office attached to unvested performance shares, and significantly reducing the annual variable remuneration awarded him for 2021.

Hervé GUEZ
CIO,
Mirova

Jens PEERS
CIO & CEO,
Mirova US

Mathilde DUFOR
Head of sustainability research,
Mirova



APPENDIX

Actions to strengthen processes and transparency in overseeing the quality of services and working conditions

Transparency regarding service-quality benchmarks. We recommend that the most demanding public or external benchmarks be adopted across all geographies. We also recommend publicly specifying the benchmarks chosen and explaining their relevance and rigor.

Strengthening available mechanisms for compliance with these standards. The resources allocated to internal controls assessing the quality of services must be increased. Furthermore, these mechanisms should go hand in hand with systematic external audits. Such audits should cover a significant percentage of sites each year and include unannounced visits. In order to assess the Group's progress, we invite you to communicate the results of these audits, including coverage rate of the worst performing sites, number of deficiencies noted grouped by topic and level of severity, corrective measures initiated and closed, etc.

Improving the management of complaints from residents and their families. Monitoring stakeholder satisfaction is essential. However, these assessments often contain biases that must be overcome. We expect to see more transparency on these satisfaction surveys, especially in terms of transparency on the questions asked and the issues raised by the answers. In addition, it seems necessary to clarify the mechanisms for reporting and handling complaints and to communicate on the requirements for resolution (time limits, resolution rate, etc.). Lastly, to reinforce the entire system, it seems important that these elements be integrated into the centralised management tools.

Clarification on the alert mechanisms dedicated to employees. The Group has set up an internal alert mechanism for employees to report any suspicion of abuse or, more generally, any breach of its principles. It would be useful to know the number of alerts raised during the year, the number of alerts identified as problematic on each theme, and the number of alerts in which corrective action was taken.

Support for social dialogue and freedom of association. In order to best address the above complaints, it now seems necessary to strengthen active support into healthy social dialogue. Among the positive factors we could suggest, we would point to a plurality of trade union representation as well as the establishment of a European or World Works Council. We would also like to see more transparency regarding the Arc en Ciel trade union, which is the focus of much criticism but about which little information is available.

Transparency on the allocation of public funds in all geographies. ORPEA's activity is heavily regulated in all the geographies in which it operates. In order to protect against any risk and to guarantee traceability, we suggest adopting an accounting tool capable of reconciling allocations and expenses for medical services in all the geographies concerned. This traceability should be audited by an independent third party and be among the data analysed in the annual report.

