2019

UNIVERSAL REGISTRATION DOCUMENT

including the annual financial report

ORPEA

GROUPE

CONTENTS

ORPEA
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2019

UNIVERSAL REGISTRATION DOCUMENT

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The ORPEA Group's mission is to support those made most vulnerable by all forms of loss of independent living skills throughout their life and care pathways, be that within its facilities — post-acute and rehabilitation hospitals, psychiatric hospitals, nursing homes, assisted-living facilities — or in their homes.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed with the *Autorité des Marchés Financiers* on 12 May 2020 as the competent authority under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of said Regulation.

The Universal Registration Document may be used in support of an offer of securities to the public or the admission to trading on a regulated market of financial securities if accompanied by a prospectus and, where applicable, a summary and any modifications made to the Universal Registration Document. The entire documentation is then approved by the AMF in accordance with Regulation (EU) 2017/1129.

Pursuant to Article 19 of Regulation (EU) 2017/1129, this Universal Registration Document incorporates by reference the 2017 Registration Document filed on 16 May 2018 under number D.18-0487 (https://www.orpea-corp.com/images/orpeafinance/pdf/Documentation/EN/2018/ORPEA_Registration_Document_2017.pdf) and the 2018 Registration Document filed on 10 May 2019 under number D.19-0474 (https://www.orpea-corp.com/images/orpeafinance/pdf/Documentation/EN/2019/ORPEA_2018_Resgitration_Document_f1846.pdf).

The aforementioned Universal Registration Document and Registration Documents are available on the AMF and ORPEA websites (www.orpea-corp.com, under Publications), or on request from the Company's registered office (ORPEA – Relations Investisseurs/Investor Relations – 12, rue Jean-Jaurès – CS 10032 – 92813 Puteaux Cedex, France).

The ORPEA Group develops care solutions around the world for all vulnerabilities

NETWORK IN EUROPE

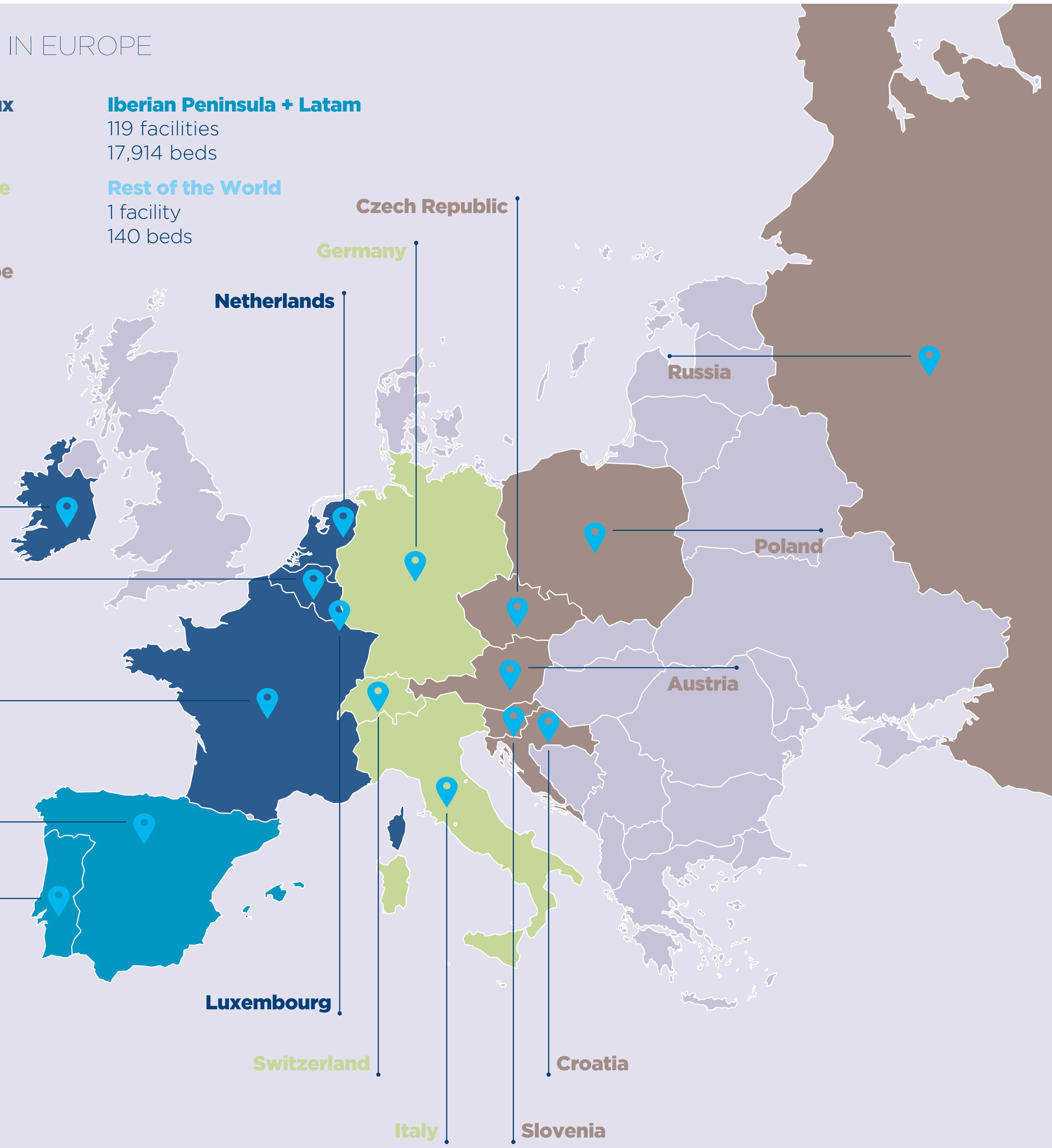
France Benelux
500 facilities
44,068 beds

Iberian Peninsula + Latam
119 facilities
17,914 beds

Central Europe
249 facilities
26,491 beds

Rest of the World
1 facility
140 beds

Eastern Europe
135 facilities
14,419 beds



Since it was founded in 1989, the ORPEA Group has always focused on supporting all types of vulnerabilities whether these are temporary or lead to long-term care requirements. A *raison d'être* which makes it committed to the older generations and the vulnerable.

Overall, the Group has seen its network grow by 7,845 beds over 12 months, with a significant increase in the share of premium facilities — a focal point of its strategy.

The Group has always favoured the wide range of care provided at its post-acute and rehabilitation hospitals, psychiatric hospitals, nursing homes, assisted-living facilities and directly in its customers' homes. A diversity which helps ensure the best possible response to all types of needs and continuity throughout the care pathways. The Group's extensive offering is supported worldwide by the quality of its facilities and the extensive expertise of its 65,500 employees. They are the ones who day in and day out nurture the relationships that are essential for the more than 300,000 residents and patients cared for each year to age well and recover well, with dignity.

The Group, with its deep historical roots in France going back to 1989 when it was created in the Charente-Maritime region, has gradually transformed itself. In just ten years, it became a global leader in its field, present in 20 countries with 67% of its network now outside France.

Since early 2019, the Group has further stepped up its international positioning, in particular in Latin America which now represents, with the Iberian Peninsula, 17% of its global care capacity, more than 40% of which is under construction and scheduled to open in the coming years. New countries such as Mexico, Slovenia, Russia and Ireland have diversified its operations.

To support the pace of this stepped-up international expansion, in 2018, the Group began introducing a Cluster-based organisation managing several countries; this organisation gained widespread use in 2019 with proven results in the form of smooth and efficient operations. At the same time, the Group has stepped up its investments in strengthening its support teams and resources to safeguard its future growth.

Cross-functional teams were added to human resources, communications, innovation and CSR, as well as to audit, risk and internal control at Group level. This change provides a greater degree of decentralisation and also an improved level of control and security.

€6.0 billion

real-estate portfolio
in 2019
x 4 in 10 years (2009)

€3,740 million

in revenue
in 2019
x 4 in 10 years (2009)

1,004

facilities
in strategic locations
at the heart
of cities

103,032

beds
x 4 in 10 years (2009)

65,511

employees
at 31/12/2019
x 4 in 10 years (2009)

A word from the Chief Executive Officer

YVES LE MASNE
Chief Executive Officer of ORPEA

> **We have a duty to help change our societies' perception of the older generations and of vulnerability.**

For more than 30 years, the ORPEA Group has focused on the most vulnerable, whether temporarily frail or needing long-term care.

For several years now, we have been witnessing major, rapid and structural demographic changes everywhere around the world — population ageing, urbanisation, isolation. These changes have exploded demand for support infrastructures, including medical and relational care and home care services, leading us to reassess our role. A fact that has taken on added significance and a poignant new meaning since late 2019 with the start of what has turned into an unprecedented health crisis for the 21st century.

We must take collective responsibility and by continuing to nurture close relationships with our patients and residents, employees, and all of our stakeholders across towns, cities and regions we will go faster and further.

2019 was a year of major developments in terms of our international growth and we are now present in 22 countries. We have continued with the Group's premium expansion strategy, with targeted, selective acquisitions and creations in the largest towns and cities within our geographical Clusters. We have stepped up our investments, strengthened our teams and developed the resources to safeguard them. Training, partnerships, apprenticeships and internal promotion have become the pillars of our human resources policy, which aims to both attract, and reward and retain talent.

These are key fundamentals to supporting, with an increasing level of professionalism, our patients and residents, providing the best possible level of care everywhere throughout the world.

I would also like to mention the creation in 2019 of ORPEA's Corporate Foundation. This marks an additional major step in our drive to build a more responsible, inclusive society. This creation draws on the commitment to solidarity which has shaped our Group's history. The Foundation will help sustain the energy that drives all of our highly committed employees and help develop and channel it. Its purpose focuses on promoting social bonds and intergenerational transmission in two major areas: health and education.

A beacon to guide the involvement of everyone, in order to build and develop fresh solidarity, further integrate our facilities, their residents, families and employees throughout our regions, bring generations closer together and encourage transmission. We continue to strive to promote these vital ties as we believe that each relationship represents a precious and key factor of the care pathways of the more than 300,000 patients and residents that place their trust in us each year.

Our model is strong, our prospects robust, our mission is critical. We look to 2020 with confidence and peace of mind.

Together, let's change our outlook by creating new bonds of solidarity.

Our 65,500 employees worldwide work daily to support, care for and look after our residents and patients at our facilities or in their homes. Regardless of their profession, they all share the same values — professionalism, humility and attentiveness. These values are reflected in their daily actions to support the frail and the vulnerable. To ensure that our employees can carry out their roles under the best possible circumstances, it is paramount that they can rely on a caring and understanding management structure as well as support from the Group in forging their ideal career paths.

Furthering the expertise of our employees and preventing shortages in care staff

In a sector where pressure on hiring competent professionals is high, encouraging employee loyalty and recruiting new talent are two major challenges. The Group has therefore continued to model its human resources policy on these pillars:

- training, to improve the skills of its employees and initiate already-trained new employees to the Group's best practices;
- development of career paths with the aim of encouraging loyalty;
- partnerships with universities and training centres to recruit candidates whose background and skills fit the needs of the Group.

In 2019, the Group continued to extend its training offering available to all employees to meet the challenges of the various sectors in which it operates and its international expansion. The number of training hours per employee thus increased by 20% from 15 to 18 hours. This training covers both fundamental aspects of ORPEA's core businesses, as well as complementary subjects at the discretion of facility managers. A system which strives to take into account the wishes of employees and the company's needs as much as possible. This year, the 2019 "VAE 300" (validation of acquired experience) programme was introduced. This initiative has led to around 300 care workers being awarded with a carer's diploma. During the financial year, the Group also acquired several nursing and carer schools, notably in Austria.

Career path development is part of a proactive policy which is materialised in a strong internal promotion culture. For example, in France, 46% of current facility managers and 87% of regional managers were promoted internally. Career paths are built both nationally and internationally with a strong emphasis on the development of geographic mobility while there are also many opportunities to change functions between the Group's various activities.

Lastly, the Group has developed partnerships with universities in various countries which have led to the creation of diplomas dedicated to its business activities. This is the case in France, Poland, Spain, China and Italy. A special training programme for chefs has also been developed in partnership with Ducasse Conseil. The aim of these initiatives is to harmonise and standardise learning while ensuring a high level of quality.

A responsible and committed player

By creating the ORPEA Corporate Foundation in 2019, the Group took its commitment and the inclusive vision of its model a step further. The mission of the Foundation is to "Communicate and connect through education and health". Two areas for action were established based on this overarching mission, in close cooperation with all employees in France who are invited to submit projects for consideration several times a year:

- promoting access to care, especially for the youngest, and providing support beyond care;
- preventing dropping out of school and promoting the professional integration of young people.

The Foundation supports initiatives and projects run by general interest entities, through both cash and skills sponsorship. By doing so, it helps showcase the numerous and long-standing commitments of Group employees. It also promotes the Group's key position at the heart of the regions and community organisations. Two strategic partnerships were formed with the non-profit association C'Possible to help prevent students from dropping out of school and with the non-profit association Rêv'Elles to promote equal opportunities in the career choices and professional integration of young women.

846,108 hours
of training provided in 2019

In line with its commitment to continuously improving its care offering, the ORPEA Group stepped up its innovation and research momentum in 2019 in favour of its patients, residents and employees.

A new innovation department for the Group

The innovation department at the Corporate level was created this year with the integration of dedicated expertise to step up its development. The aim of the department is to provide structure for the various initiatives developed around the world, provide them with a global uniformity and to take decisions regarding their international roll-out.

This governance allows the Group to rapidly progress from testing phases in one BU or Cluster to a gradual roll-out across all facilities worldwide.

Close to 100 projects were launched in 2019 across all countries. These mainly related to Health and Care, with a strong focus on Patient Safety. They also covered Accommodation and social life, with particular attention paid to social and family ties.

Whether through partnerships with start-ups, researchers or universities, the Group is positioned at the heart of a dynamic ecosystem with which it builds productive ties to invent the solutions and professions of the future.

Alzheimer's, a priority for the Group

Between 50% and 70% of the population of nursing homes with or without medical care have early signs of or have been diagnosed with a neurodegenerative disease. ORPEA has introduced a ground-breaking approach to care for these patients, which is based on several factors:

- **the development of non-drug-based approaches** using several types of cognitive and sensory stimulation workshops which facilitate care: art therapy, light exercise, therapeutic gardening and cooking etc.;
- **the definition of a specialised architectural concept,** drawing on abundant natural light in living spaces, equipped individual bedrooms, an adapted tracing system and a secure wandering zone. Space at ORPEA's facilities is entirely designed with the patient's care in mind;

- **the identification of new care methods** such as light therapy, finger food, and training carers in passive supervision.

Driving academic research

The ORPEA Group has also launched and continued several initiatives in university research in 2019, including supporting projects, funding doctoral research and contributing to the training effort through corporate research.

For example, a doctoral thesis in neuroscience was carried out on the development and validation of a system for measuring balance in the elderly and the prediction of the risk of falls. Another focused on improving the quality of support in care homes for the elderly and their families.

In Italy, the Group is involved in a partnership with the University of Turin in a linguistic research programme about people with dementia, with the aim of improving interactions with care staff.

Within the Association for Institutional Mental Health Care (APSPI) created in 2014, several theoretical and clinical research projects were conducted in 2019. A conference titled "Intimacy under the test of institutional life" (*L'intime à l'épreuve de la vie institutionnelle*) was organised and open to professionals from all lines of work including public, private, non-profit, health or nursing home entities, in France or abroad.

The Group's International Scientific & Ethics Council (ISEC) further strengthened its initiatives in 2019.

It mapped the players, practices and needs of 225 of ORPEA's nursing homes in France in ethically sensitive situations. The results will be made available in H1 2020, and will allow the ISEC to ensure that it continuously adapts its measures to the needs of the residents and teams.

The 5th edition of the ORPEA Excellence Awards was also organised. It recognised the efforts of the Group's teams having presented the best clinical ethics approach, scientific research project, and caring innovation. Three projects won awards at the ceremony:

In the "Clinical Ethics" category
The Madrid-Estremera nursing home (ORPEA Ibérica, Spain), for its "The hands that break the silence" programme.

In the "Caring Innovation" category
ORPEA Polska (Poland), for its "SOS for a family carer" initiative.

In the "Research" category
The SENEVITA group (Switzerland) for its research entitled "ProQuas – Identification and development of interfaces and processes to promote the quality of life of residents".

A global strategy focused on value creation and Corporate Social Responsibility

A more global model for more inclusive care

ORPEA is fully aware of the importance of corporate social responsibility. Its mission is at the very centre of an ever-growing sense of humanity. Its core business is to care for the most vulnerable, to be part of their journey. In addition to their medical expertise, ORPEA's employees represent a vital link on a daily basis for the patients and residents who have chosen to place their faith in the Group. The Group approaches their care by developing more inclusive models, building initiatives and partnerships with local and national stakeholders. A CSR function was created in 2019 to develop and coordinate Group Corporate Social Responsibility initiatives.

Strategic focuses to support our growth

Recognising the value and nurturing the loyalty of the Group's 65,500 employees as well as promoting its appeal to tomorrow's talent are essential priorities for the years ahead. A goal which relies on the creation of an attractive policy to prevent shortages in care staff.

The creation of high-quality infrastructure to care for our patients and residents in a suitable manner, by providing them with facilities adapted to their needs, is another of the Group's strategic focuses. ORPEA therefore continued to pursue its premium expansion strategy through selective acquisitions and creations in the largest towns and cities in its geographic Clusters.

Continued international expansion remains strategic, with the opening of new facilities and seizing of growth opportunities in high-potential regions. A policy driven by an internal reorganisation consolidated in 2019 to adapt to external growth.

Lastly, the priority given to the **Innovation and Research** functions this year will help step up the roll-out of innovative and responsible practices across all areas of the Group's business.

A global strategy focused on value creation and Corporate Social Responsibility

1. **Network premiumisation**
   - Creation of new facilities in high purchasing power locations
   - Selective acquisitions and arbitrage
   - Upgrading of the existing network
2. **International development**
   - Acquisitions and creations in the five Clusters, notably in Eastern Europe and Latin America (LATAM)
   - Development in new areas offering insufficient capacities but strong purchasing power
3. **Balanced ownership/ lease real-estate strategy**
   - Owned real estate in the best locations
   - Sale or sale-and-lease back of 50% of new buildings
4. **A responsible and committed player**
   - Accelerate responsible innovation
   - Enhance professions and attract new talent
   - Develop the offer and ease the care pathway of patients and residents

1 PRESENTATION OF THE ORPEA GROUP AND ITS MARKETS

The ORPEA Group offers integrated long-term care services at home or in residential facilities for individuals with physical or mental health conditions. It meets the needs of residents and patients for better and easier access to care, as well as satisfying the requirements of local supervisory authorities. ORPEA currently offers an integrated range of services and additional care covering the full spectrum of patient ages and loss of independent living skills in:

- nursing homes;
- post-acute and rehabilitation hospitals, including both inpatient and ambulatory care (outpatient services);
- psychiatric hospitals for people with mental illness;
- home care and services;
- senior assisted-living facilities.

ORPEA's core business is to look after people with loss of independent living skills (physical or mental) by providing them with the essential care they require for their well-being and by supporting them in their activities of daily living so they can live with dignity in accordance with their own wishes.

Since it was founded in 1989, ORPEA has always made the quality of its care and services the cornerstone of its expansion strategy. The ORPEA Group has undertaken to devote all the requisite human and technical resources to ensure the well-being of its patients and residents and to provide them with the best possible care.

Over the last 30 years, ORPEA has grown to become one of the world leaders in long-term care with 103,032 beds in 1,004 facilities across 19 countries at 31 December 2019 against a backdrop of more rapidly ageing populations – not only in Europe but also worldwide – and increasing need for specialisation and medical care in what is a fragmented sector.

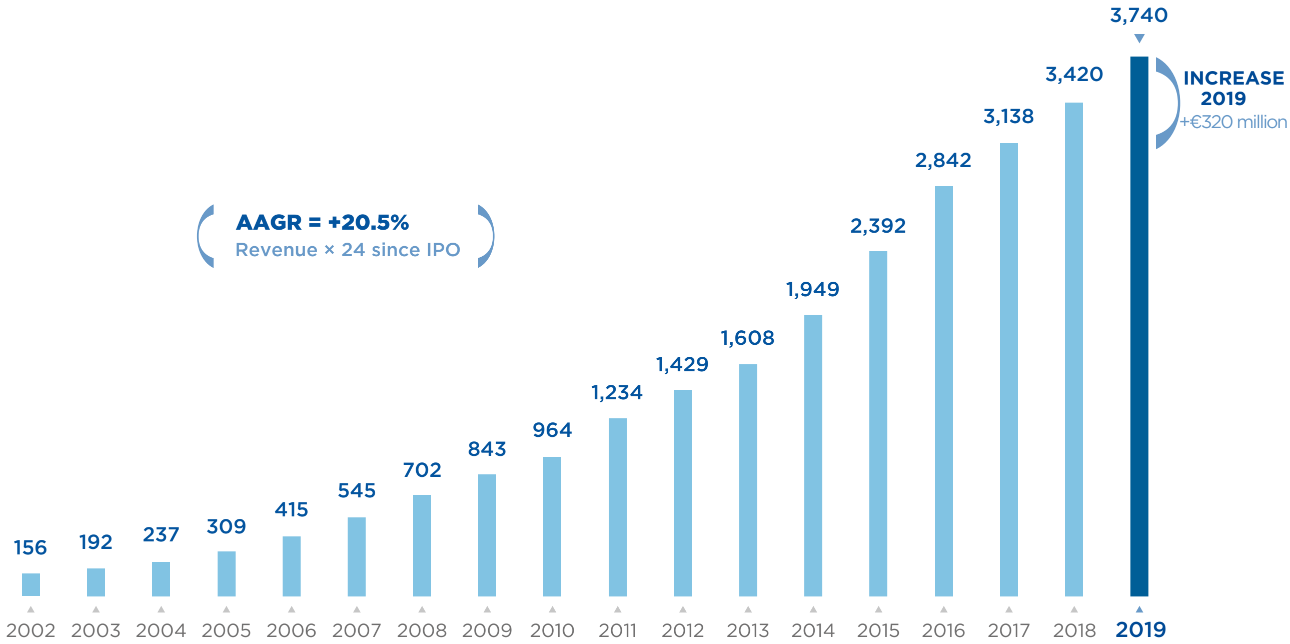
ORPEA is now a global player with an organisation structure primed for expansion and the roll-out of its model of delivering high-quality care via its five geographical Clusters: France Benelux, Central Europe (consisting of Germany, Switzerland and Italy), Eastern Europe (Austria and Eastern Europe), the Iberian Peninsula and Latin America (consisting of Spain, Portugal and Latin American countries) and the Rest of the World (China only, to date).

Thanks to this new organisation, its financial flexibility and its five geographical Clusters, ORPEA will continue rising to the challenges posed by population ageing around the world with a high-quality offering for people with major long-term care requirements.

1.1 ORPEA'S KEY FIGURES

1.1.1 REVENUE

▶ GROWTH IN THE GROUP'S REVENUE SINCE THE IPO *(in millions of euros)*

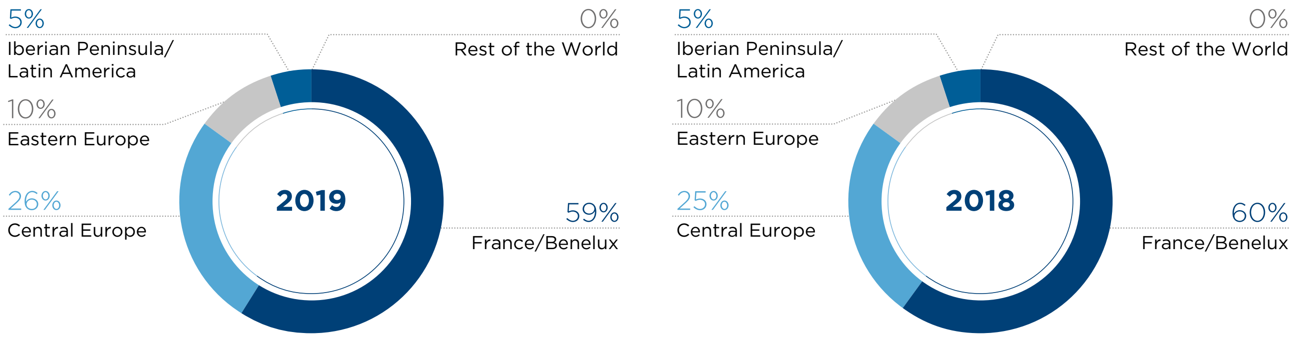


AAGR: Average annual growth rate.

(in millions of euros)	2019	2018	Chg. 2019/2018 *(%)*	2017
France Benelux	2,218.4	2,040.3	+8.7%	1,942.7
Central Europe	961.6	875.1	+9.9%	782.5
Eastern Europe	358.7	335.0	+7.1%	268.8
Iberian Peninsula/Latin America	198.3	167.4	+18.5%	142.8
Rest of the World	3.1	2.0	NS	1.5
TOTAL	**3,740.2**	**3,419.8**	**+9.4%**	**3,138.2**

France Benelux: France, Belgium and the Netherlands.
Central Europe: Germany, Italy and Switzerland.
Eastern Europe: Austria, Poland, the Czech Republic and Slovenia.
Iberian Peninsula + Latam: Spain, Portugal, Brazil and Uruguay.
Rest of the World: China.

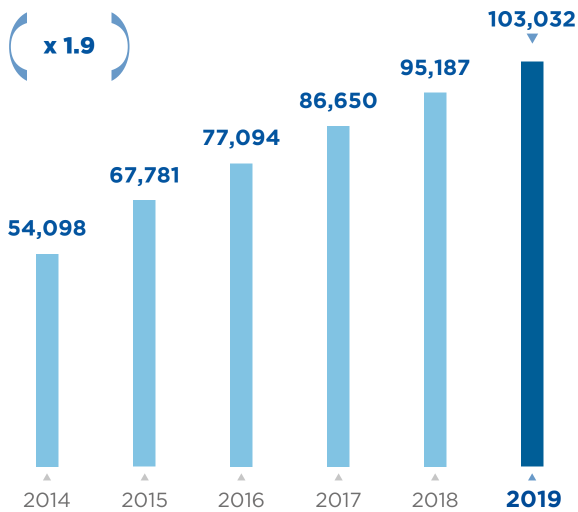
▶ GEOGRAPHICAL BREAKDOWN OF 2019 AND 2018 REVENUE



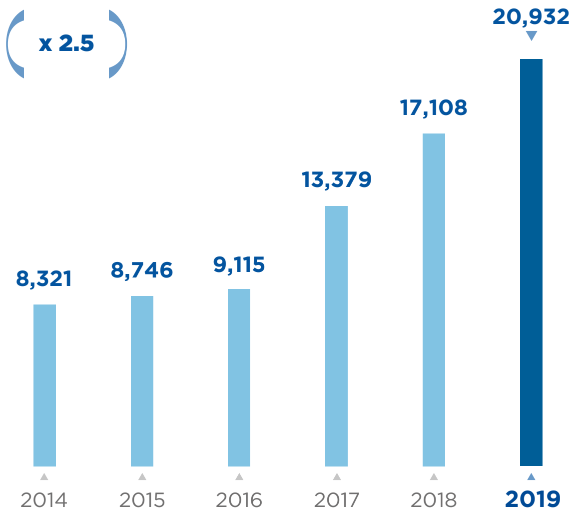
1.1.2 NETWORK EXPANSION

▶ NETWORK'S GROWTH MOMENTUM

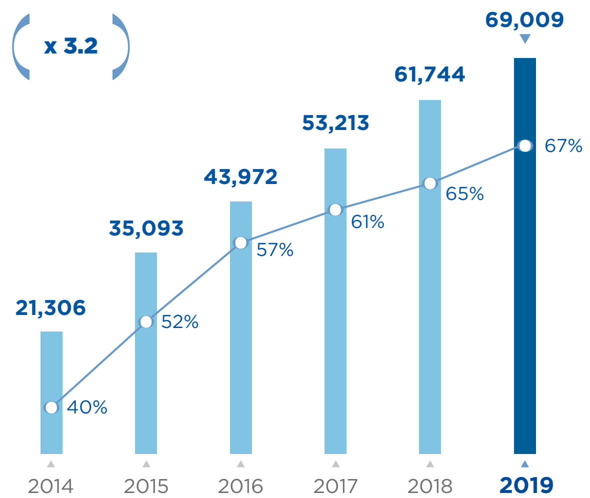
TOTAL NETWORK *(number of beds)*



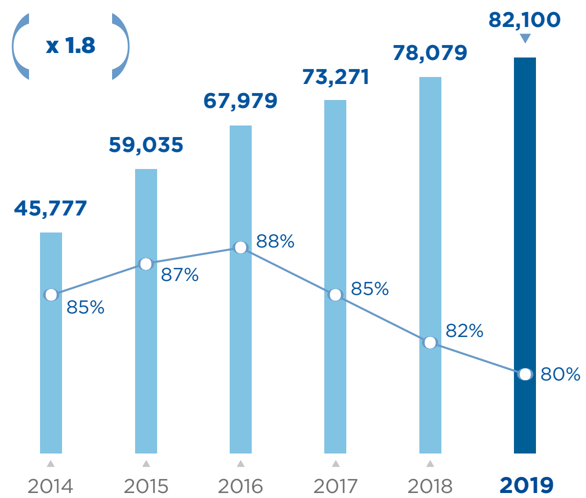
GROWTH PIPELINE *(number of beds under construction and redeployment)*



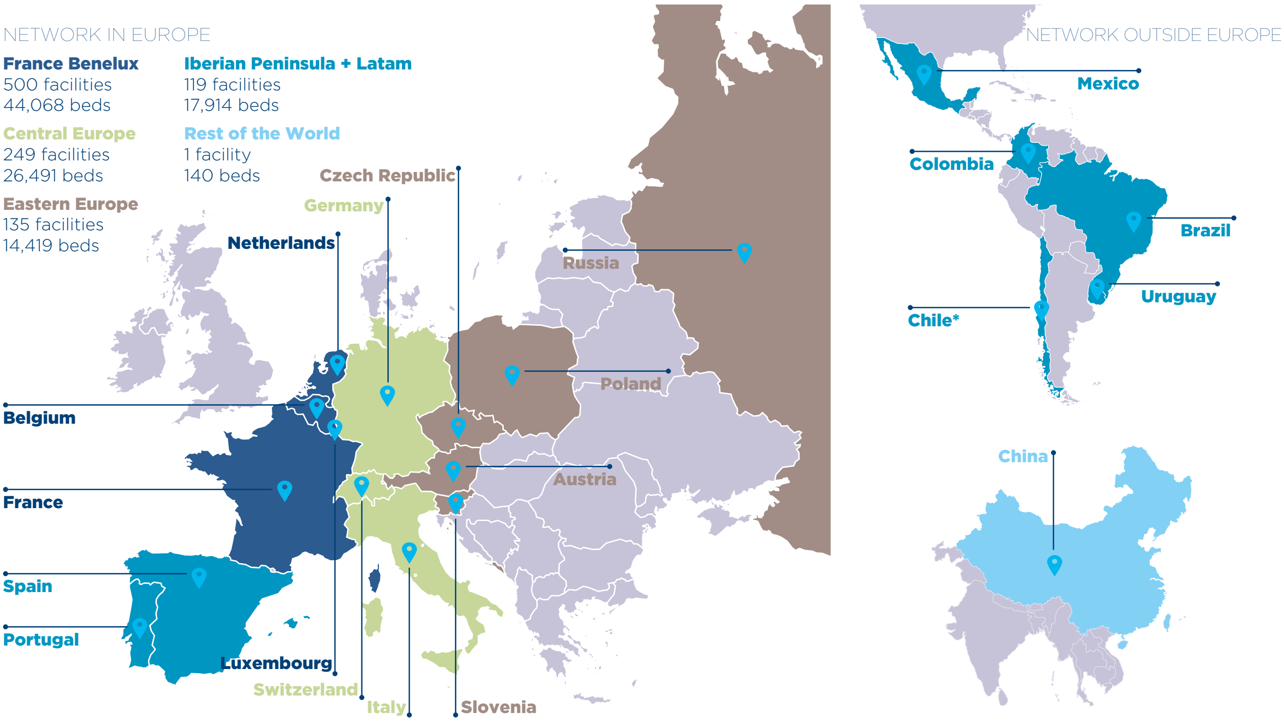
INTERNATIONAL NETWORK *(number of beds and as a % of the total network)*



NETWORK MATURITY *(number of mature beds and as a % of the total network)*



▶ GLOBAL NETWORK OF 103,032 BEDS AT 1,004 FACILITIES AT 31 DECEMBER 2019



* *ORPEA operates in Chile through Senior Suites, in which it only owns a 50% stake and which is not consolidated; these beds are therefore not included.*

BEDS IN OPERATION AND BEDS UNDER CONSTRUCTION BY CLUSTER OVER THE PAST THREE YEARS

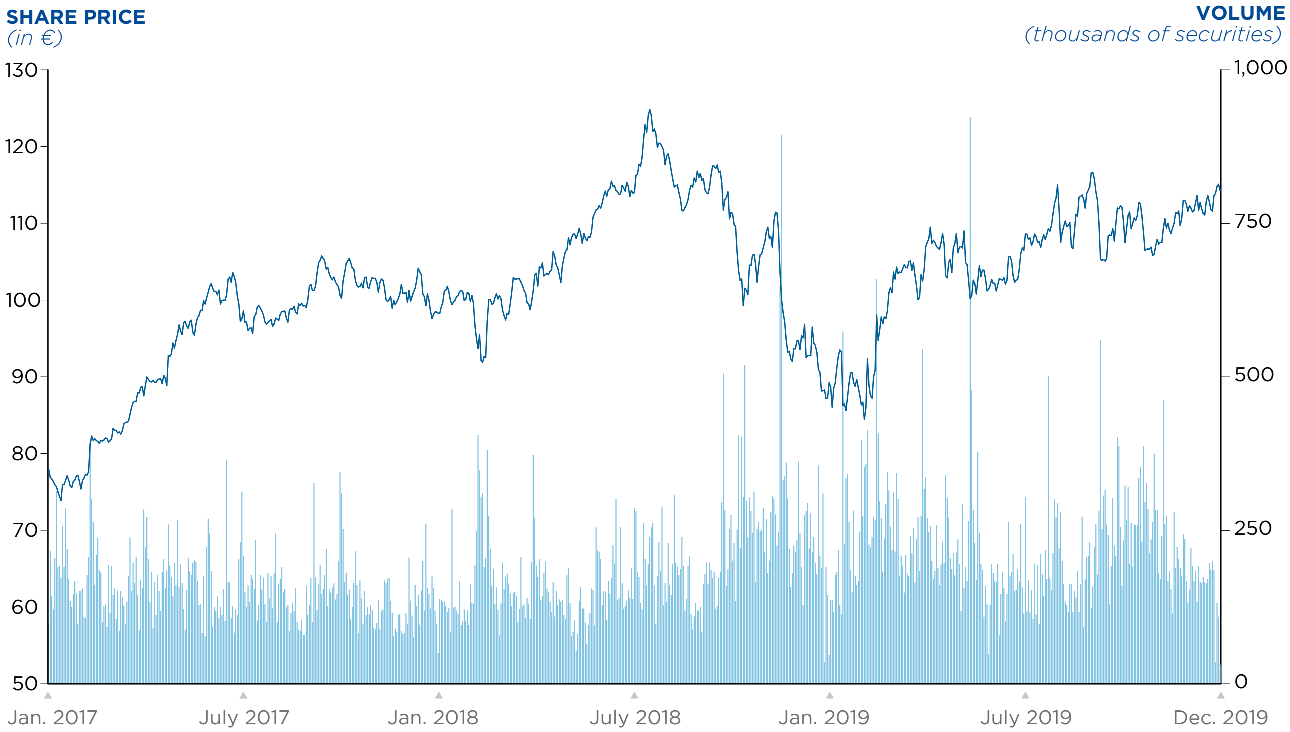
N.B. Beds under construction are not in operation.

	Number of facilities			Total number of beds			Of which beds in operation			Of which beds under construction and redeployment		
	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change
France Benelux	**500**	**477**	**+23**	**44,068**	**42,320**	**+1,748**	**39,316**	**37,986**	**+1,330**	**4,752**	**4,334**	**+418**
France	352	354	-2	34,023	33,443	+580	31,127	30,856	+271	2,896*	2,587*	+309
Belgium	64	61	+3	7,419	7,437	-18	6,970	6,275	+695	449	1,162	-713
Netherlands	82	60	+22	2,261	1,075	+1,186	1,219	855	+364	1,042	220	+822
Luxembourg	2	2	0	365	365	0	0	0	0	365	365	+0
Central Europe	**249**	**230**	**+19**	**26,491**	**24,334**	**+2,157**	**21,606**	**20,045**	**+1,561**	**4,885**	**4,289**	**+596**
Germany	185	172	+13	19,583	17,990	+1,593	16,654	15,243	+1,411	2,929	2,747	+182
Switzerland	37	37	+0	3,679	3,695	16	2,952	2,862	+90	727	833	-106
Italy	27	21	+6	3,229	2,649	+580	2,000	1,940	+60	1,229	709	+520
Eastern Europe	**135**	**125**	**+10**	**14,419**	**12,917**	**+1,502**	**10,772**	**10,100**	**+672**	**3,647**	**2,817**	**+830**
Austria	85	84	+1	7,815	7,474	+341	7,074	7,088	14	741	386	+355
Czech Republic	19	19	0	2,725	2,698	+27	2,044	1,905	+139	681	793	-112
Poland	23	22	+1	2,886	2,745	+141	1,103	1,107	-4	1,783	1,638	+145
Russia	1	0	+1	200	0	+200	0	0	0	200	0	+200
Slovenia	7	0	+7	793	0	+793	551	0	+551	242	0	+242
Iberian Peninsula/ Latin America	**119**	**102**	**+17**	**17,914**	**15,476**	**+2,438**	**10,266**	**9,808**	**+458**	**7,648**	**5,668**	**+1,980**
Spain	64	62	+2	11,077	10,428	+649	8,842	8,702	+140	2,235	1,726	+509
Portugal	29	22	+7	3,108	2,296	+812	728	635	+93	2,380	1,661	+719
Brazil	19	18	+1	2,752	2,752	+0	471	471	+0	2,281	2,281	+0
Uruguay	3	0	+3	326	0	+326	100	0	+100	226	0	+226
Colombia	2	0	+2	321	0	+321	0	0	0	321	0	+321
Mexico	2	0	+2	330	0	+330	125	0	+125	205	0	+205
Rest of the World (China)	**1**	**1**	**0**	**140**	**140**	**0**	**140**	**140**	**0**	**0**	**0**	**0**
TOTAL	**1,004**	**935**	**+69**	**103,032**	**95,187**	**+7,845**	**82,100**	**78,079**	**4,021**	**20,932**	**17,108**	**+3,824**

* *Including 895 beds under redeployment in 2019 and 1,087 beds in 2018. Beds under redeployment are beds in facilities that will be closed for redevelopment.*

1.1.3 SHARE DATA

▶ SHARE PRICE PERFORMANCE AND VOLUMES OVER THREE YEARS



INDICES

- Compartment A of Euronext Paris;
- Component of the CAC Mid 60, SBF 120, STOXX Europe 600 and the MSCI Small Cap Europe indices;
- Eligible for the deferred settlement service (DSS).

HISTORICAL ANNUAL PERFORMANCE DATA

	2019	2018	2017
Closing price at 31/12	€114.30	€89.22	€98.30
12-month closing high	€117.60	€124.85	€105.75
12-month closing low	€83.56	€87.18	€73.90
Number of shares at 31/12	64,615,837	64,586,323	64,553,123
Market capitalisation at 31/12	€7,386 million	€5,762 million	€6,346 million
Year-on-year share price performance	+28%	-9%	+28%
Average daily trading volume* *(in number of shares)*	224,039	192,596	156,241
Average daily trading volume*	€23.4 million	€20.4 million	€14.7 million
12-month turnover	88%	76%	62%

* *Volumes including Euronext and the alternative platforms (Chi-X, Turquoise and Bats).*

1.2 THE ORPEA GROUP'S BUSINESS ACTIVITIES

ORPEA cares for people with loss of independent living skills either in their home or in the nursing homes, post-acute and rehabilitation hospitals, and psychiatric hospitals it runs.

Since it was founded in France in 1989, the ORPEA Group has expanded and is now present in 18 other countries (Austria, Belgium, Brazil, China, Colombia, the Czech Republic, Germany, Italy, Luxembourg, Mexico, the Netherlands, Poland, Portugal, Russia, Slovenia, Spain, Switzerland and Uruguay).

A rigorous and selective approach has guided this stunning pace of development. The Group has always made the quality of its care for all its residents/patients, irrespective of the extent of their care needs, the cornerstone of its development. By pursuing a carefully managed combination of organic growth through the creation of new facilities and selective acquisitions, ORPEA has made sure that it can continue delivering a high standard of care and services to its residents and patients.

ORPEA's strategy has been to expand in countries providing a high level of visibility as a result of their ageing population, an insufficient and/or poorly structured care offering, high barriers to entry, including operating licences, and exacting standards.

Harnessing the experience it has gained in France, ORPEA has developed a powerful model, which it can now roll out across all the countries where it operates, giving due regard to specific local constraints and culture. Its goal is to deliver a carefully crafted range of care and related services geared to the needs of the population in each country.

1.2.1 STEP-BY-STEP CREATION OF A EUROPEAN LEADER

The ORPEA Group has been built methodically from the ground up. Today, it is able to deliver an integrated range of high-quality long-term care, and is a leading name in France and around the world in a fast-growing sector.

ORPEA has always replicated the same model in every country where it operates based on high-quality services attuned to the demands of local and national supervisory authorities and of patients and residents.

- 1989: The ORPEA Group is founded by Dr Jean-Claude Marian, now its Honorary Chairman.
- 1989-1995: The Group expands in France largely through the creation of 46 facilities, representing 4,600 nursing home beds.
- 1995: The Group consolidates and fleshes out its organisation: ORPEA sets up its administrative headquarters in the Paris region to organise and oversee the ORPEA Group's accounting, financial and HR affairs. Standardised management methods are introduced at all the Group's sites and the initial elements of a systematic and enduring quality-led approach are formally laid down.
- 1999: Development of a medium-stay care offering: ORPEA focuses on opening new and acquiring post-acute and rehabilitation hospitals and psychiatric hospitals.
- 2002: IPO: ORPEA is floated successfully on the Second Marché of Euronext Paris on 16 April 2002. This natural, yet crucial step in the Group's history raises its profile in France and across Europe. The capital raised also helps to accelerate its expansion drive.
- 2004: Expansion across Europe: ORPEA opens its first two facilities in Italy, in partnership with Italian mutual insurance company Reale Mutua, which owns the buildings. ORPEA commences its drive to expand across Europe, while continuing to focus on its core business of building and managing post-acute and psychiatric hospitals and nursing homes.
- 2006: Further international expansion: ORPEA acquires facilities in Switzerland (psychiatric hospital in Nyon on Lake Geneva), in Belgium (geriatric complex in central Brussels), and in Spain (Grupo Care, with 1,504 beds in 15 facilities).
- 2007: ORPEA joins the Deferred Settlement Service (DSS), improving the stock's liquidity.

  The international growth strategy pays off, with 10% of consolidated revenue generated outside France (an increase of over 85%) for the first time.
- 2008-2009: ORPEA fleshes out its organisation in Europe: functional headquarters are established in Belgium, Spain and Italy, and its quality policy is rolled out across all its facilities in Europe, replicating the French management model.
- 2010: ORPEA completes the largest deal in its history, with the strategically important acquisition of the MEDITER group, which owns a majority stake in the Mieux Vivre Group, and of a 49% stake in the MEDIBELGE group, which operates a total of 4,866 beds in 57 facilities.
- 2011: ORPEA carries out a €203 million capital increase to strengthen its finances and accelerate its expansion in France and internationally.
- 2012: ORPEA continues its international expansion drive, acquiring Artevida in Spain (1,162 beds and places) and taking full ownership of MEDIBELGE in Belgium. The Group also diversifies its sources of funding by placing its first private bond issue with major French institutional investors.
- 2013: A strategic long-term shareholder comes on board, with CPPIB, Canada's largest pension fund with around CAD 200 billion under management, becoming the Group's leading shareholder with 15.9% of the capital. This helps to raise ORPEA's profile and underpins the sustainability of its long-term development.
- 2014: ORPEA's international expansion drive accelerates further, especially in German-speaking countries, with two strategic acquisitions: SENEVITA in Switzerland (2,293 beds in 21 nursing homes) and SILVER CARE in Germany (5,963 beds in 61 nursing homes). These acquisitions double the size of the Group's international network.
- 2015: ORPEA makes further international strides, with acquisitions in Austria and the Czech Republic via the SENECURA group, adding 4,236 beds, and in Germany with the CELENUS KLINIKEN group, which operates 15 hospitals (2,602 beds), plus two regional groups ideally complementing SILVER CARE's existing network, namely RGB (3,006 beds) and VITALIS (2,487 beds). VITALIS was not consolidated until January 2016.

- 2016: ORPEA's international expansion reaches a new milestone, with the acquisition of MEDI-SYSTEM, Poland's leading long-term care provider with 704 beds, opening up fresh opportunities for ORPEA in Poland, and also of Sanyres (3,300 beds), bolstering the Spanish network. Late on in the year, the Group also expands its range of care solutions in Switzerland by purchasing Spitex Ville et Campagne, the leading private provider of home care in Switzerland. Lastly, ORPEA opens a 140-bed facility in Nanjing, its first in China.
- 2017: ORPEA achieves a global dimension by establishing a base in Latin America, with 2,185 beds under construction in Brazil in a partnership venture with SIS Group. ORPEA also continues to scale up its European network in Portugal (1,100 beds under construction in partnership with SIS Group), in Austria through the acquisition of Dr. Dr. Wagner (1,812 beds), in the Czech Republic with the acquisition of Anavita (932 beds in six nursing homes) and in most of the other countries in which it is already present, through the creation of new facilities and targeted acquisitions. Lastly, ORPEA strengthens its balance sheet with the early redemption of its ORNANE bond.
- 2018: ORPEA restructures its organisation into Clusters and boosts its international operations by expanding into the Netherlands and acquiring Dagelijks Leven (800 beds/40 nursing homes) and Woonzorgnet (162 beds/7 psychiatric hospitals). ORPEA continues its selective expansion drive. In Germany, it acquires Inoges, Germany's leading provider of outpatient post-acute and rehabilitation care. In parallel, the Group introduces a Cluster-based organisation built to realise its global expansion ambitions and to ratchet up its growth potential while tightening up its control capabilities.
- 2019: ORPEA strengthens its position in the Netherlands with the acquisition of Allerzog (home care) and of September (175 beds/7 nursing homes). In Germany, the Group steps up the "premiumisation" of its German network with the acquisition of the Axion group (985 beds/7 nursing homes). ORPEA consolidates its positions in Brazil and Portugal with the acquisition of the remaining stakes in the partnership venture with SIS.

1.2.2 THE ORPEA GROUP'S CORE BUSINESS: A RANGE OF SERVICES COVERING THE FULL SPECTRUM OF LONG-TERM CARE REQUIREMENTS

The ORPEA Group has built up its core business by harnessing its expertise in providing all forms of long-term care – for those with physical and intellectual, permanent and temporary impairments – irrespective of how advanced their conditions are. Its solutions cater for:

- loss of independent living skills due to ageing;
- rehabilitation after a health event or as a result of a chronic illness;
- mental illness.

ORPEA delivers an integrated range of consistent care and services for people experiencing a loss of independent living skills via its network of specialised units:

- nursing homes;
- senior assisted-living facilities;
- post-acute and rehabilitation hospitals;
- psychiatric and psychosomatic hospitals;
- residential and social reintegration facilities for people with mental health conditions;
- outpatient centres;
- home care services.

1.2.2.1 FACILITIES FOR THE ELDERLY

Diversified range of accommodation

Nursing homes

Most of the ORPEA Group's facilities for the elderly are nursing homes. Long-term care accounts for a predominant share of ORPEA's facilities in each country in which it operates.

That said, ORPEA facilities also provide complementary accommodation solutions which offer appropriate life and care choices for elderly people with loss of independent living skills and to satisfy demand from public authorities including:

- temporary accommodation: an elderly person may wish to have a temporary stay in one of the Group's facilities for reasons including:
  - to provide respite for their family or professional caregivers who look after them in their home,
  - because of disruption to their care arrangements at home, because their partner is hospitalised, because their in-home care providers are away, because of an emergency or while care arrangements are put in place,

- after a hospital stay when a return home is considered to be too much too soon by their family, either because they have not yet regained their strength or because arrangements need to be put in place;
- day visits: these allow elderly persons living at home to enjoy the benefit of therapeutic and social activities tailored to their needs one or more times a week, plus events and entertainment to maintain their social lives. These solutions aim to ease the burden on family carers and to support in-home care as effectively as possible. Day visits can also help in the battle against family and social isolation by creating places where they can spend time with family and friends.

All in all, a nursing home offers every resident the following services:

- personalised support with their daily living requirements and an individual care programme meeting the resident's needs and desires, forming the basis for all their accommodation and care;
- logistic and residential services such as accommodation, a diverse range of meals, the vast bulk of which are prepared on-site, meeting European standards and served in the dining hall, laundry and room cleaning services, as well as various daily events and entertainment and therapeutic workshop activities, for individuals and for groups.

Special care for patients with neurodegenerative conditions such as Alzheimer's

In all the countries it serves, ORPEA's facilities are equipped to look after the needs of residents suffering from Alzheimer's disease and related conditions because they have living areas including units specially designed to provide appropriate care. Certain facilities are entirely dedicated to looking after patients with these illnesses.

The ORPEA Group gives the care requirements of this type of patient a great deal of consideration. ORPEA's medical department has devised architectural principles for these units based on its knowledge of the issues associated with Alzheimer's disease and the following guidelines:

- patients' dignity and individual needs are respected, they are free to move around freely between living areas and their bedroom, with permanent passive monitoring, appropriate therapeutic activities, and in certain facilities, position-tracking technology enabling residents to walk around in complete safety;
- families enjoy the peace of mind that comes with seeing their loved ones in a pleasant and secure environment, cared for by staff specially trained to look after them and aware of the risks, and they are also able to spend family time in a dedicated room;
- staff are able to work in a carefully designed and safe environment in which they are able to monitor passively all the residents while arranging activities in shared living areas. The goal is to avoid exacerbating behavioural disorders and to gain a better understanding of them by adopting care practices honed through continuous on-the-job training. Special training modules have been devised and introduced to help teams working in these units and a national lead coordinates projects.

A range of furniture has also been specially designed for these accommodation units based on an understanding of the illness and the risks it poses.

These protected units aim to maintain and nurture social relationships throughout a resident's stay and reduce all the environmental factors that may exacerbate their condition, to protect their safety and their well-being.

Units caring for the frailest residents

An observation of the demographic trends among the populations living in homes for the elderly shows it is essential to accommodate the frailest individuals, those with multiple chronic conditions and impaired motor skills in dedicated units with special care plans and arrangements.

These specially designed units meet the needs and expectations of residents and their families. They aim to provide bespoke care, including higher levels of monitoring for residents at risk of decompensation to avoid the need for external hospitalisation. Hospital stays need to be kept to a minimum and as short as possible. Though they may be medically justified, they may often cause deterioration in the condition of the elderly and the frail.

Every detail of the units is tailored to the frailness of the people they look after and to the effectiveness of the service. The units are kitted out with the technical equipment they need to provide the appropriate care in a user-friendly architectural environment.

They operate in a fully autonomous manner, with meals served on site, an area for dispensing care, dedicated staff specifically trained in looking after frail individuals (taking into account specific needs, attentiveness), including nurses, care assistants, activity leaders, psychologists, physical therapist, etc.

Senior assisted-living facilities

In Belgium, Switzerland, Germany and to a lesser extent in France, the Group has also developed senior assisted-living facilities providing accommodation suitable for independent or semi-able-bodied elderly people who want to continue leading independent lives.

These facilities do not provide medical care, but staff are on hand around the clock and can arrange all the services requested by residents, such as hairdressing, events and entertainment, meals, etc. Senior assisted-living facilities have common areas.

The facilities are made up of various type flats (1-room to 3-room) equipped with a basic kitchen and bathroom and on-call assistance. When help is required, the relevant homecare services teams or healthcare professionals can be called upon.

This new type of facility provides residents with a warm and friendly place to live in which everything is designed for their comfort and safety.

Care in nursing homes

Meticulous organisation is needed to look after the elderly requiring long-term care in a nursing home. Care consists of assistance with everyday tasks several times a day. It also includes support, nursing and patient care services. A multidisciplinary team (its precise composition varies according to each country's legislation) is in charge of overseeing care services in the facility, in line with the prescriptions and recommendations of each resident's treating doctor.

Staying true to the values that flow from best professional practice, these multidisciplinary teams provide the care prescribed by the doctors. The care teams overseen by a head nurse as a minimum and, in certain countries, a coordinating doctor, consist of nurses, healthcare and psychosocial assistants. Their exact make-up and structure also vary from country to country.

External healthcare professionals (physiotherapists, speech therapists, and psychologists, etc.) may be brought in based on medical advice to provide additional care. Teleconsultations have been introduced in several countries which help reduce residents' physical medical visits and even decrease the number of unnecessary hospital stays and shorten their duration.

Therapeutic workshops led by paramedical staff help to prevent, slow and combat the risks inherent in later life and for residents requiring high levels of care.

The ORPEA Group relentlessly seeks out innovative new care, communication and security technologies. It develops non-drug-based therapies and tools for fall detection, anti-wandering and physical exercise technologies.

The care requirements and risks of each new resident are assessed by a multidisciplinary team to establish a personalised care plan. Each plan is drawn up individually to meet residents' needs and desires and comply with the best practices in geriatric care.

Integrating the nursing home within the local health and social community helps to make the overall care plan as effective as possible. It creates opportunities for partnerships and access to specialist consultations, telemedicine, lifelong training and the transfer of residents in emergencies.

Bringing in interns and student healthcare professionals can be a great addition to the teams, while giving the future professionals additional motivation and insights.

Nursing home care plans

A personalised care plan is drawn up for each and every resident after discussions with the individual and their family. It takes into account their life story, their wishes and their interests.

Staff endeavour to create a pleasant and welcoming living environment by organising activities on a daily basis.

A coordinated programme of events and entertainment is arranged by a qualified professional with two main aims:

- social and entertainment activities (arts and crafts, shows, days trips, etc.) to sustain residents' occupational interests: ORPEA's priority is to make all its facilities pleasant and warm living places, so that residents can rebuild their often fragile ties with others;
- occupational therapy workshops on keeping up physical and intellectual capabilities (press review, light exercise and balance training, art therapy, etc.) and sometimes even spa therapy and reminiscence therapy, to act preventively against the risks linked to ageing.

Family and friends are invited to take part in the life of the facility to maintain family ties.

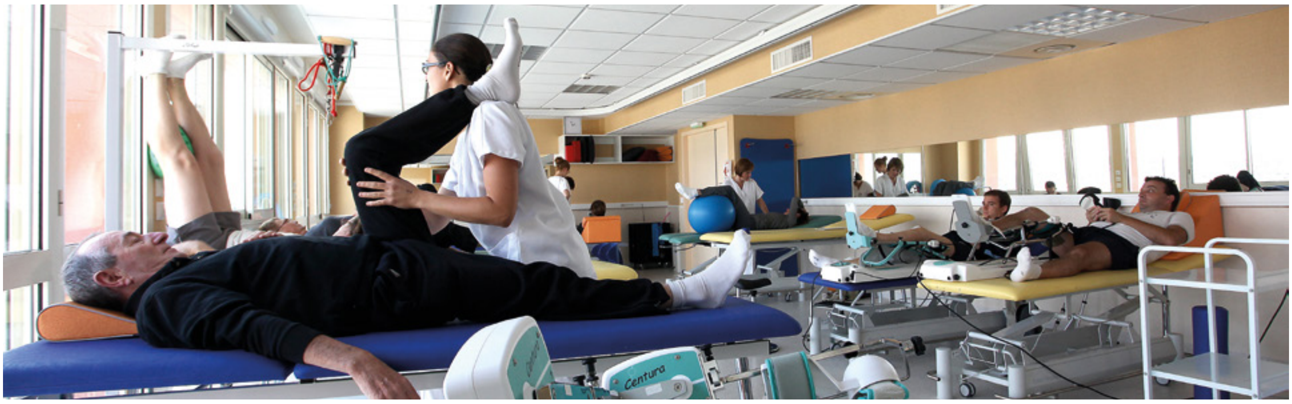
Each nursing home is part of the local and regional social and medical network and has or is able to accommodate a nursery school, school tuition support, students, and local charitable organisations, thereby helping to maintain inter-generational ties.

1.2.2.2 POST-ACUTE AND REHABILITATION HOSPITALS

The ORPEA Group's post-acute and rehabilitation hospitals, which are located in France, Switzerland, Italy, Germany, Poland, Portugal and Austria, care for patients requiring functional rehabilitation or treatment balancing overseen by medical or paramedical teams, and technical units specially designed to cater for each area of specialisation.

The aim is to maximise the patient's chances of recovery and of regaining as much as possible of their former independence, so that they can prepare to return to their social and working life and move back home.

In Germany, the fundamental role of a rehabilitation hospital (and also of a psychiatric hospital) is to help patients to get back to work.



Rehabilitation care services

ORPEA has developed an integrated rehabilitation offering, which comprises both inpatient and outpatient services to meet patient demand for rehabilitation in outpatient and inpatient hospitals so that they can prepare to return home in the best possible manner.

In addition to general rehabilitation, the Group's hospitals have developed specialisations by bringing in professionals with the requisite skills. By doing so, they are able to meet the regional and national health requirements in line with each country's public health targets.

ORPEA has developed the following specialisations:

- **Geriatrics:** dedicated to MCC patients aged 75 years or over, with or at risk of having long-term care requirements. These dedicated units cater to the complex health needs of frail elderly patients arising from the multiple chronic conditions, specific risks of decompensation, loss of physical and intellectual independent living skills, plus psychosocial and family problems in many cases. The care team's gerontological analysis helps to provide personalised care and manage the greater risks facing the elderly. These geriatric units cater for those who have been laid low by a health condition (surgical or medical), either at home or in hospital, and whose frail state risks causing physiological decompensation.
- **Musculoskeletal conditions:** providing specialised care for patients from trauma, orthopaedic or rheumatological departments. These services look after patients suffering from disabling musculoskeletal conditions such as hip and knee replacements, knee ligament surgery, shoulder conditions and rehabilitation for rotator cuffs, post-spinal surgery care or chronic back pain, inflammatory and degenerative rheumatism or sportspeople requiring intensive physiotherapy after surgery.
- **Nervous system diseases:** taking care of patients:
  - after strokes;
  - suffering from a degenerative neurological disease (multiple sclerosis, amyotrophic lateral sclerosis, Guillain-Barré syndrome, etc.) following flare-ups of this disabling disease, intercurrent complications or related surgery (spasticity, ulcers, urology, etc.) for a global assessment of the deficiencies and preventive actions, and arrangement of appropriate homecare and therapeutic assessment.
- The ORPEA Group also has units specialised in looking after patients in a **persistent vegetative state (PVS) or in a minimally conscious state (MCS).** These special units house patients with serious neurological trauma requiring constant high-level care.
- **Cardiovascular conditions:** providing post-operative care for patients who have had heart surgery, a complex myocardial infarction (heart attack) and/or additional complications, or chronic heart failure, infective endocarditis, peripheral vascular disease, or primary or secondary arterial hypertension. The rehabilitation programme consists of reintroducing physical activity for recovery purposes and secondary prevention to make sure patients are better informed about their illness and treatment. It improves patient outcomes, prevents deterioration and reduces the risks of future cardiac problems. It usually includes:
  - medical monitoring;
  - an assessment of physical capabilities;
  - an analysis and assessment of risk factors, and rehabilitation including effort training;
  - therapeutic education about lifestyles, managing the treatment and nutritional advice.
- **Haematology and oncology:** providing "follow-on" care for patients from acute oncology units, whose state of health does not allow them to return home immediately. In most cases, this care caters for:
  - a treatment interval between courses of chemotherapy for frail patients at high risk of decompensation;
  - patients who need to learn how to use medical devices with which they have been fitted;
  - the balancing of pain treatments;
  - enteral or parenteral nutrition;
  - the monitoring of side effects of active or palliative treatments.

The Group's rehabilitation facilities have qualified multidisciplinary medical and nursing teams on hand. They are made up of generalist and specialist physicians, nurses and professional healthcare assistants, rehabilitation and psychosocial professionals, plus pharmacists in certain countries. To implement the personalised treatment plans, teams make use of high-performance systems catering to each type of rehabilitation offered, depending on each facility's medical specialisation.

Patients are enrolled in conjunction with doctors from specialised centres and recognised hospital units, giving each rehabilitation hospital its own network to call on in its area of specialisation.

To create the right environment to promote well-being and convalescence, the Group's hospitals offer a diverse range of high-quality accommodation.

1.2.2.3 PSYCHIATRIC HOSPITALS

The Group's psychiatric facilities in France, Switzerland, Germany, Austria, Spain and Italy accommodate patients with mental health conditions.

These hospitals constantly strive to raise their standard of care and safety, and this is reflected by their high level of accreditation – a requirement in certain countries.

To provide patients and those close to them with the best possible care, the ORPEA Group's hospitals relentlessly pursue the development of new techniques and innovate in mental health. In certain cases, they work independently, and in others they work with partners such as teaching hospitals, e-health companies, and institutes providing training in the latest approved therapies.

This strategy has led to the implementation of complementary innovative evidence-based techniques such as mindfulness, EMDR, Deep TMS, Neurofeedback, virtual reality therapy and online health systems.

To underpin this active treatment approach, the Group's hospitals have invested in a mental health education programme for patients and their friends and family. This aims to broaden their knowledge of conditions and enhance their ability to treat themselves, making them full partners in the process.

As part of the same drive to personalise care as far as possible, the Group has set up specialised, expert units dedicated to certain types of patient based on their condition or their age.

Aside from inpatient hospital care, the Group provides patients with alternative solutions, such as outpatient and night hospital units. These forms of hospitalisation provide better continuity of care and help to prevent relapses or re-occurrences of conditions.

Psychiatric care offering

The Group takes a resolutely multidisciplinary approach in the treatment provided at its hospitals. This allows each category of nursing staff to use the full breadth of their expertise, with a doctor coordinating them. Treatment is laid down in a personalised care plan, which is put together by a team to meet the patient's needs as effectively as possible.

In this approach, the referring doctor coordinates the personalised care provided, as well as medical treatment and part of the psychotherapeutic treatment, which may involve psychotherapists, psychomotor specialists, occupational therapists, art therapists, sports physiotherapists, etc., depending on the facility and country.

Conditions treated in the Group's hospitals include:

- mood disorders;
- anxiety disorders;
- obsessive-compulsive disorders;
- addictions;
- eating disorders;
- sleep disorders;
- personality disorders;
- ageing-related psychiatric disorders;
- psychosis;
- overexhaustion or burn-out;
- recently discovered disorders, such as chronic fatigue syndrome, fibromyalgia;
- psychosomatic conditions;
- post-traumatic stress disorders.

At the ORPEA Group's instigation, some of its hospitals have developed specialist skills in certain areas. Several of its facilities have now gained real expertise and indeed excellence in the treatment of certain disorders or certain age groups with specific requirements:

- Geriatric psychiatry units care for and treat elderly patients with age-related psychiatric pathologies, such as changes in how their disorder manifests itself as a result of the ageing process. They are cared for by geriatric psychiatrists, a geriatrician, a neuropsychologist, a neurologist and an enhanced paramedical team;
- public/private cooperation units in France, which look after patients from the public sector through close cooperation between the systems. These public-private partnerships are regarded as unique in France;
- Child psychiatry units, which cater for children and teenagers between the ages of 8 and 15 who have mood, anxiety, attention deficit and hyperactivity disorders;
- Young adult units, which accommodate patients aged between 16 and 25 and are able to implement treatment plans specially geared for this age group;
- Parent-child units, which aim to care for both parent and child where post-natal depression has occurred as well as with difficulties arising during the care of a parent with mental illness or addiction.

The care offering also includes:

- Psychosocial facilities in the Netherlands dedicated to chronic mental health disorders, which focus on preparing patients for their return to social and professional life;
- Psychosomatic hospitals in Germany and holistic facilities in Switzerland which provide care for patients with chronic physical and mental illnesses or social ill-being, with the aim of supporting their return to social and professional life.

In France, a psychiatrist provides logistical and methodological support to medical teams as part of a shared vision facilitating innovation to ensure a consistent approach and promote the widespread adoption of innovative initiatives. This role also encompasses corroborating the scientific foundations, compliance aspects and ethical clinical practice.

Treatment

Treatment may be provided to patients individually or in groups based on a combination of drug-based and various psychotherapeutic and technology-based approaches.

Depending on their country, culture and training, practitioners may use one or more of the psychodynamic, cognitive and behavioural, interpersonal, hypnosis-based, support and systemic models, as part of an institutional approach based on integrative psychotherapy.

This framework gives rise to a medical plan catering to the specific needs of the patients cared for and the conditions being treated.

To improve the efficacy of treatment for some conditions, the Group's hospitals are equipped with innovative technology.

In France, for example, as well as electroconvulsive therapy, therapeutic options include:

- Deep TMS: deep transcranial magnetic stimulation of the parts of the brain affected by the condition being treated. This technique is applied in the treatment of depression, obsessive-compulsive disorders, post-traumatic stress disorder syndrome and certain addictions;
- Neurofeedback: the effects of this may be beneficial in certain forms of depression and anxiety, as well as in sleep disorders and in hyperactivity;
- Virtual Reality therapy: exposure in a VR environment, as part of cognitive and behavioural approaches to the treatment of specific anxiety disorders;
- Cryotherapy;
- e-health: connected wristbands used in the treatment of sleep disorders and consumption of benzodiazepines.

1.2.2.4 HOMECARE SERVICES

To meet the expectations and needs of people with temporary or permanent loss of independent living skills owing to health conditions or disabilities, the Group offers complementary homecare services in France, Austria, Switzerland and Germany and in-home hospitalisation services in Switzerland.

These services may be useful after a hospital stay or for the elderly, whether or not with loss of independent living skills, and they provide personalised support tailored to their home. What people with loss of independent living skills seeking to stay in their homes want most is to be able to attend to their daily needs, be able to go out and keep loneliness at bay. After an accident or illness, what they want most is to get back to where they feel at home.

ORPEA offers a range of services for the elderly keen to carry on living at home:

- housekeeping services, including cleaning, meals, ironing, gardening and household errands;
- daily life assistance services, including day or night supervision, assistance with hygiene tasks, meal-time assistance;
- movement assistance services, either on foot or in a vehicle;
- in Switzerland, nurses and physiotherapists either in the home or at senior assisted-living facilities to provide technical care and rehabilitation.

The Group's qualified and experienced carers are able to provide in-home support either as required or on a regular 24-hours-a-day, 7-days-a-week basis, in a manner tailored to the needs, habits and lifestyle of each individual.

1.2.3 A EUROPEAN NETWORK

The ORPEA Group, now one of Europe's leading long-term care providers, had a unique network made up of **103,032 beds** in **1,004 facilities** across **19 countries** in Europe, China and Latin America at 31 December 2019.

FRANCE BENELUX CLUSTER: 44,068 BEDS (500 FACILITIES)

France

The ORPEA Group was founded in France in 1989. The French network had 352 facilities (34,023 beds) at 31 December 2019:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals;
- senior assisted-living facilities.

ORPEA also provides homecare services through its DOMIDOM and ADHAP networks.

ORPEA has pursued an expansion strategy of setting up new facilities and making selective acquisitions.

The Group's facilities are spread across most of France, and its footprint has been crafted to give it a presence in regional departments with a high population density, in or close to major cities, where demand is strongest.

The Group's facilities are thus concentrated in the Île-de-France (Paris and its outer western suburbs), Provence-Alpes-Côte d'Azur, Aquitaine, Poitou-Charentes and Rhône-Alpes regions, where it has over 20 facilities per region.

Belgium

ORPEA Belgium has a network of 64 facilities with 7,419 beds, comprising:

- senior assisted-living facilities for those able to live independently;
- nursing and care homes for semi-able bodied, dependent and disoriented elderly people.

ORPEA first moved into the Belgian market in 2006 and has since actively pursued its development policy both by obtaining licences to open new facilities and by making acquisitions.

Over time, ORPEA Belgium has become one of the leading networks of facilities specialised in care for the elderly.

The majority of the facilities in Belgium are located in Flanders and Brussels, and, as elsewhere, most of its facilities are in town or city centres or close to large conurbations.

Since 2015, ORPEA Belgium has embarked on a major drive to open new facilities and to redevelop existing facilities. The new facilities will be large (150 to 200 beds), and built to a very high standard of quality. In many cases, they will provide a combination of nursing homes and assisted-living facilities, at locations in towns, cities and regions with high purchasing power.

Netherlands

ORPEA moved into the Netherlands in 2018 by acquiring:

- DAGELIJKS LEVEN, one of the top nursing home operators in the Netherlands with a network of 800 beds in 40 facilities;
- WOONZORGNET, a well-known expert in providing long-term psychiatric care with 162 beds.

The Group then strengthened its presence by acquiring ALLERZORG, a home care specialist, and SEPTEMBER, which has a network of nursing homes with 125 beds. Both companies will be consolidated from 1 January 2019.

ORPEA had 2,261 beds (82 facilities), including 1,042 beds under construction at 31 December 2019.

Luxembourg

Construction of two facilities (365 beds) located in Luxembourg City and in the Luxembourg canton commenced in 2018.

CENTRAL EUROPE CLUSTER: 26,491 BEDS (249 FACILITIES)

Italy

ORPEA Italia's network of 3,229 beds in 27 facilities comprises:

- flexible residential facilities providing various types of specialised care for the semi-able bodied, including convalescence, stabilised psychiatry, and treatment for mental health and physical disabilities;
- medical residence facilities: nursing homes for patients with Alzheimer's disease and patients in a coma;
- psychiatric hospitals.

ORPEA opened its first facilities in Italy in 2004 and then grew primarily by establishing completely new facilities.

The Group boasts a high-quality network in northern Italy (Piedmont and the Marches region), which stands out with its recently built, high-quality facilities offering almost exclusively private rooms.

Switzerland

In Switzerland, ORPEA has a network of 37 facilities accounting for 3,679 beds, comprising:

- a psychiatric hospital in Nyon, acquired in 2006 and completely redeveloped since, which has 150 years' experience in treating mental health disorders;
- a psychiatric hospital in Susch, close to Davos, which was acquired in 2018;
- a treatment and rehabilitation centre for post-acute and rehabilitation care, built by the Group and opened in 2013;
- a psychiatric and rehabilitation facility in Veyrier built by ORPEA that opened in 2018;
- combined nursing home and senior assisted-living facilities at a single location, following on from the acquisition of the SENEVITA network in 2014, which exclusively covers areas in German-speaking Switzerland (Bern, Zurich, Basel, Aargau, Solothurn and Fribourg cantons);
- a range of home care and services delivered via the Spitex Ville et Campagne network, which operates across 25 cantons. Thanks to this acquisition in late 2016, ORPEA is now Switzerland's leading private network of care and home care services for the elderly.

Germany

At 31 December 2019, ORPEA had a network of 19,583 beds in 185 facilities consisting of:

- nursing homes;
- post-acute and rehabilitation hospitals;
- psychiatric hospitals.

ORPEA first established a presence in Germany in July 2014 when it acquired SILVER CARE, the leader in quality care for the elderly.

Since 2014, ORPEA has expanded in Germany by acquiring:

- CELENUS KLINIKEN, Germany's third-ranked operator of post-acute care, rehabilitation and psychiatric hospitals;
- Residenz Gruppe Bremen, a regional network of nursing homes, that complements SILVER CARE, expanding ORPEA's footprint in northern Germany;
- VITALIS, a regional network of nursing homes, expanding ORPEA's footprint in southern Germany.

In addition to these acquisitions, ORPEA has continued to pursue organic growth in Germany. It has embarked on numerous projects to open new facilities, with 2,929 beds under construction and due to open over the next three years.

Its facilities in Germany are recently built, modern and boast some of the highest private room occupancy rates in the country at close to 80%.

ORPEA also cemented its premium positioning through the acquisition of the Axion group, which has a network of seven nursing homes (985 beds), including two premium facilities located in Hamburg. Axion will be consolidated from 1 January 2019.

EASTERN EUROPE CLUSTER: 14,419 BEDS (135 FACILITIES)

Austria

ORPEA moved into Austria in January 2015 when it purchased the SENECURA group, Austria's leading private-sector long-term care provider with an integrated range of services supporting people in their later lives and providing the care the elderly need:

- nursing homes;
- rehabilitation hospitals;
- home care and services.

Pursuing the same approach as it does everywhere else, ORPEA has expanded SENECURA's network in Austria through selective acquisitions, as well as extensions and the opening of new facilities. In 2017, SENECURA extended its leadership position in Austria by acquiring Dr. Dr. Wagner, an operator of post-acute and rehabilitation hospitals and nursing homes.

SENECURA operates a network of 7,815 beds in 85 facilities.

Czech Republic

ORPEA expanded into the Czech Republic through its acquisition of SENECURA, which had three nursing home projects underway in the country when it was purchased. The first two facilities opened up in 2016, and have enjoyed great success in the country, where there is very little high-quality capacity.

SENECURA continued to expand in the Czech Republic, pressing ahead in 2017 with new plans to build nursing homes and purchasing Anavita, the country's leading private-sector nursing home operator, plus other selective acquisitions. SENECURA's network now has 19 facilities containing a total of 2,725 beds, making it the Czech Republic's leading operator.

Poland

ORPEA expanded into Poland in January 2016 when it bought the MEDI-SYSTEM group (704 beds). MEDI-SYSTEM is Poland's leading long-term care facility operator in the private sector, and its multidisciplinary long-term care offering includes nursing homes, post-acute care and rehabilitation hospitals.

MEDI-SYSTEM boasts a high-quality network with large-scale, recently built facilities (100 beds on average) located mainly in Warsaw with a first-class reputation. Numerous plans to build new facilities were set in motion, and MEDI-SYSTEM's network now boasts 23 facilities with 2,886 beds.

Slovenia

ORPEA expanded into Slovenia in 2019 with the acquisition of five nursing homes with 551 beds. Through these acquisitions, the Group is also present in outpatient dialysis care. Two construction projects are underway, representing 242 beds.

Russia

In 2019, ORPEA entered into an operational partnership with Bpifrance and RDIF, the Russian sovereign wealth fund, to establish post-acute and rehabilitation hospitals in Russia. Under this agreement, an initial project has been agreed with the Russian government and Moscow city authorities to develop a post-acute and rehabilitation hospital at the Moscow International Medical Cluster. The 200-bed rehabilitation facility with 50 outpatient beds will specialise in care for orthopaedic, cardiology, neurology and oncology patients. It is scheduled to open in 2022.

In this developing segment, the Russian government wants a leading contender to take shape as a partner to collaborate on establishing a network of post-acute and rehabilitation hospitals nationwide to help Russian patients recover and return to work and/or living at home.

IBERIAN PENINSULA CLUSTER: 17,914 BEDS (119 FACILITIES)

Spain

ORPEA Ibérica has a network of 64 facilities with 11,077 beds. ORPEA Ibérica doubled in size in 2016 with the acquisition of the Sanyres group and other acquisitions of independent facilities.

ORPEA began its expansion into Spain in 2006 when it acquired Grupo Care. It then continued its development through selective acquisitions, building up a network of high-quality and attractive facilities. ORPEA is now a leading player in Spain, providing:

- high-quality care services for the elderly requiring long-term care;
- protected units specially geared to the needs of elderly people with Alzheimer's disease;
- mental health care and support;
- modern facilities with a far higher percentage of single rooms than the average the sector in Spain;
- prime locations with a majority of its beds in Madrid, Barcelona and Valencia.

Brazil

ORPEA expanded into Brazil during 2017 together with the SIS group, with which the Group has a longstanding relationship. ORPEA and SIS set up a joint venture 49.9%-owned by ORPEA, which exercised its option to buy out the remainder of the share capital during Q3 2019. Brazil is now fully-consolidated since 1 October 2019.

ORPEA thus has 2,281 beds under construction (15 nursing homes) in areas with high purchasing power such as São Paulo, Rio de Janeiro and Fortaleza and four already open facilities (471 beds) acquired during 2018, all located in São Paulo. ORPEA aims to drive its expansion principally through the creation of new facilities so that it can help meet the very strong demand for long-term care, with high-quality accommodation almost practically non-existent at present.

Portugal

ORPEA moved into Portugal in 2017 via a joint venture with the SIS group. ORPEA owned a 49.5% stake and owns 100% since 1 October 2019.

Portugal accounts for 3,108 beds (29 facilities) of which 728 beds are open, acquired in 2018 and 2019, and located near Sintra and Coimbra (an additional 812 beds compared with 2018).

Uruguay

ORPEA moved into Uruguay in 2019 with the acquisition of the only high-quality nursing home in Montevideo. Two other facilities are currently being built in Montevideo. ORPEA Uruguay has 326 beds (three facilities), of which 100 beds are open.

Mexico

ORPEA expanded into Mexico in 2019 with the acquisition of a high-quality facility in Mexico City. An upscale facility is also under construction in Guadalajara, Mexico's second most populated city. The network thus includes 330 beds (two facilities), of which 125 beds are open.

Colombia

Two facilities are currently under construction in Bogota, with a total of 321 beds.

REST OF THE WORLD CLUSTER

China

In 2016, ORPEA opened a 140-bed facility in Nanjing, its first in China. This nursing home cares for residents with major long-term care requirements in high-end accommodation.

The facility provides a unique showcase for ORPEA's know-how in a country experiencing tremendous demand. As the first foreign group to open a high-end facility in China for elderly people requiring long-term care, ORPEA has gained an excellent reputation, attracting interest from major Chinese public- and private-sector investors. The Group plans to continue its development, while controlling its risk exposure by entering into joint venture agreements with leading Chinese groups under which it would manage their facilities.

1.3 KEY PILLARS OF ORPEA'S BUSINESS MODEL

ORPEA's fast-paced expansion over the past 30 years, which is set to continue in the coming years thanks to the sector's robust fundamentals, has been underpinned by four constant key pillars:

- its core values of high ethical standards, respect, attentiveness, trust and a professional conscience;
- an unerring focus on quality through continuous improvements, which forms the basis for ORPEA's services;
- a centralised organisation to achieve efficiency and quality;
- a long-term real-estate strategy geared towards ownership of a significant portion of the real estate portfolio.

1.3.1 STRONG CORE VALUES

Ever since its founding, ORPEA has always aimed to deliver the highest standards of quality of life, care and accommodation to all its residents and patients.

As an operator providing services 24 hours a day, 7 days a week, ORPEA recognises that it will inevitably on occasion fall below its high standards and make mistakes. Mindful of this, ORPEA and all its staff relentlessly and regularly pursue any scope for optimisation or improvements to the services delivered to residents and patients.

To secure its business over the long term and safeguard the interests of its patients and residents, and also of its employees, the Group established a series of commitments from the very outset underpinned by the core values of compassion, loyalty, professionalism and humility, which it adapts to every country where it operates based on the specific national requirements.

The term 'value' has both a financial and a moral sense.

ORPEA believes it cannot create any value without core values guiding its actions and forming the basis of its corporate culture.

Its ability to invest in people to enhance relationships and ethical standards, rather than in purely technical knowledge, is paying off. The Group's reputation rests on basic values such as attentiveness, compassion, empathy, approachability and human warmth, which are equally important as its technical skills and expertise.

Satisfaction surveys underline the essential nature of these values, with comments from residents, patients and their families focusing on the kindness of staff at least as often as they do on the quality of care. To sum up, the primary source of Group's value is unquestionably the human warmth provided by its employees.

Since ORPEA's business largely consists of dealing with flaws when they arise on a daily basis, any points of criticism that come to light in questionnaires also represent potential areas of improvement for the Group. The Group's permanent quest for improvement is firmly anchored in its values.

HIGH ETHICAL STANDARDS ON A DAILY BASIS

An attachment to high ethical standards underpins all these values and guides the Group in the articulation of its quality policy and training programmes.

The code of ethics set out in the best practices handbook contains professionally designed and fully validated commitment charters.

While this approach has its merits, the number of staff members who actually read and take these guidelines to heart is open to question.

Mindful of this concern, the Group has embraced an original approach to developing ethical frameworks, which involves getting staff at each facility to produce their own code of ethics.

This approach began over 20 years ago, with the assistance of two independent consultants specialised in the ethics of healthcare. All teams are asked to choose values that seem to them to be most important in their job and for ensuring the well-being of the people in their care (such as respect, attentiveness, skills, mutual assistance, trust, professional conscience, etc.).

Five to seven of these values are selected by staff as the most important. The next step is to invite each staff member to attend group workshops at which participants draw up brief guidelines to explain each value, and then choose a picture or image to illustrate it.

This method of producing a code of ethics is opened up to all members of staff – cleaners, nurses, invoicing staff, receptionists, care assistants, waiting staff, doctors, chefs, directors and support staff. Overall, around 80% of employees attend on average 18 hours of ethical planning and analysis, representing around three hours per key concept/value.

Lastly, the results of this work are put together in charter form, which is displayed throughout the facility and formally adopted by all the staff.

New staff members are asked to read through and comment on the charter, with existing staff on hand to introduce it and provide context. Residents, patients and their families frequently comment in detail on these charters.

To some extent, ethics and values provide the real glue binding teams together at these facilities.

Once the staff at a facility have drafted, assimilated and firmly taken on board these values and ethics, their behaviour tends to be increasingly aligned with the principles laid down. This process is backed up by internal training modules on issues such as preventing mistreatment, and promoting the positive treatment of residents and patients, which are arranged on a regular basis.

In 2015, the ORPEA Group set up an International Scientific and Ethics Council to entrench this approach and help foster a pragmatic culture of clinical ethics and innovation in caring. This Council is made up of leading European figures in the field of geriatrics, and its role is to answer ethical queries submitted by the Group's professionals.

1.3.2 QUALITY AT THE HEART OF DEVELOPMENT

For many years, the ORPEA Group's quality-led approach has been a fundamental part of the Group's business, rather than actually being a regulatory requirement.

Because people are central to what it does, and because it believes that sustainable development cannot be achieved without quality, continuous quality improvements to its services and practices are central to the ORPEA Group's main strategic aims.

The ORPEA Group has implemented a pro-active and exacting quality policy in all its facilities.

The ORPEA Group's quality policy is predicated on:

- protocols and care procedures that are harmonised and continuously improved;
- satisfaction surveys;
- internal assessments and external appraisals;
- competitions and other awards;
- staff training.

The ultimate goal of all the quality procedures in place within the Group is to give each employee a clear sense of purpose, so that they can establish the bonds that are needed for high-quality care.

1.3.2.1 STRUCTURE OF THE QUALITY PROGRAMME

The quality department reports to the Chief Operating Officer in each country and works closely with the operating divisions and the headquarters functions.

The quality department's tasks are to:

- provide methodological support to facilities for the implementation and monitoring of their quality and risk management programme;
- support facilities with their external assessment processes (certification, external assessment);
- develop tools for:
  - training and assessment to enhance teams' knowledge,
  - planning and follow-up on procedures,
  - monitoring, such as scorecards, indicators, quality metrics;
- hold the Quality Awards;
- organise the annual satisfaction survey of residents;
- conduct audits, as a team training exercise, or to check on the quality of services delivered to residents/patients;
- keep track of regulatory changes and manage documentary resources as part of the quality, risk management and regulatory monitoring programme in relation to facilities' various activities.

The quality department provides facilities with support and advice on implementing the programme, monitoring and controlling the measures taken, and methodological assistance with devising tools to help manage the programme consistently across the entire Group.

Facilities are asked to produce a quality dashboard every month and send it to the quality and operations departments, and this helps to track the quality programme's continuous improvement process, so that any potential risks can be detected and prevented.

In each country in which ORPEA operates, the quality department's teams strive to implement the Group's quality system and quality programme at the very heart of facilities, working closely with the medical departments and other expert support services. The quality departments of the various countries keep in close touch with the Group's quality department to ensure the Group's quality policy is applied consistently. This means checking that values are respected and risks managed, in accordance with the local regulations.

For over 20 years, strict procedures – standardised across the network – have been implemented and are constantly evolving. These procedures are backed up by internal training in best professional practices (Alzheimer's disease, prevention of mistreatment, recommended movements and postures, safety, etc.), refresh and enhance teams' knowledge and share insights and experiences.

The monitoring and tracking of Group facilities by the quality department and medical department provide a secure environment for residents, patients and employees. As a result, all aspects of accommodation, comfort, care and safety can be controlled.

1.3.2.2 REGULAR FACILITY ASSESSMENTS

To track and verify progress made by the quality programme across the Group, internal and external assessments are carried out at all its facilities.

The benefits of the proactive quality improvement programme ORPEA has implemented since 1998 are clear in the results of external assessments of the Group's facilities.

Internal assessments

Internal assessments carried out by the regional departments, quality department, medical department and/or executive management, provide an opportunity to confirm that the Group's procedures have been taken on board and are applied and that protocols are perfectly grasped.

They also ensure that remedial actions taken are followed up properly over the long term.

External assessments

External assessments and certifications represent a source of transparency for residents and their families, guaranteeing that facilities honour their commitments concerning the consistency and quality of the services provided over time.

The quality approach is a continuous, never-ending process, of which certification is just one part, with its actions continuing over the long term.

Hospitals

In France, a compulsory external assessment is carried out at all health facilities (both public and private) by the Haute Autorité de Santé (HAS), an independent public authority with a scientific remit. It covers all of a healthcare facility's operations and practices and aims to ensure that safety and quality of care requirements are actually taken into account by the facility.

Certification requires effective participation by all a facility's professionals in a self-assessment process, which is based on the certification handbook published by the HAS and inspections by HAS experts. A multidisciplinary steering committee is thus tasked at each of the Group's hospitals with monitoring the quality programme on a permanent basis.

As part of the certification process, health facilities have to report on their quality and risk management policy every 18 to 24 months through the quality account. HAS experts also carry out an on-site inspection every four years.

Satisfactory results have been achieved by the Group's hospitals that have already taken this certification. The HAS inspectors have highlighted some remarkable achievements at some of the Group's hospitals as part of this process. These are presented as noteworthy initiatives in the certification reports.

In Germany, hospitals must also undergo a mandatory certification process that meets standards approved by the BAR *(Bundesarbeitsgemeinschaft für Rehabilitation).* This certification has to be renewed every three years, and is required to maintain a licence to operate. Annual inspections in the intervening years are also required.

In Italy, the accreditation process is carried out either by an approved inspection agency, the regional health department or an independent public authority, depending on the region.

In Austria, controls are carried out in hospitals by the health authorities in line with regulatory requirements ("*Krankenanstalten-und Kuranstaltengesetz*" and "*Gesundheitsqualitätsgesetz*"). Facilities are awarded international GNTH certification (*Global Network for Tobacco Free Healthcare Services*): "bronze member".

In Switzerland, there are no specific requirements, but the hospitals have decided to achieve ISO 9001:2008 certification.

In Spain, the López Ibor clinic specialised in adult psychiatry and in paediatric and adult psychology gained SGS ISO 9001:2015 certification in March 2019, without any non-conformity.

Nursing homes

In France, nursing homes are obliged to commit to continuously improving activities and service quality, which entails the implementation of self-assessments and an external assessment by an independent organisation.

Every five years, a nursing home has to carry out a self-assessment of its activities evaluating the actions it has taken and their impact on residents. The internal assessment is participation-based, with residents, families and professionals all taking part. The funding allocated by the supervisory authorities (regional health agency and departmental council) under a tripartite agreement is contingent upon the results achieved and improvement projects.

In parallel, a nursing home must commission an external appraisal every seven years by consultants from outside the facility who have been approved by the ANESM (French national agency for the quality and assessment of nursing homes). The appraisers consider very carefully whether service users' rights have been upheld and whether the nursing home's actions are aligned with its facility plan. The results of this appraisal determine whether the facility has its operating licence renewed.

At 31 December 2019, all ORPEA Group facilities obliged to have external assessments had fulfilled this obligation by submitting their external assessment reports to the supervisory authorities in due time.

In Spain, AENOR, the international certification body approved by the Spanish health ministry, conducts a multi-site certification audit (after upgrades to comply with ORPEA recommendations and the UNE Standard – EN – ISO 9001:2015) subject to renewal every three years. It awards an accreditation certificate for public display in each facility.

The administrative headquarters and facilities are audited by AENOR's specialist auditors.

At the headquarters, the auditors run the rule over the procurement and HR processes as well as the quality policy and continuous improvement process.

The facilities undergo a full on-site assessment covering:

- compliance with the regulations and standards in all areas of the facility's activities;
- customer satisfaction;
- handling of compliance failures, follow-up on remedial and preventative measures;
- monitoring and internal training.

For 2019, all facilities and the ORPEA Ibérica's headquarters had AENOR certification as did all the Ecoplar sites.

In Belgium, Group facilities took part in the first national certification programme carried out by the Federal Agency for the Safety of the Food Chain (AFSCA — Agence Fédérale pour la Sécurité de la Chaîne Alimentaire) undertaken by independent auditors and certified by the AFSCA. 19 sites obtained this quality catering certification as of its introduction; certification visits for ORPEA Belgium's other facilities have already been scheduled.

In Switzerland and Portugal, quality audits are implemented by the supervisory authorities to confirm that the quality standards applicable in each region are correctly applied. These audits cover best practices in care for residents and make sure that an appropriate number of qualified staff are present for the elderly population being cared for.

In Switzerland, the care documentation is also audited by insurers (cantons and health funds). Likewise, an external audit conducted by the supervisory authorities covers health and safety aspects among others.

In Italy, the assessment carried out by an ASL (regional health agency) commission is mandatory. These appraisals encompass all aspects of a healthcare facility's operations and practices, and they aim to ensure that the safety and quality of care requirements are actually met by the facility. An overall score of over 90% was achieved, and all the facilities subject to assessments were accredited in 2019.

In Germany, all facilities undergo annual inspections by the MDK *(Medizinischer Dienst der Krankenkassen),* the medical service of health insurance funds. It applies a methodology and framework defined in Book XI of the German Social Code and approved by the Ministry of Health. These audits include a review of a sample of nine residents, with three taken from each level of care requirement *(Pflegestufe).*

To promote transparency in care quality for the elderly, a synopsis of MDK inspections is published for each nursing home in Germany and has to be displayed conspicuously in the facility. This transparency report *(Transparenzbericht)* includes an overall rating of between 1.0 (very good) and 5.0 (inadequate), plus specific scores for the following areas:

- personal care and medical care (up to 32 criteria analysed);
- care of dementia patients (up to nine criteria);
- events and entertainment and social life (up to nine criteria);
- accommodation, meals, cleanliness and hygiene standards (up to nine criteria).

The scores of the facilities inspected across Germany in 2019 averaged 1.3 (very good).

In 2019, nine centres for seniors in the Rhineland area took part in a voluntary programme testing the atmosphere created within the facilities in terms of friendliness. They received the "*Grüner Haken*" (green tick) award for friendliness and promotion of quality of life in caring for the elderly and people with disabilities.

About 100-200 functions are interviewed by the auditors concerning the autonomy, participation and human dignity priorities. Sensitivity is shown to residents during the process of performing audits. The auditors use a checklist of 102 points, with great importance placed on openness and traceability. The results are published on the internet.

A facility is awarded the German "*Hygienesiegel*" hygiene seal of approval by the German Federal Association of Cosmetic and Foot Care Companies, based on the BSO2079 standard. The German hygiene seal of approval is awarded to companies which have been tested in accordance with standard 2079 and which have proven exemplary hygiene practices.

In Austria:

- nursing homes are subject to an annual audit by the authorities ("*Pflegeaufsicht*") covering respect for residents' rights, the quality of care provided, and compliance with health and safety standards in conjunction with the federal health ministry. The Austrian operations have gained a seal of quality (WHP quality certification) for their efforts to provide a healthy workplace (ÖNBGF). In recognition of this, they receive a plaque and a certificate for their business strategy, which aims to prevent occupational illnesses, enhance employees' health and improve their well-being;
- two SENECURA nursing homes are part of a national pain control and management programme led by PAINCERT, a company specialised in the certification of care facilities' pain management approach. SENECURA obtained nationwide accreditation covering pain management in these units;
- four facilities obtained *E-Qalin Österreich: IBG Institut für Bildung im Gesundheitsdienst GmbH* certification during 2019 in Austria covering the management, improvement and quality of care, providing nationwide accreditation for display in all the relevant homes.

  With this certification, they are able to use Nexus/E-Qalin software covering the demands of E-Qalin quality management. The technical concept, pricing models, small device management and practical arrangements provide maximum flexibility and lower the training and project costs, while also making the process as transparent as possible;
- two facilities were placed 864 and 866 respectively in the Top 1000 business rankings in Lower Austria (Echo Top 1000 Unternehmer). Since 2015, the Top 1000 business rankings have been published in the business publication for Lower Austria with great success. The magazine is very popular with commercial operators, managers and employees, and it is used as a source of information and a reference;
- in 2019, 6 facilities scored 3/5 or 4/5 in assessments conducted by the Vorarlberg state authorities, and thus received an award that is given to businesses buying a high proportion of local produce to cover their catering requirements;
- in 2018, the quality certification for supporting and integrating people with disabilities in the employment market:
  - three facilities received this award from the Vorarlberg state authorities,
  - one facility received an identical award from the Tyrol social ministry;
- three "family-friendly organisation" *(Familien-Freundlicher Betrieb)* seals of approval from the federal ministry for families and young people;
- four facilities received accolades from the health promotion fund (attached to the health ministry) and regional insurance fund *(Steiermärkische Gebietskrankenkasse)* for promoting occupational health for employees;
- six annual *Verein Ökoprofit* certifications in 2019 for the sustainable development policy of these facilities.

SENECURA was awarded the 2019 TeleIOS prize for innovation, quality and sustainability in Austrian care for the elderly, in two categories:

- **in the "Employees" category,** with "SENECURA Competence Management", a personnel and skill management strategic development software: the group was awarded first place.

  The "closer to people" philosophy forms the basis of the valued coexistence between residents, loved ones and employees. To implement this philosophy in the best way possible, a skills management system was developed by the SENECURA Academy and a tailor-made software rolled out. Following a 6-month design phase, the project was extended to the rest of Austria during spring 2018. The TELEIOS jury particularly praised the project's sustainability. The skills management system helps clarify the strengths and potential of each employee and supports them in their individual development and career prospects. In the jury's opinion, the significant strategic development of personnel has increased the attractiveness of the nursing profession.
- **in the "Residents" category,** the "Telemedical Wound Consulting" project was awarded third place. **Two awards for outstanding projects:** "Bronze Medal" for the following projects:
  - **wound consulting;** SENECURA has its own certified wound managers in each Austrian region, but in the case of highly complex injuries the dermatology expertise of specialist doctors is also essential,
  - **The use of digital solutions in the care offering.**

Both of these awards are the result of the Group's unwavering commitment to the quality of care and innovative practices.

In addition to these two awards, SENECURA also received three other nominations: the SENECURA Group for the "Wohnmonitor Alter" project and the SENECURA Care Center Villach for its "Diabetes Carinthia" project in the Leadership category, and the SENECURA Social Center Purkersdorf for the "Introduction of Process Communication Model 'PComCare'" project at a nursing care facility.

In addition, the Austrian ministry for labour, social affairs and consumer protection has created a national quality certificate (NQZ). This is awarded to facilities that have implemented a genuine quality programme and meet the highest quality standards. SENECURA is actively involved in this certification process that takes around two years. It aims to secure certification for all its facilities over the next few years. In 2019, nine additional facilities obtained this certification.

In the Czech Republic, the quality system has only just been started, and is due to be built up over the coming years. The quality-related obligations are laid down in the regional regulations, with inspections carried out by the city or municipal authorities.

In Poland, the external ISOCERT 9001:2015 accreditation was achieved (after efforts to meet ORPEA recommendations and the ISO 9001:2015 standards) without any compliance issues being raised for eight facilities.

In China, the Civil Affairs Department awarded five stars to the Nanjing residence: a mandatory national classification. The Classification ranges from "A" to "5A". Criteria varies and become more stringent as the classification level increases. Each criterion corresponds to a score. For a facility to maintain or upgrade its current classification, it must achieve more than 800/1,000 points. In the event of major non-conformities, the site is downgraded.

The points assessed:

- Fundamental conditions: various licences;
- hardware: number and type of beds, plans, surface area, premises and their use;
- internal organisation: administrative, safety, HR, financial, IT systems, etc.;
- Services provided: hygiene (nursing and technical care), hygiene of the premises, catering facilities, rehabilitation units, medical organisation, precautions taken in terms of safety, events and entertainment, psychological support, end-of-life care, personalised services;
- social reputation: assessment by governmental departments, assessment of resident satisfaction.

In Brazil, the Ministry of Trade and Services awarded the "best nursing home" of the year certificate to two of the Group's facilities.

All of these certification results are displayed at the facilities in question and made public in each country.

Homecare services

In France, ORPEA has set in motion the process of gaining Qualicert certification for its homecare services based on the SGS Services for individuals RE/SAP guidelines. This certification helps to build trust among customers and partners, since it provides evidence of:

- standardised practice across the network;
- the professionalism of its employees;
- services tailored to customer needs;
- a willingness to deliver improvements in response to customer needs.

1.3.2.3 ORPEA-CLINEA QUALITY AWARDS

To make quality a central pillar of its management approach geared towards the well-being of residents and patients, the quality department decided to introduce the Quality Awards.

Quality is also a state of mind, and so these awards encourage all staff to stand up for a high quality of service and care, and to push continuously for further improvements.

This annual competition within the Group is rated on regulatory requirements that are external and internal to the Group. The competition takes place through a 3-stage process:

- the quality department, the medical department and the regional departments and/or divisions for hospitals are involved in selecting the finalists based on over 400 criteria;
- entries set aside at this stage undergo a control audit by the quality department and the medical department;
- the quality department and the medical department, along with a member of the executive management team (Chairman, Chief Operating Officer or Chief Financial Officer), use a different scorecard and scenario analysis to pick the eventual winners in the final round.

Each of the prizewinning facilities receives a budget allocation enabling them to launch a specific original or innovative project to enhance the care provided to residents or patients. This project is drawn up with input from all the facility's teams.

At an evening awards ceremony held in their honour, the winners receive a trophy and a prize, underscoring the value of their daily activities and providing a token of the Group's appreciation.

The Quality Awards have been introduced in France, Belgium, Spain and Italy. In the other European countries where Quality Awards are not yet held, the numerous external awards received by the Group's teams is a testament to their quality.

1.3.2.4 SATISFACTION SURVEYS

ORPEA regularly conducts satisfaction surveys to make sure that the quality of support and services delivered by the Group's facilities is aligned with the standards it sets. And the views of residents and patients of whether it does so are crucially important.

This type of benchmarking illustrates the Group's determination to meet the needs of residents and patients as effectively as possible and to give their views even greater attention.

At the Group's hospitals, patients are given a questionnaire as a matter of course upon admission or shortly before they are discharged. Feedback from these questionnaires is analysed every month to keep track of the areas of strength requiring further reinforcement and areas for improvement, and the results are then displayed.

In Germany, pension funds conduct their own satisfaction survey of their members, but this takes place several weeks after the patient has been discharged. That has prompted CELENUS KLINIKEN to solicit patients' views while they are still in its care.

The 2019 satisfaction rates stood at over 88% in hospitals.

The Group's nursing homes conduct an anonymous survey every year measuring the satisfaction level of residents and their families. This survey by the quality department acts as a satisfaction indicator and gives residents and their families the chance to rate all aspects of a facility's services, including the accommodation, care, meals, approachability and attentiveness of staff, and events and entertainment, etc. This indicator was designed to solicit the full range of views since residents and their families complete and return questionnaires on an anonymous basis to the quality department. The forms are then analysed by an external company and the results certified as accurate by a court officer.

In all, almost 53,000 satisfaction questionnaires were sent out in 2019 to all the residents and their families at ORPEA facilities in France, Belgium, Spain, Italy, Switzerland, Austria, Germany, the Czech Republic, Poland, Portugal, Brazil, Uruguay and China.

More than 30,000 questionnaires were returned and analysed, representing a response rate of 58.1%. According to the results of the survey:

- 92.2% of residents and families are satisfied or very satisfied with the facilities' services;
- 93.9% of residents and families would recommend the Group's facilities to their friends and family.

The results of these satisfaction surveys are presented to the Executive Committee and then to the staff at each facility. After these presentations, each facility manager forms work groups to pinpoint areas for improvement in care plans, activities, accommodation or meals.

All the results and action plans are presented to families and residents at a discussion and feedback meeting.

For DOMIDOM and ADHAP's homecare services, a selection of each local office's customers is polled by phone as part of an annual satisfaction survey in France. The 2019 customer satisfaction rates of DOMIDOM's and ADHAP's local office customers remained at over 85%.

In addition, a satisfaction survey is carried out every year of doctors who refer their patients to the Group's facilities for a hospital stay or a period of residence. The latest survey results show that 98% of these doctors are satisfied with the Group's facilities and would recommend them to their patients.

1.3.3 A STREAMLINED AND EFFECTIVE QUALITY-DRIVEN ORGANISATION

1.3.3.1 ORGANISATION STRUCTURE GEARED FOR INTERNATIONAL EXPANSION

ORPEA embarked on a major organisational overhaul three years ago to establish an organisation structure which is better adapted to the increasingly international outlook of the Group. With its new organisation, the Group will be able to continue expanding at a rapid clip, without compromising on operational excellence in every country over the long term.

ORPEA has switched from a country-based organisation to one built around Clusters – organisational units running Business Units in one or more countries where the Group is active.

Each Cluster has its own internal management team (CEO, CFO, COO) and an administrative headquarters encompassing the full range of support functions (legal, development, construction, quality, human resources, control, IT, etc.). The managers of each support function are responsible for applying and meeting ORPEA standards within the Cluster and at the Business Units in each country in the Cluster.

The aim of the new organisation structure is to strike the right balance between:

- the level of decentralisation needed to establish a local connection, adapt to specific national requirements and keep in touch with expectations;
- the centralisation required to continue harnessing scale effects across the Group, thereby unlocking synergies and facilitating control.

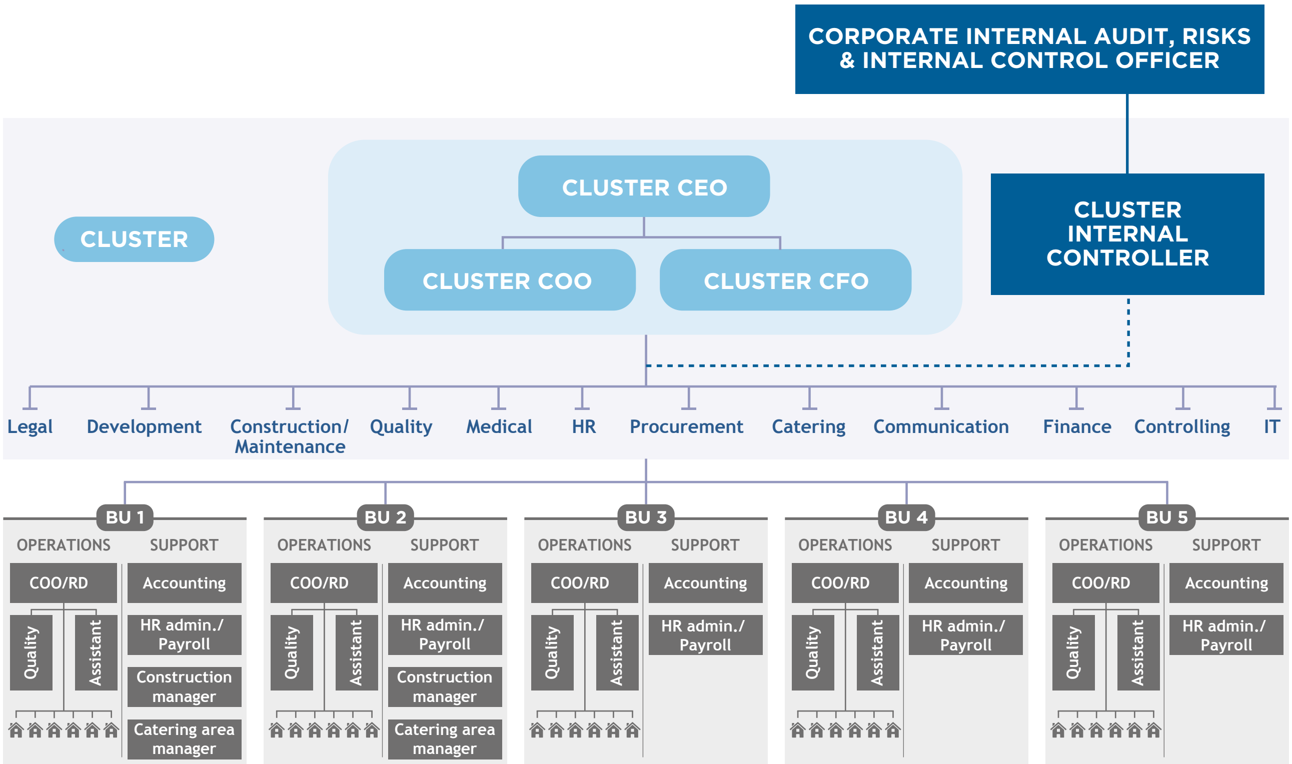
To keep a firm grip on this higher level of decentralisation, control has been tightened within the risk management, audit and internal control department. It now has 16 specialists at corporate level, with correspondents in the Clusters. In addition, coordinators have been recruited to back up the corporate department.

The corporate coordinators are experienced managers who have risen through its ranks, which gives them excellent knowledge of the Group's processes. They cover each of the support functions, such as HR, quality, management control and finance, business development, purchasing, construction and legal affairs. Their role is to set in motion, advise on, monitor and oversee the application of Group policies in each Cluster and each area of expertise while adapting to the local culture and legislation. In this role, they have functional authority over the support function managers at the Clusters.

The coordinators have established the key rules in their respective areas of responsibility that all Clusters must apply to ensure that the Group is able to manage its risks (quality, financial, reputational, etc.), further entrench its quality programme, promote the free flow of information, conduct benchmarking and fulfil its regulatory requirements (especially given the Group's status as a listed company). The Group standards, which are supplemented by appropriate control arrangements, provide the Clusters with guidance on integration aspects and on the implementation of the Group's operating processes and procedures. The Corporate coordinators are tasked with supporting all the Clusters with the implementation of these standards and ensuring that they are put into practice and upheld, including:

- monitoring the performance of the Clusters and Business Units;
- assisting the Clusters with applying ORPEA's business model and standards;
- controlling proper implementation and following up on any remedial action plans implemented;
- tracking decisions made by the Clusters.

The Business Unit (or country) have a slimmed-down operational team (COO, development manager and quality manager) with in-depth knowledge of the national regulations, key contacts and robust experience of the economic, demographic and cultural issues in the country. BU support functions are restricted based on needs, and on the specific characteristics and size of the country, and fall under the functional authority of the Cluster.



Thanks to this new organisation structure, ORPEA has ratcheted up its growth potential, while keeping a tight grip on the requisite corporate resources and costs. The Group's target market has thus risen from nine countries and 600,000 beds in 2017 to 35 countries and 1,600,000 beds.

1.3.3.2 A CENTRALISED ORGANISATION WITHIN EACH CLUSTER

The centralisation of support functions within each Cluster helps to relieve facility managers of administrative tasks, so that they are able to free up time and focus the bulk of their efforts on supporting residents and patients and on managing their teams.

Under this centralised system, costs can be pooled and efficiency gains unlocked in the operation of facilities, as well as in management control and finance.

The role of each country headquarters is to provide support and guidance and to draft and circulate the various procedures applicable using the latest methods so that facility managers and staff can focus their skills and expertise on the well-being of residents and patients.

Accordingly, the Group's organisation is underpinned by two main principles:

- centralisation of all corporate services at the Cluster headquarters (accounting, purchasing, payroll, legal, invoicing, etc.);
- an operational structure geared to making the core business as responsive as possible, while complying with the Group's management control and quality monitoring requirements.

1.3.3.3 GROUP IT AND INFORMATION SYSTEMS DEPARTMENT FORMING THE BACKBONE OF THE ORGANISATION

The information systems department, which has over 100 employees, harnesses its vast array of skills to build and secure an information system that is genuinely tailor-made to manage and track the performance of the Group's organisation in France and around the world. This represents a vital tool for delivering continuous improvement in its performance.

The information systems department has been built to support the Group's international expansion, and it applies new methods to meet the imperatives of the core business and stay ahead of the game:

- it harnesses agile development and project management techniques to help ORPEA shorten times to market and to maintain a close connection to actual usage in the field, while adjusting its approach to the maturity of its internal clients. Conventional development methods are still pertinent in certain circumstances, and so iterative cycles are used to avoid silo effects;
- by centralising certain activities, the information systems department is able to coordinate and manage Group initiatives concerning the roll-out of new developments and modernisation of tools and structures. This new organisation structure represents a major strength since it helps the Group to maintain the consistency of its information systems, enrich and streamline the application ecosystem and adopt the most efficient development approach possible in France and abroad.

ORPEA's information systems department is organised to meet three main priorities:

- strategic management (view provided by the information system aligned with the Group's priorities);
- functional management, which includes core business skills to ensure that IT systems are in lock-step with business imperatives;
- technical management, to deliver flawless quality standards in terms of production and through-life maintenance.

Make-or-buy decisions between existing IT solutions on the market, to speed up deployment or harness external skills, where appropriate, or internal applications that set the Group apart in specific business areas, form a continuous part of its work.

Expert staff analyse the business needs, the deficiencies in the market systems and recommend the most suitable solution based on numerous criteria (functional coverage, response to the Group's technical requirements, business model, skill sets, ease of use, statutory compliance, roadmap and ability to innovate, etc.). These design phases help it to stay closely in touch with users' needs and to implement appropriate tools, and in turn this fosters employee buy-in to changes introduced across all the Group's international units.

Internal hosting to maintain control over and tighten up information system security

Given the rapid pace of its international expansion and the fact that many of its vertical applications have been developed internally, ORPEA wanted to be able to:

- roll out its management applications right across the Group where appropriate to unlock maintenance savings and reporting improvements;
- keep the tightest possible control over the information system, especially its data security;
- step up the oversight and controls on its various Business Units;
- meet the specific needs of users, both in France and everywhere else ORPEA operates;
- plan ahead for future requirements, in line with the Group's strategy.

To meet these imperatives, a new high-performance data centre was set up in 2015 when the Group moved into new corporate headquarters. This data centre houses all the information system's data and tools and delivers the highest possible level of application availability and continuity of operations, while offering a high standard of system security.

The Group opted to take the internal data centre option rather than pursuing external hosting. Aside from the major savings, this option provides the flexibility and control needed to keep its data secure.

The data centre has a computer room with space for 40 bays, which builds in scope for a 150% increase in existing needs, or the equivalent of ten years' development. It houses 250 servers and has a data storage capacity of 300 terabytes.

The data centre is linked up to a Network and Security Operation Centre (NSOC), including a monitoring and crisis management unit, right at the heart of the information systems department.

The additions to the monitoring arrangements and administration system provide finer-grained supervision of IT production. Like the data centre, this area will be subject to strict security arrangements so that it can operate 24 hours a day, 7 days a week.

The information systems department and the data centre gained ISO 27001 certification in 2016.

Continuous monitoring to harness the latest innovations and tighten data security

The information systems department has stepped up its technology monitoring to keep pace with the latest developments in areas as diverse as e-health, the internet of things, business intelligence, new development models (DevOps, etc.). It is also placing greater emphasis on data security and protection. Its security and data protection units oversee data security and confidentiality arrangements across the projects and applications rolled out.

Going forward, the ability to master new technologies, maintain privacy by design and achieve regulatory compliance will be top priorities.

The Group has made data security a major point of emphasis. The manner in which data concerning its patients, residents, employees and customers is used and protected reveals the value placed by the Group on the direct and indirect users of its information systems.

1.3.4 REAL ESTATE: A STRATEGIC ASSET

Ever since its inception, ORPEA has always placed great importance on its overall real-estate strategy, and this extends to:

- the quality of properties built and maintained by the Group;
- the quality of locations at the heart of cities and close to major urban centres;
- the internal architecture and project management unit, which designs buildings specially geared to the core business;
- ownership of a large proportion of its real-estate premises.

1.3.4.1 QUALITY BUILDINGS IN ATTRACTIVE LOCATIONS

Real estate represents a strategically important asset for the Group's business activities. ORPEA selects sites based on their intrinsic quality as real estate, which includes the site's quality and its location. Most of the Group's facilities are situated in town or city centres or in remarkable surroundings, and the aim is always to foster close ties with families and referring doctors, as these are essential for a high standard of care.

A study conducted in 2011 by DREES (Study No. 18, *La vie en établissement d'hébergement pour personnes âgées du point de vue des résidents et de leurs proches* — Institutional living accommodation for the elderly from the perspective of residents and their families) of residents and their relatives illustrated the benefits of this strategy. It highlighted that the number one selection criterion applied by residents and their families is a facility's location (69%).

In France, the Group's assets are in most cases located in flourishing regions, such as Île-de-France (Paris and the western suburbs), Provence-Alpes-Côte d'Azur (Mediterranean coast), Aquitaine and Poitou-Charentes. In Belgium, the majority of the network is in Brussels and Flanders, and over 50% of the Spanish network is in Madrid. The Italian network solely covers the north of the country, and the Polish network is concentrated in Warsaw.

In addition, the Group pays particular attention to:

- the architectural quality of buildings: the Group has built a large proportion of its real estate, which means that it can design its facilities to meet its own quality-driven standards;
- the quality of internal services;
- compliance with environmental standards and the quest for energy savings.

1.3.4.2 STRATEGY OF REAL-ESTATE OWNERSHIP

For many years, ORPEA's real-estate strategy has been to retain ownership of a large proportion of its properties to:

- keep a tight grip on its operating properties so that it can provide the highest quality of service while maintaining the flexibility to carry out any work needed;
- increase the value of the Group's asset portfolio with the addition of recently constructed assets in prime locations;
- underpin ORPEA's profitability in the medium and long term;
- endow ORPEA with financial security and flexibility in the form of assets that are not prone to volatility and readily marketable.

Since 2015, it has endeavoured to raise its real-estate ownership rate by acquiring the properties it operates, by selling fewer properties and by focusing its acquisition policy on opportunities where there is scope for gaining ownership of properties. As a result of this strategy, it raised its real-estate ownership rate to 49% at year-end 2019 from 32% at year-end 2014.

Its portfolio contains high-quality properties constructed recently in attractive locations that generate secure rental income since ORPEA is its own tenant, which eliminates the vacancy risk.

This strategy of owning part of its real-estate benefits the Group in several ways:

- it underpins its profitability and secures its long-term cash flows;
- it gives it greater flexibility to go ahead with extensions or redevelopments, without increases in property costs;
- it strengthens the Group's balance sheet;
- it increases the Group's portfolio value.

ORPEA's balance sheet at 31 December 2019 included €6,017 million in real-estate assets (including assets under construction) adjusted for the €338 million in assets under disposal. This represents an increase of €309 million over 12 months.

All operating real-estate assets are carried at fair value. Assets under construction are measured at the cost of construction plus the land at cost.

The Group's real-estate portfolio is financed by long-term loans and by property leases.

The Group is a lessee under several property leases.

Lease financing is the Group's preferred method because it gives it the option of acquiring ownership of the property after 12 to 15 years in return for a modest residual payment.

As a result, the Group regularly acquires ownership of several lease-financed properties.

Lease financing also enabled ORPEA to plan ahead for the application of IFRS 16 which came into effect from 1 January 2019. Under this new standard, property held under all ordinary leases must be recognised as assets with a corresponding financial liability at a value reflecting the right of use. As a result, operating leases are recognised in a similar way to finance leases. Even so, under a property lease, the Group still has the option at the expiry date of the lease to acquire full ownership of the property on favourable terms by exercising the purchase option.

Even though property lease financing leads to the recognition of an asset (property) and a liability (financial liability) on the balance sheet, it undoubtedly still creates value, and that is why ORPEA has resolutely maintained this policy.

It is a strategy that enables the Group to optimise its capital structure, while keeping the overall cost of its real estate under control.

This strategy also gives the Group the option of selling real-estate assets in several different ways, allowing it to maintain its pace of expansion and keep its finances in a healthy condition:

- sale in lots to individual investors;
- direct sales of entire properties to real-estate investment companies, family offices or institutional investors, such as insurers, which are always looking for secure long-term returns. Indeed, insurers and particularly life insurers have shown a strong appetite for the Group's assets;
- where necessary, a sale to the ORPEA Group's real-estate investment fund (Amundi Immobilier Novation Santé OPCI), which was approved by the AMF on 28 November 2008.

Irrespective of the buyer, ORPEA's strategy is to secure attractive terms from asset disposals to keep a tight grip on its rental costs over the long term – with a low initial yield and, crucially, a tight control on index-linked increases.

1.4 A SECTOR WITH HIGH BARRIERS TO ENTRY BUOYED BY GROWING DEMAND

The long-term care sector already plays a crucial role in rising to the challenges posed by the ageing of the global population, the need for medical care and a higher degree of specialisation, and the inadequacies of existing nursing home capacity. And its importance will only increase over the coming decades.

The long-term care sector is governed by a stringent regulatory framework to ensure that patients and residents receive a high standard of care guaranteeing their safety and well-being and to keep the lid on health expenditure. This regulatory burden represents a major barrier to entry for newcomers.

Together, these characteristics, common to most countries across Europe, represent powerful growth drivers for industry participants.

1.4.1 SUBSTANTIAL DEMAND, YET INSUFFICIENT SUPPLY

1.4.1.1 DEMAND UNDERPINNED BY AN AGEING POPULATION

Medical advances and higher living standards have pushed up life expectancy in most countries around the world, and this has given rise to population ageing.

Between 1997 and 2012, life expectancy at birth increased by 3.5 years on average in the EU, according to Eurostat's latest statistics, which represents an increase of around three months every year.

This trend is continuing, and most of the gains show up after the age of 65. According to the latest European Union surveys, EU citizens who reach the age of 65 now have a life expectancy of 83 (men) or 86.4 (women), which represents an increase of over one year since 2005.

Progress made in tackling cardiovascular diseases in people aged 65 or over and also lower mortality rates in adult men have been the key factors behind this increase.

An older population is the inevitable consequence of these developments, and the trend is set to accelerate right across Europe, as the second wave of baby boomers, born in the years following the Second World War, moves into this age bracket.

According to Eurostat, the population of over 80s is set to more than double by 2050, from 24 million in 2015 to 53.5 million by 2050 – an increase of close to 30 million people.

And by 2080, the population share accounted for by the over 80s is forecast to double at least in nearly all the Member States according to Eurostat. According to population forecasts, the EU's population will continue to age. By 2080, nearly one person in eight is expected to be 80 or over years old (i.e. 12.3% of the population).

As stated in the table below, all the countries in which ORPEA has established a presence are experiencing identical trends.

Country	Number of inhabitants *(in millions)*	80 and over 2017	80 and over 2030	80 and over 2050	Chg. 2017/2030	Chg. 2017/2050
Germany	83	5,182,283	6,238,000	10,162,000	20%	96%
Austria	9	463,035	654,000	1,135,000	41%	145%
Belgium	11	645,515	786,000	1,293,000	22%	100%
Spain	47	2,906,551	3,608,000	6,345,000	24%	118%
France	67	4,140,198	5,501,000	8,178,000	33%	98%
Italy	60	4,328,311	5,551,000	8,428,000	28%	95%
Luxembourg	1	24,451	33,000	68,000	35%	178%
Netherlands	17	787,922	1,266,000	2,044,000	61%	159%
Poland	38	1,628,492	2,146,000	3,193,000	32%	96%
Portugal	10	644,220	828,000	1,247,000	29%	94%
Czech Republic	11	435,713	690,000	886,000	58%	103%
Slovenia	2	108,404	141,000	236,000	30%	118%
Switzerland	8	434,458	652,000	1,162,000	50%	167%
Russia	145	5,179,502	5,020,000	7,809,000	-3%	51%
Brazil	209	3,627,157	6,568,000	15,796,000	81%	335%
Chile	18	460,316	770,000	1,760,000	67%	282%
Colombia	49	703,190	1,286,000	3,325,000	83%	373%
Mexico	129	2,046,849	3,271,000	8,367,000	60%	309%
Uruguay	3	152,231	173,000	256,000	14%	68%

Source: World Bank database.

Population ageing inevitably drives up the number of elderly people requiring assistance or care. Care requirements tend to increase rapidly from the age of 80 upwards, reaching a critical threshold at 85. The percentage of people with the greatest care requirements (mental health and severe physical conditions) is highest among those aged 85 and over. The 60 to 74 age group has the highest prevalence of people with mental health issues but less severe physical conditions.

1.4.1.2 INSUFFICIENT AND INADEQUATE CAPACITY

The increase in the number of people aged over 75 has already had a clear effect on the overall nursing home bed per person aged over 75 ratio in France. This ratio has fallen significantly over the recent decade. From 166 beds per 1,000 people aged over 75 in 1996, the number of beds dropped to 140 per 1,000 by the end of 2003 and then to 122 by the end of 2010.

The key factor behind the fall in this ratio is the far more rapid increase in the population aged over 75 (+14% between 2004 and early 2008) than in the number of beds in facilities (Source: DREES – *Études et Résultats* No. 689 – May 2009, and FHF Note – September 2012).

A similar trend is evident across all the countries, with the ratio of nursing home beds to the elderly population declining over the past ten years.

Bed numbers per person aged over 80 in 2015 were as follows:

	Number of nursing home beds	Beds per 100 people aged over 80 years
France	600,380	14.5%
Belgium	137,000	21%
Spain	375,000	13%
Italy	390,000	9%
Switzerland	93,000	21%
Germany	900,000	17%
Austria	70,000	15%
Czech Republic	52,000	12%
Poland	85,000	5%
China	-	-
Brazil	100,000	3%
Portugal	80,000	12%
Luxembourg	6,236	25%
Netherlands	105,000	13%

Source: ORPEA data.

These clear-cut trends show why new nursing home beds need to be added across all European countries over the next 20 years. Estimates of the new beds required vary from country to country:

- **In France,** industry professionals estimate that 25,000 new beds will need to be added by 2025. According to Insee, the number of over 85s is forecast to increase by more than 20% over the 2015-2030 period, and this increase is expected to accelerate to more than 50% over the 2030-2040 period as the first generation of baby boomers reaches this age group.

  What is more, a large part of the existing stock will need to be redeveloped because it is ageing and is now unsuited to looking after those with major long-term care requirements. In its December 2011 report on investment in nursing home facilities, the CNSA, *(French National Solidarity Fund for Autonomy)*, estimated that 116,900 beds required modernisation, or around 20% of available capacity nationwide in the sector. Based on the current cost of modernising one bed, which the CNSA puts at €100,000, this would require a €11.7 billion investment.
- **In Belgium,** government projections indicate that 45,000 additional beds will be needed by 2030 and 130,000 by 2050, i.e. a doubling of current capacity by 2050. Most of these new beds will be needed in the Flanders region.
- **In Spain,** there is also a very significant shortage of high-quality nursing home beds. In a 2010 report, the World Health Organization estimated the requirement for new beds at 50,000 by 2030.
- **Italy** has one of the lowest bed to elderly population ratios in Europe. As a result, its needs are among the most substantial in Europe. It is estimated that it will have to add 80,000 beds by 2030, or over 5,000 new beds p.a. Italy also needs to redevelop a large proportion of its existing stock, and this, too, requires heavy investment.
- **Switzerland** needs to almost double its existing capacity by 2030 by opening around 70,000 new beds owing to its rapid population ageing. And there will be no let-up in the longer term, with 40,000 additional beds forecast to be needed between 2030 and 2040.
- **In Germany,** 100,000 new beds will have to be added by 2025, the largest number in Europe, according to the Federal Statistical Office of Germany. By 2030, the total requirement for Germany rises to 250,000 beds, if it is to face up to the challenge posed by its ageing population. As in most countries, it will also need to redevelop its existing facilities, particularly those run by independent private operators, or around 30% of the sector accounting for some 275,000 beds in over 4,000 facilities.
- **In Austria,** where the same ratio stands at 16%, an estimated 30,000 places will need to be created by 2030 – a 47% increase in existing capacity.
- **In the Czech Republic,** only 30% of existing beds are suited to caring for dependent residents, including those with neurodegenerative illnesses. According to the Czech ministry of labour and social affairs, over 50,000 applications to facilities by potential residents are declined. The number of new beds that need to be added by 2030 is estimated at 80,000.
- **In Poland,** where the bed to elderly population ratio stands at just 5%, an estimated 120,000 places will need to be created by 2030 – a 2.5-fold increase in existing capacity. Poland's ratio is the lowest in Europe.
- **In Brazil,** there are just 100,000 beds available in 3,500 facilities, representing a bed to elderly population ratio of just 3%. Given that the country's population of over 80s is forecast to grow fivefold by 2050, it is estimated that an additional 300,000 new beds will be needed by 2030.
- **In Portugal,** the number of new beds that will have to be built by 2030 is estimated at 50,000 given the shortage of facilities caring for those with significant long-term requirements and the forecast doubling in the population of over 80s by 2050.
- **In Luxembourg,** the bed to elderly population ratio stands at 25%. The number of residents is forecast to increase by 30% by 2030.
- **In the Netherlands,** the bed to elderly population ratio stands at just 13% based on the 105,000 existing beds, compared with a range of 15-20% across the rest of Western Europe. An estimated 70,000 new beds will need to be created by 2040, – a 67% increase in existing capacity.

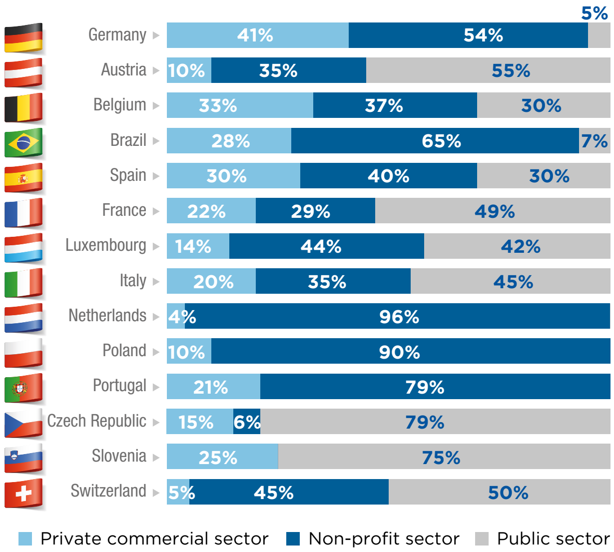
Investment amounting to tens of billions of euros will be required to meet these needs at a time of fiscal austerity across most European countries. The private sector has the ability to rise to the challenge, however.

1.4.2 OVERVIEW OF THE SECTOR

The long-term care sector has similar characteristics in all the European countries in which the Group operates:

- it is dominated by public-sector and non-profit operators, which account for between 60% and 90% of existing beds;
- the private commercial sector remains highly fragmented, with numerous independent operators with ageing premises, requiring consolidation over the next few years;
- a number of pan-European groups, such as Korian, ORPEA, Domus Vi and Attendo (presence confined to Scandinavia).

▶ BREAKDOWN OF BEDS BY COUNTRY AND TYPE OF OPERATOR AT THE DATE OF PUBLICATION



The private commercial sector accounts for between 5% and 40% of beds in the countries in which ORPEA operates, giving it a major advantage in terms of the solvency of demand.

ORPEA's market share remains below 5% in each country, and so it has ample scope for further expansion in coming years.

The private commercial sector is still heavily fragmented across the board, and so a round of consolidation is likely, causing the share of independent operators to decline over the next few years.

In France, for example, the top 5 operators (Korian, ORPEA, Domus Vi, Le Noble Âge and Colisée Patrimoine) account for 55% of the private sector, which has 132,000 beds.

In Belgium, the top 4 operators nationwide (Senior Living Group owned by Korian Medica, ORPEA, Armonea and Senior Assist) have a combined share of just 35% of the private commercial sector.

In Germany, the ten groups with over 4,000 beds have a combined share of just 21% of the private commercial sector. As a result, around 275,000 beds, or over 30% of the sector's total capacity, are owned by small regional groups or independents.

In Spain, the top 10 private-sector groups account for just 10% of the total number of nursing home beds.

In Switzerland, Poland and the Czech Republic, independents and small family groups with a few hundred beds still account for the vast majority of the private sector's capacity.

In the Netherlands, the private remains very small at just 4%. The Top 8 players account for approximately 50% of the private sector.

1.4.3 GROWING NEED FOR MEDICAL SERVICES AND FACILITY SPECIALISATION

1.4.3.1 GREATER MEDICAL NEEDS IN NURSING HOMES

The growing care requirements of nursing home residents is an underlying trend evident across most European countries. For example, according to December 2014 DREES study, the average age of residents entering an institution was 89, up from 82 in 1994.

The average stay is 18 to 20 months, compared with around 3 to 3.5 years 20 years ago. These changes are attributable to the development of assistance that helps people to stay in their own homes. Most European governments have invested heavily to expand homecare services in response to demand from society. While most elderly people are able to live at home, some have no choice but to move into a facility. Experts estimate that 85% of people aged 85 are able to live at home with a varying level of support, but that 15% need residential care. Above the age of 85, there is a rapid increase in this percentage.

Alzheimer's disease is the most common cause of dementia in the elderly, and it accounts for over 70% of dementia cases in France. It is also the main reason why people move into a nursing home. Currently, some 50% to 70% of people living in a nursing home for the elderly have the early signs of or have been diagnosed with dementia.

The care requirements of nursing home residents are therefore increasing right across Europe.

As things stand, residents are moving into facilities increasingly later in life, and with greater care requirements, and so nursing homes require more extensive medical services. This includes a need for a multidisciplinary nursing team and also the introduction of specialised units caring for residents with Alzheimer's disease providing higher levels of security.

Amid the growing long-term care and care needs of people accommodated in nursing homes, the ratio of the number of employees per 100 beds is constantly rising in France. It increased from 57.2% in 2007 to 62.8% in 2015, according to the September 2017 DREES report. Likewise, the proportion of medical and paramedical staff rose to 45.7% in 2015. In turn, this greater demand for medical services translates into a need for more medical equipment and more qualified nursing staff. The sector and, crucially, residents have benefited from an improvement in the quality of care. Quality controls and standards have also been tightened up by the supervisory authorities across all European countries.

Private groups stand at a major advantage when it comes to making these investments and the overriding imperatives of quality control and standards compliance because of their investment capacity and their organisation.

1.4.3.2 SPECIALISATION OF POST-ACUTE AND REHABILITATION HOSPITALS

The typical profile of post-acute and rehabilitation hospitals' patients has also changed.

The percentage of elderly patients admitted to post-acute and rehabilitation hospitals has risen sharply in recent years. In France, patients at post-acute and rehabilitation hospitals are most likely to be aged 70 or over. In 2011, they accounted for over half of post-acute and rehabilitation stays, i.e. 700,000 stays by nearly 535,000 people. Half of them are aged 80 to 89 (Source: DREES – *Études et Résultats* No. 943 – December 2015).

In addition to the population ageing phenomenon, a structural downtrend across all countries in the length of stays in medical, surgical and obstetric facilities is at work as a result of changes in:

- medical and surgical practices, particularly the development of outpatient surgery;
- the pricing system which, to improve productivity, has switched over from a per diem rate for hospitalisation to a rate per type of intervention.

As a result, medical, surgical and obstetric facilities send out their patients to post-acute and rehabilitation hospitals increasingly rapidly, which means these have to deal with patients in more and more severe conditions.

Governments across Europe are also encouraging this trend, since the cost per day of post-acute and rehabilitation care is far lower than medical, surgical and obstetric care for health insurance systems. For example, the estimated cost to the French health insurance system of a day in a post-acute and rehabilitation hospital is €120 to €130, compared with €500 to €800 per day in a medical, surgical and obstetric unit.

Post-acute and rehabilitation hospitals have become the primary and indeed a critical follow-on link in the care chain for hospitals and medical-surgical-obstetric units. These have an average stay of 5.7 days (or even 4.5 days in the private sector) compared with an average of around 31 days at post-acute and rehabilitation hospitals and 56 days in psychiatric hospitals (Source: DREES – *Panorama des établissements de santé* – 2014 edition).

Medical, surgical and obstetric facilities have thus had to review their downstream activities, and so they have entered into industry-wide agreements with post-acute and rehabilitation hospitals to secure places for their patients quickly.

As a result of the growing care burden placed on them and their closer ties with the acute care services provided at medical, surgical and obstetric units, post-acute and rehabilitation hospitals are able to provide complex rehabilitation as they now have multidisciplinary medical, paramedical and social care teams.

Accordingly, post-acute and rehabilitation hospitals are becoming increasingly specialised, providing care for specific conditions.

1.4.4 A REGULATED AND CONTROLLED SECTOR OF ACTIVITY

Owing to the nature of its business activities, which involves running facilities for the elderly requiring long-term care, post-acute and rehabilitation hospitals and psychiatric hospitals, the ORPEA Group operates in a closely supervised and highly regulated environment.

Over the past 30 years, the ORPEA Group has developed a robust understanding of this complex regulatory environment and acquired the expertise and put in place the requisite procedures to operate in it successfully. The Group regards this environment as an opportunity and as a strength since it favours experienced operators such as ORPEA and represents a major barrier to entry preventing newcomers from moving into its markets.

Traditionally, the ORPEA Group has prioritised expansion into countries in which a licence to operate long-term care facilities is required from a supervisory authority.

In France, Spain, Belgium, Italy, Switzerland, Austria and Poland, an administrative permit from regional or national supervisory authorities is required before any new healthcare facility or nursing home can be set up, converted or extended. The number of new permits issued in these countries is tightly controlled and restricted by the public authorities in an effort to ensure a decent standard of care and services and to keep spending under control.

The process of gaining a permit and the regulatory framework vary from country to country, or even from region to region, in certain countries. As a result, it is crucial to have well-respected and experienced local teams on the ground with the requisite knowledge.

ORPEA has also expanded into other countries, including Germany, where no administrative permit is required in the strict sense of the term. Instead, the supervision of activities by the public authorities gives rise more indirectly to the definition of standards and checks by the authorities to ensure they are upheld.

In addition to administrative permits, strict operational, technical, construction, safety and environmental standards apply in the sector. Minimum nursing and non-nursing staff to residents and patients ratios also have to be observed. Compliance with all these standards is closely monitored in all European countries by various national or local supervisory authorities.

1.4.5 A CONTROLLED PRICING SYSTEM

Long-term care facilities' pricing is controlled across all European countries in a bid to keep a grip on public healthcare spending. Per diem rates have two main components:

- a component that broadly consists of care and medical expenses, which is usually funded by the public authorities, national or regional health insurance system, national long-term care insurance, etc.;
- a component that broadly consists of the cost of accommodation, meals, events and entertainment or additional residential services, which are usually paid for by the resident or patient themselves, or covered by private insurance systems.

Owing to its complexity, this pricing system, which varies from country to country and even from one region to another, represents another barrier to entry for newcomers.

France

The pricing system for nursing home facilities has three components:

- the accommodation charge, payable in full by the resident (or the departmental authorities, if the facility has approved social assistance beds). Increases in accommodation charges are subject to government control. Every year, the French ministry of economy and finance sets the percentage of the annual increase payable by residents from 1 January. That said, the accommodation charge may be freely agreed for any new residents;
- the charge for long-term care requirements is funded by the personal autonomy allowance (APA—*allocation personnalisée d'autonomie*), which covers part of the cost based on the elderly person's care requirements and means;
- the personal care charge, which is a per diem rate funded by the French national health insurance system, paid in monthly instalments to the facility in the form of a lump sum.

The charges for post-acute and rehabilitation and psychiatric hospitals are set by the French national health insurance system, which pays a per diem rate for each patient cared for that covers the cost of all medical care, personal care, medicines and accommodation based on a 2-bed room. Changes to this flat-rate charge covering all the related costs are regulated and controlled. In addition to the per diem rate paid by the French national health system, facilities may levy additional charges for residential services such as private rooms, television, telephone, Wifi, or other services. These additional charges are paid directly by patients, and they may apply for reimbursement of all or part of the cost from their mutual health insurer. These charges may be changed freely.

Belgium

Nursing home charges have two components:

- the accommodation charge, payable in full by the resident. Accommodation charges are set by prior application to FPS Economy, a Federal Public Service. Following the ministerial decree of 12 August 2005, nursing home facilities cannot apply for a rate increase without first submitting a request, including evidence-based arguments for the requested increase. As such, changes in charges are regulated and controlled;
- the medical care allowance, which is funded by the national health and disability insurance system (INAMI) based on the number of residents and their care requirements.

Italy

The pricing system is regional, with each region having complete autonomy. For example, the Marches region calculates the extent of each resident's care requirements and awards the facility a care services allowance. In other regions, the local health authority (ASL — *Azienda Sanitaria Locale*) gives the future resident a voucher granting access to an accredited facility depending on the availability of beds under the scheme.

Spain

Accommodation and care charges may be freely negotiated in Spain and are payable in full by residents.

In certain cases, nursing homes and the regional supervisory authorities enter into agreements primarily to reserve a certain number of beds for people with long-term care needs who have applied for assistance or full or partial coverage of the care. Under these agreements, charges are set in advance, and any changes have to be approved.

Switzerland

The medical care allowance covers around 30% of the per diem rate, which is based on the care requirement, and is covered by the national health insurance system or by private insurance. The remaining balance, which covers accommodation, services and care requirements, is paid for by the resident or their family, or in part by the canton if the resident cannot afford the full amount. This part of the fee may be changed freely.

Germany

Nursing home charges have three main components:

- a real-estate component, known as the investment cost, which covers the rent or the property investment needed to build and maintain the building. Part of this component is paid for by the local authorities in respect of social assistance recipients or by residents;
- the charge for meals and residential services, which is paid for by residents or their family;
- the medical care and personal care charge, the vast majority of which is paid for by the national health insurance system. This system of financing is secured, since it has a surplus of around €5 billion after the funding system for long-term care was reformed several years ago in Germany. The allowance is based on the resident's care requirements and varies from region to region. Increases in charges are agreed annually with the local supervisory authorities.

The charges for post-acute and rehabilitation hospitals and for psychiatric hospitals are based on per diem rates. They are agreed with the various health insurance and/or pension funds and they vary within a single facility based on resident's conditions and insurance. Likewise, special charges apply for private-sector patients. Broadly speaking, the per diem charges covered by pension funds are higher than those paid for by the national health insurance system owing to the importance of getting people back to work.

Austria

Nursing home charges have three components:

- accommodation costs, paid for by the residents;
- costs of care;
- any supplements paid by private residents.

Similarly to Germany, long-term care insurance covers a portion of the care costs based on a single national sliding scale linked to the resident's care requirements. In addition, if a resident does not have sufficient income, the payment may be covered by welfare benefits. Where this applies, the full per diem rate is charged to the Land authorities, which then recover the outstanding amount from the resident.

Every year, the state (*Länder*) authorities set the amount by which charges may increase, usually indexed to consumer price inflation. Larger increases may be agreed, but this requires detailed justification.

Czech Republic

Nursing home charges have four main components:

- a basic charge covering the accommodation payable by residents and their families;
- the personal care charge, which is paid for by the authorities;
- medical care costs, which are covered individually by the national health insurance system;
- additional services providing higher standards of quality, which are paid for by residents or their families.

Poland

There are two types of beds in Poland:

- authorised beds operated under a licence granted by the NFZ (national health fund);
- authorised beds run by private commercial operators.

The cost of private so-called "commercial" beds is paid for in full by residents' families, while the cost of NFZ beds is partially covered by the public sector. The NFZ agreement provides for full or partial reimbursement of medical care costs.

Accommodation costs are borne by the patients or their families. The average per diem rate is thus covered by a combination of reimbursements from the NFZ, the local authorities and the private contribution by families.

The Netherlands

In the Netherlands, 65% of per diem rate is paid for by the government (the daily medical care costs are covered by health insurance), with the remaining 35% covering the accommodation payable by the residents.

For new residents, the outstanding amount can be set freely.

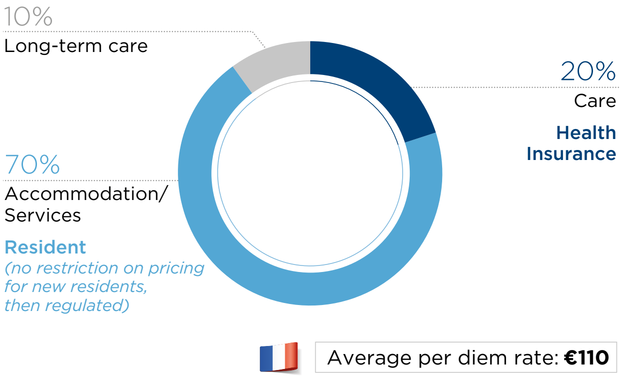
Luxembourg

In Luxembourg, 52% of per diem rate is paid for by the government long-term care insurance (covering care and assistance costs), with the remaining 48% covering the accommodation and services payable by the resident.

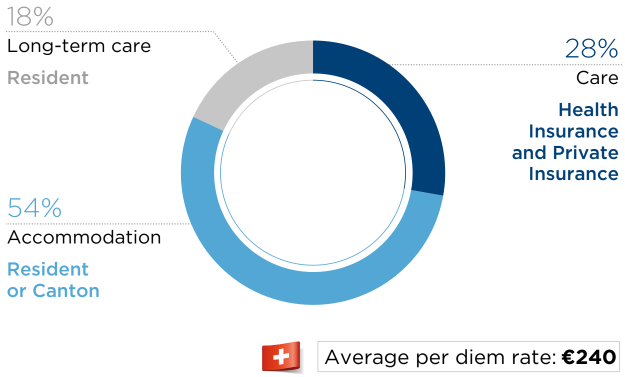
There are no pricing controls concerning the accommodation.

▶ NURSING HOME PER DIEM RATES AT THE DATE OF THIS DOCUMENT

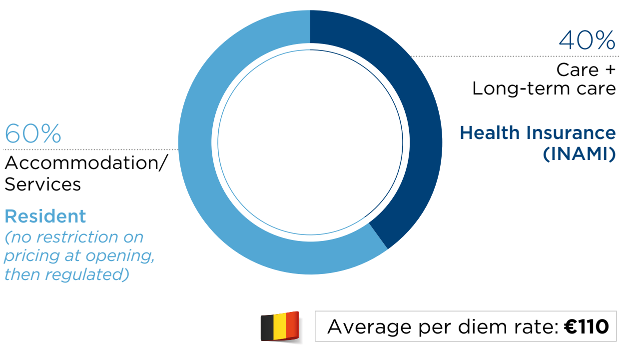
FRANCE



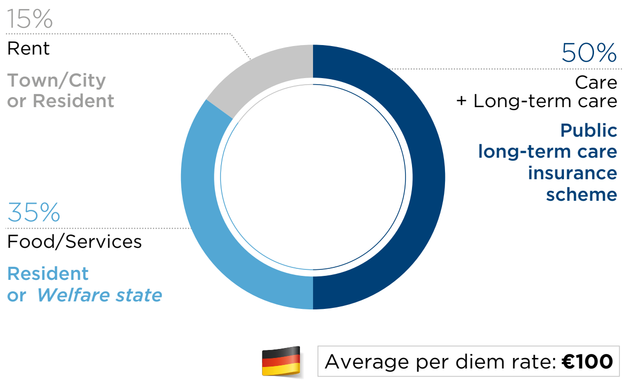
SWITZERLAND



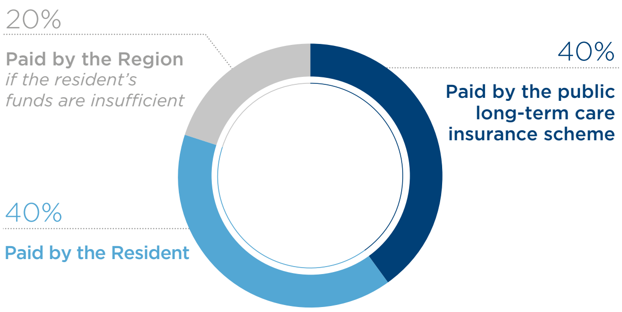
BELGIUM



GERMANY

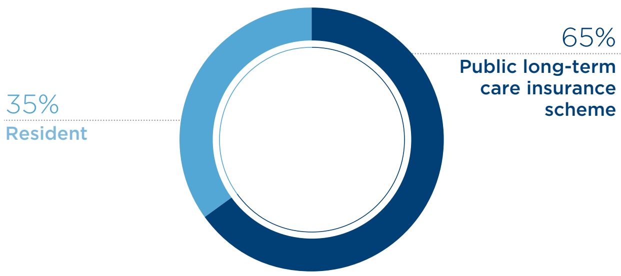


AUSTRIA



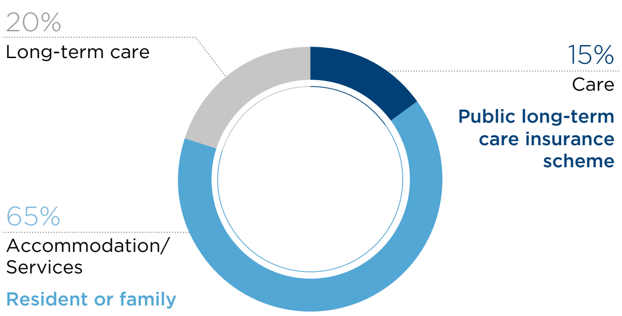
Average per diem rate: **€120**

NETHERLANDS



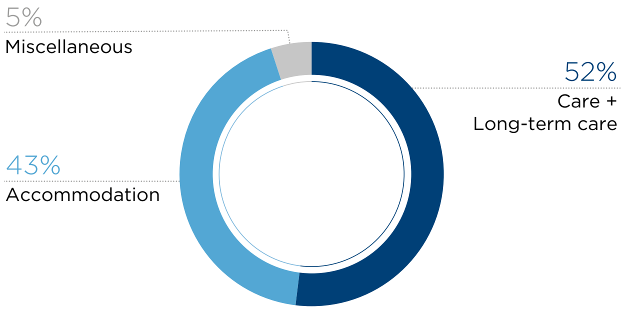
Average per diem rate: **€200**

CZECH REPUBLIC



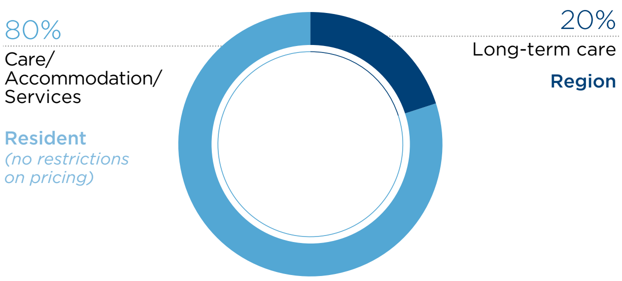
Average per diem rate: **€45**

LUXEMBOURG



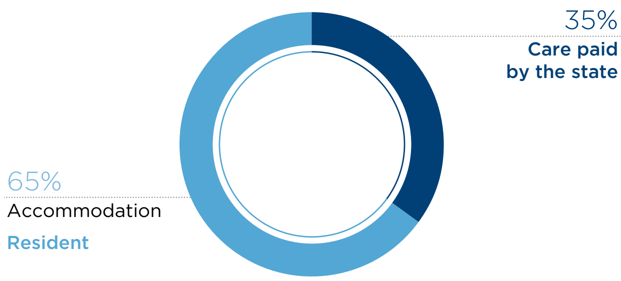
Average per diem rate: **€305**

SPAIN



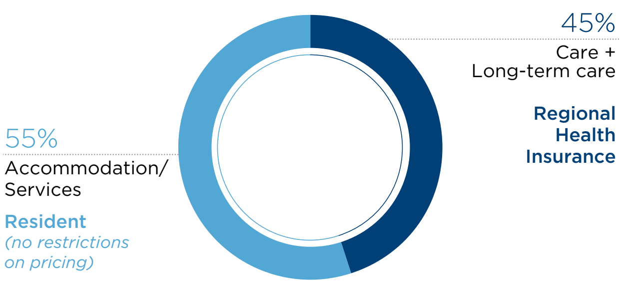
Average per diem rate: **€55**

SLOVENIA



Average per diem rate: **€48**

ITALY



Average per diem rate: **€90**


2
MANAGEMENT
REPORT FOR THE 2019
FINANCIAL YEAR

This management report covers the Company's activities and those of its Group in FY 2019. The accompanying Chairman's report complements all the stated sections. The Board of Directors has presented its explanations for the draft resolutions submitted for shareholders' approval at the Annual General Meeting in a separate report.

2.1 OVERVIEW OF FY 2019

In 2019, ORPEA continued to pursue its expansion strategy internationally. It acquired groups in Germany and the Netherlands, established new facilities and made selective acquisitions of independent facilities, as well as taking full ownership of joint ventures with SIS in Brazil and Portugal.

The Group focused again on setting up new facilities in locations with strong purchasing power.

ORPEA has also continued its strategy of financial optimisation with new financing at attractive terms allowing it to extend the maturity of its debt. The Group also issued an 8-year €500-million OCEANE bond.

Lastly, in terms of real estate, ORPEA increased the size of its real-estate portfolio to achieve 49% ownership of its buildings at year-end 2019, which was its medium- to long-term goal.

2.1.1 POSITION IN GERMANY'S PREMIUM SEGMENT STRENGTHENED WITH THE ACQUISITION OF THE AXION GROUP

In January 2019, ORPEA acquired the Axion Group's facilities to build up its presence in the premium nursing homes segment in Germany.

The Axion Group was founded in 2001 by Nikolaos Tavridis, its current CEO. He is regarded as a renowned expert in the German market given that he possesses over 20 years' professional experience in the nursing homes sector and has built a successful premium model. Axion currently operates seven facilities with 985 beds, including two high-end nursing homes (275 beds) in Hamburg.

At the same time, ORPEA and Mr Tavridis have set up a joint venture 75%-owned by ORPEA to develop premium facilities in Germany. The aim of the joint venture is to create new facilities in Germany's major cities focusing solely on locations where purchasing power is high. Mr Tavridis will be the joint venture's Chief Executive Officer.

This deal fits perfectly with ORPEA's strategy of moving the German network upscale, which aims to create significantly more value over the medium and long term, primarily by building new facilities that stand out from those run by other operators.

2.1.2 EXPANSION OF THE NETWORK IN THE NETHERLANDS

In early January 2019, ORPEA cemented its position in the Netherlands by purchasing Allerzorg and September.

Founded in 2006, Allerzorg is a specialist provider of home care services and boasts nationwide coverage. Allerzorg's addition broadens ORPEA's offering in the Dutch market and brings on board a high-calibre workforce of qualified employees (94% of employees are qualified nurses).

At the same time, ORPEA has scaled up its presence in nursing homes by acquiring September and its network of 125 beds in seven facilities.

ORPEA's diversified offering now covers the full span of the long-term care sector in the Netherlands.

2.1.3 ACQUISITION AND INVESTMENTS IN BRAZIL, CHILE AND URUGUAY

In 2019, ORPEA established strategic positions in Latin America alongside high-profile partners. It is now the market leader on the continent, with:

- a 50% stake in Senior Suites, Chile's leading operator of nursing homes, plus a 5-year option to buy out the remaining 50% interest;
- a 20% stake in Brasil Senior Living (BSL), the Brazilian market leader, plus options to buy out the remainder of the share capital within five years;
- the acquisition of Uruguay's leading facility.

The stakes in BSL and Senior Suites are not consolidated.

At 1 October 2019, ORPEA had also acquired the 51% interest it did not own in the joint ventures with SIS in Brazil and Portugal.

2.1.4 FURTHER SELECTIVE DEVELOPMENTS IN CORE MARKETS

In 2019, ORPEA continued to pursue its longstanding strategy in all the territories it covers of opening new facilities, drawing up plans for new facilities to replenish its growth pipeline and making selective acquisitions:

- opening of ten new facilities, plus extensions of facilities, with a total of around 1,800 beds in Europe following new construction and redevelopment projects;
- setting in motion of new plans to build or extend facilities in various countries where the Group operates;
- selective acquisitions, with the purchase of several independent facilities in France and abroad.

1,800 BEDS ADDED IN EUROPE

Harnessing this growth pipeline of beds under construction and redevelopment, ORPEA added around 1,800 new beds in 2019 at 10 facilities and extensions of facilities.

Around one-third of the new beds are located in the Central Europe Cluster, 30% in France and Benelux, and 30% in Eastern Europe.

NEW CONSTRUCTION PROJECTS

ORPEA also continued to pursue its strategy of organic growth with the launch of plans to build new facilities. These include numerous projects in Italy, Spain, Brazil, Portugal and the Netherlands. It also launched plans to build premium facilities in new countries in order to expand existing Clusters, particularly in Latin America (Colombia and Mexico) and Eastern Europe (Slovenia and Russia).

By pursuing its strategy of expanding into new countries where demand is very high, the Group has also ratcheted up the increase in its growth pipeline. These new facilities and extensions due to open over the next four to five years are located in major global cities and areas with strong purchasing power and will provide an innovative offering geared to meeting demand, with the development of outpatient solutions, home-care and senior assisted-living facilities alongside nursing home facilities.

These new plans represent the most powerful driver of the Group's future value creation.

SELECTIVE ACQUISITIONS ACCOUNTING FOR 1,245 BEDS

ORPEA continued to pursue its policy of selective acquisitions of facilities in operation. These transactions took place right across the long-term care sector and provide sources of future growth and profitability improvement over the coming years.

The Group acquired several independent facilities in France and internationally, including in Italy, Slovenia and Mexico, accounting for a total of 1,245 beds in FY 2019.

2.1.5 NETWORK OF 103,032 BEDS AT 1,004 FACILITIES IN 19 COUNTRIES

At year-end 2019, the network consisted of 103,032 beds across 1,004 facilities in 19 countries. The number of beds outside France (69,009) now accounts for 67% of the overall network, an increase of 52% in five years.

Its growth pipeline consists of 20,932 beds under construction – 86% outside France – with many facilities in high-potential locations such as Berlin, Zurich, Prague, Lisbon, Warsaw and Rio de Janeiro.

Since year-end 2015, ORPEA has doubled the size of its growth pipeline of beds under construction, providing a further boost to its visibility, since the gradual opening of these beds over the next five years will help drive a portion of its future organic growth.

	Number of facilities			Total number of beds			Of which beds in operation			Of which beds under construction		
	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change	31/12/2019	31/12/2018	Change
France Benelux	**500**	**477**	**+23**	**44,068**	**42,320**	**+1,748**	**39,316**	**37,986**	**+1,330**	**4,752**	**4,334**	**+418**
France	352	354	-2	34,023	33,443	+580	31,127	30,856	+271	2,896*	2,587*	+309
Belgium	64	61	+3	7,419	7,437	-18	6,970	6,275	+695	449	1,162	-713
The Netherlands	82	60	+22	2,261	1,075	+1,186	1,219	855	+364	1,042	220	+822
Luxembourg	2	2	0	365	365	0	0	0	0	365	365	+0
Central Europe	**249**	**230**	**+19**	**26,491**	**24,334**	**+2,157**	**21,606**	**20,045**	**+1,561**	**4,885**	**4,289**	**+596**
Germany	185	172	+13	19,583	17,990	+1,593	16,654	15,243	+1,411	2,929	2,747	+182
Switzerland	37	37	+0	3,679	3,695	-16	2,952	2,862	+90	727	833	-106
Italy	27	21	+6	3,229	2,649	+580	2,000	1,940	+60	1,229	709	+520
Eastern Europe	**135**	**125**	**+10**	**14,419**	**12,917**	**+1,502**	**10,772**	**10,100**	**+672**	**3,647**	**2,817**	**+830**
Austria	85	84	+1	7,815	7,474	+341	7,074	7,088	-14	741	386	+355
Czech Republic	19	19	0	2,725	2,698	+27	2,044	1,905	+139	681	793	-112
Poland	23	22	+1	2,886	2,745	+141	1,103	1,107	-4	1,783	1,638	+145
Russia	1	0	+1	200	0	+200	0	0	0	200	0	+200
Slovenia	7	0	+7	793	0	+793	551	0	+551	242	0	+242
Iberian Peninsula/ Latin America	**119**	**102**	**+17**	**17,914**	**15,476**	**+2,438**	**10,266**	**9,808**	**+458**	**7,648**	**5,668**	**+1,980**
Spain	64	62	+2	11,077	10,428	+649	8,842	8,702	+140	2,235	1,726	+509
Portugal	29	22	+7	3,108	2,296	+812	728	635	+93	2,380	1,661	+719
Brazil	19	18	+1	2,752	2,752	+0	471	471	+0	2,281	2,281	+0
Uruguay	3	0	+3	326	0	+326	100	0	+100	226	0	+226
Colombia	2	0	+2	321	0	+321	0	0	0	321	0	+321
Mexico	2	0	+2	330	0	+330	125	0	+125	205	0	+205
Rest of the World (China)	**1**	**1**	**0**	**140**	**140**	**0**	**140**	**140**	**0**	**0**	**0**	**0**
TOTAL	**1,004**	**935**	**+69**	**103,032**	**95,187**	**+7,845**	**82,100**	**78,079**	**4,021**	**20,932**	**17,108**	**+3,824**

* *Including 895 beds under redevelopment in 2019 and 1,087 beds in 2018. Beds under redeployment are beds in facilities that will be closed for redevelopment.*

2.1.6 FURTHER OPTIMISATION OF CAPITAL STRUCTURE

In 2019, ORPEA pressed ahead with its strategy of diversification and balance sheet optimisation.

In May 2019 the Group completed an issue of bonds convertible into and/or exchangeable for new or existing shares (“OCEANEs”) with an 8-year maturity (due in May 2027). The issue amount was €500 million. It obtained favourable terms, with an issue premium of 47.5% (€146.50 per share) and a coupon of 0.375%.

ORPEA and its subsidiaries also completed a new *Schuldschein* issue, raising a total of around €391 million, through a combination of a maturity extension and new money. ORPEA is the leading French issuer in the *Schuldschein* market, with approximately €1.6 billion outstanding and an investor base comprising over 60 separate international investors.

The Group naturally continued to make use of conventional bank funding, including traditional corporate loans, lease financing and mortgage loans.

All these funding transactions went ahead on highly attractive terms owing to the record low level of interest rates and ORPEA’s risk profile. Given the visibility of the sector in which it operates, its track record of profitable growth and its real-estate portfolio, ORPEA’s risk profile is regarded as being low risk by investors over the short, medium and long term.

2.1.7 EXPANSION OF THE REAL-ESTATE PORTFOLIO

ORPEA continued to pursue its strategy of acquiring ownership of its real-estate assets in prime locations and now owns 49% of its buildings compared with 47% at year-end 2018.

At 31 December 2019, the real-estate portfolio was valued at €6,017 million[1], an increase of €304 million year-on-year, for a total surface area of 2.1 million sqm. The capitalisation rate was down ten basis points to 5.7%, which is still a very conservative valuation by comparison with recent market transactions for the same type of assets.

This real-estate portfolio strategy gives ORPEA a unique position in the sector. It will secure its cash flow over the long term and make its balance sheet more flexible and sustainable.

2.2 REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

2.2.1 CONSOLIDATED RESULTS

(in thousands of euros)	31/12/2019	31/12/2018
Revenue	**3,740,215**	**3,419,764**
Purchase costs and other external expenses	(718,664)	(915,600)
Staff costs	(1,978,058)	(1,802,301)
Taxes other than on income	(129,189)	(119,313)
Depreciation, amortisation and charges to provisions	(445,684)	(175,896)
Other recurring operating income	47,673	30,686
Other recurring operating expense	(12,511)	(9,649)
Recurring operating profit	**503,782**	**427,691**
Other non-recurring operating income	109,297	134,839
Other non-recurring operating expense	(72,258)	(116,967)
Operating profit	**540,821**	**445,563**
Financial income	11,155	12,410
Financial expense	(226,107)	(148,576)
Net financial profit	**(214,952)**	**(136,166)**
Profit before tax	**325,869**	**309,397**
Income tax expense	(98,610)	(95,309)
Share in profit/(loss) of associates and joint ventures	5,509	6,987
Net profit of consolidated companies	**232,768**	**221,075**
Attributable to non-controlling interests	(1,221)	684
Attributable to ORPEA's shareholders	233,900	220,391
Number of shares	64,615,837	64,586,323
Consolidated net profit attributable to ORPEA's shareholders per share *(in euros)*	3.62	3.41
Diluted consolidated net profit attributable to ORPEA's shareholders per share *(in euros)*	3.57	3.41

(1) *Excluding the €338 million in real-estate assets held for sale.*

ORPEA GROUP'S 2019 CONSOLIDATED REVENUE

In 2019, ORPEA reported revenue of €3,740.2 million, greater than its initial guidance of €3,700 million. That represents an increase of +9.4%, or €320.5 million in additional revenue compared with 2018. Seventeen years on from its IPO, this increase recorded in a single year is almost double the size of the Group when it was floated in 2002.

This business expansion again resulted from the combination of:

- solid organic growth of +4.7%. Mature facilities have consistently high occupancy rates due to the structural needs of the sector and the location, attractiveness, and good reputation of ORPEA facilities. Like every financial year, organic growth was also fuelled by the ramp-up in the facilities opened in 2018 and by the opening in 2019 of more than 2,000 beds (resulting from construction or redevelopment);
- sustained acquisition-led growth, particularly internationally.

(in millions of euros)	2019	2018	2019/2018 change *(as a %)*	2017
France Benelux	2,218.4	2,040.3	+8.7%	1,942.7
Central Europe	961.6	875.1	+9.9%	782.5
Eastern Europe	358.7	335.0	+7.1%	268.8
Iberian Peninsula/Latin America	198.3	167.4	+18.5%	142.8
Rest of the World	3.1	2.0	NM	1.5
TOTAL	**3,740.2**	**3,419.8**	**+9.4%**	**3,138.2**

France Benelux: France, Belgium and the Netherlands.
Central Europe: Germany, Italy and Switzerland.
Eastern Europe: Austria, Poland, Czech Republic and Slovenia.
Iberian Peninsula + Latam: Spain, Portugal, Brazil and Uruguay.
Rest of the World: China.

The France Benelux region includes operations in France, Belgium and the Netherlands. The ORPEA Group's revenue in the region continued to grow, rising by 8.7% to €2,218.4 million over the course of the financial year, accounting for 60% of the Group's total activity.

This increase was driven by a healthy pace of organic growth powered largely by:

- the opening of new beds through a combination of new builds in France and Belgium, redevelopments and transfers, plus extensions of facilities including outpatient units within post-acute and rehabilitation hospitals;
- the ramp-up in facilities opened over the past 18 months;
- the high occupancy rates at mature facilities achieved as a result of the recognised standard of care, accommodation and services provided in ORPEA's facilities.

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Revenue in the region posted an impressive increase of +9.9% to €961.6 million, contributing 26% of the Group's total revenue.

This increase is driven by a good level of organic growth, as well as by the contribution of selective acquisitions, notably in Switzerland and Italy.

The Eastern Europe region is made up of operations in Austria, the Czech Republic, Poland and Slovenia. Revenue in the region posted growth of +7.1% to €358.7 million, generating 9.6% of the Group's total revenue.

The Iberian Peninsula and Latin America region comprises operations in Spain, Portugal, Brazil and Uruguay. Revenue in the region grew by +18.5% to €198.3 million, representing 5% of the Group's total activities thanks to a good level of growth.

Operations in China make up **the Rest of the World region,** with €3.1 million in revenue deriving from the facility in Nanjing.

PROFITABILITY AND NET PROFIT

(IFRS) *(in millions of euros)*	**31/12/2019**	**% of revenue**	**31/12/2018**	**% of revenue**	**2019/2018 change** *(as a %)*
Revenue	3,740.2	100.0%	3,419.8	100.0%	+9.4%
EBITDAR*	982.8	26.3%	911.8	26.7%	+7.8%
EBITDA**	949.5	25.4%	603.7	17.7%	+57.3%
Recurring operating profit	503.8	13.5%	427.7	12.5%	+17.8%
Operating profit	540.8	14.5%	445.6	13.0%	+21.4%
Net interest expense	(215.0)	N/A	(136.2)	N/A	N/A
Profit before tax	325.9	8.7%	309.4	9.0%	N/A
NET PROFIT ATTRIBUTABLE TO ORPEA'S SHAREHOLDERS	**234.0**	**6.3%**	**220.4**	**6.4%**	**N/A**

* *EBITDAR = Recurring EBITDA before rental expenses, including provisions related to external charges and staff costs.*
** *EBITDA = Recurring operating profit before depreciation and amortisation, including provisions relating to external charges and staff costs.*

EBITDAR (EBITDA before rental expenses, but including provisions for external charges and staff costs) rose 7.8% to €982.8 million, representing 26.3% of revenue, down slightly compared with 2018.

EBITDA (recurring operating profit before depreciation and amortisation, which includes provisions for external charges and staff costs) rose 57.3% to €949.5 million. This represented 25.4% of revenue due to the elimination of the restated operating lease expense in accordance with IFRS 16 – *Leases*.

After €445.7 million in depreciation, amortisation and charges to provisions (owing to additions to the real-estate portfolio), **recurring operating profit** came to €503.8 million (up +17.8%).

Operating profit advanced to €540.8 million from €445.6 million in the previous financial year.

Net interest expense was €(215.0) million, compared with €(136.2) million in 2018.

After €98.6 million in income tax expense (up +3.5%), **net profit attributable to ORPEA's shareholders** rose +6.2% to €234.0 million.

2.2.2 CONSOLIDATED BALANCE SHEET

ASSETS

(in thousands of euros)	31/12/2019	31/12/2018
Goodwill	1,298,972	1,137,160
Intangible assets, net	2,469,080	2,256,670
Property, plant and equipment, net	5,421,534	5,267,667
Properties under construction	595,123	445,627
Right of use assets	2,334,315	
Investments in associates and joint ventures	166,853	111,136
Non-current financial assets	60,365	42,161
Deferred tax assets	93,983	43,383
Non-current assets	**12,440,225**	**9,303,806**
Inventories	12,513	9,697
Trade receivables	263,482	229,964
Other receivables, accruals and prepayments	584,060	626,626
Cash and cash equivalents	838,741	767,987
Current assets	**1,698,796**	**1,634,274**
Assets held for sale	**400,000**	**206,493**
TOTAL ASSETS	**14,539,021**	**11,144,573**

LIABILITIES AND EQUITY

(in thousands of euros)	31/12/2019	31/12/2018
Share capital	80,770	80,733
Consolidated reserves	2,147,260	2,110,438
Revaluation reserves	552,021	557,720
Net profit for the period	233,990	220,391
Equity attributable to ORPEA's shareholders	**3,014,041**	**2,969,282**
Non-controlling interests	(2,918)	1,392
Total consolidated equity	**3,011,123**	**2,970,675**
Non-current financial liabilities	5,858,457	5,104,441
Long-term lease commitments	2,262,279	
Provisions	111,760	114,851
Post-employment and related benefit obligations	87,347	83,717
Deferred tax liabilities	1,027,865	930,770
Non-current liabilities	**9,347,708**	**6,233,778**
Current financial liabilities	514,945	685,224
Short-term lease commitments	237,597	
Provisions	27,253	32,489
Trade payables	253,782	268,456
Tax and payroll liabilities	237,878	363,170
Current income tax liabilities	22,988	25,374
Other payables, accruals and prepayments	485,747	358,914
Current liabilities	**1,780,190**	**1,733,627**
Liabilities associated with assets held for sale	**400,000**	**206,493**
TOTAL LIABILITIES AND EQUITY	**14,539,021**	**11,144,573**

Operating assets

At 31 December 2019, on the assets side of the balance sheet, goodwill totalled €1,299.0 million (after deducting the €58.1 million in goodwill held for sale at 31 December 2019), compared with €1,137.2 million at year-end 2018. Intangible assets (chiefly consisting of operating licences) came to €2,469.1 million, up from €2,256.7 million at 31 December 2018 (less intangible assets held for sale amounting to €3.8 million at 31 December 2019).

Impairment testing of goodwill, intangible assets and real-estate assets did not reveal the need to recognise any losses.

Real-estate portfolio

The portfolio had a total value of €6,016.7 million (excluding €338.0 million in real-estate assets being sold), including €595.1 million in land and assets under construction or redevelopment.

In keeping with its strategic goal, ORPEA increased the size of its real-estate portfolio by €303.4 million in FY 2019, representing an increase of 5.3%.

All operating real-estate assets are carried at fair value.

The real-estate portfolio chiefly consists of new and recently built properties in economically vibrant areas, and is a significant source of asset value for the Group that will help to secure its profitability in the medium and long term.

Capital structure and debt

At 31 December 2019, the equity attributable to ORPEA's shareholders stood at €3,014.0 million, up from €2,969.3 million at 31 December 2018.

At year-end 2019, the Group had €838.7 million in cash and cash equivalents, compared with €768.0 million at year-end 2018. This increase reflected the proceeds during the year from a public bond placement, the issue of *Schuldschein* notes, private bond placements and conventional bilateral loans.

Net financial debt stood at €5,535 million[1], compared with €5,022 million[1] at 31 December 2018. This increase is the result of the sustained pace of real estate investment and operational activities over FY 2019. Net financial debt at year-end 2019 comprised:

- current gross financial liabilities: €515.0 million;
- non-current gross financial liabilities: €5,858.5 million;
- cash: €(838.7) million.

Current gross financial liabilities stood at €515.0 million[1] at 31 December 2019. These consist of bridging loans financing real estate recently acquired or under redevelopment or construction, lease financing and other borrowings and loans due in less than one year.

The Group retains significant financial flexibility allowing it to continue with its real estate and operational investments. Its debt ratios remain a comfortable distance below the maximum levels permitted by its covenants. At 31 December 2019, they were as follows:

- financial leverage restated for real-estate assets = 1.2 (5.5 authorised);
- restated gearing = 1.7 (2.0 authorised).

During 2019, the Group continued to optimise its capital structure, by putting in place additional hedges and various different borrowing arrangements.

Other assets and liabilities

Changes in other receivables and other payables reflect construction projects, disposals of real-estate assets and acquisitions in connection with the Group's expansion drive.

2.2.3 CASH FLOWS

(in millions of euros)	2019	2018	2017
Gross cash flow from operations	+874	+455	+432
Net cash generated by/(used in) operating activities	+807	+415	+398
Net cash generated by/(used in) investing activities	(978)	(960)	(1,068)
Net cash generated by/(used in) financing activities	+243	+699	+744
Change in cash and cash equivalents	+71	+154	+74

Net cash generated by/(used in) investing activities came to €(978) million. Of this total, 72% was devoted to real estate investments, including continuing construction projects and acquisitions of properties operated by the Group.

The net cash generated by/(used in) financing activities was positive at €243 million. This included the proceeds from the €500-million bond issue completed in H1 2019.

(1) Excluding €400.0 million in liabilities associated with assets held for sale at 31 December 2019 and €206.5 million at 31 December 2018.

2.3 REVIEW OF THE PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2019

2.3.1 ORPEA SA'S INCOME STATEMENT

(in euros)	31/12/2019	31/12/2018
Revenue	943,200,804	866,262,327
Production transferred to inventories	(3,440,095)	(2,507,492)
Other operating income	43,928,600	35,391,089
Purchases and other external charges	(363,709,412)	(317,381,881)
Taxes other than on income	(55,250,090)	(52,291,487)
Staff costs	(454,092,856)	(432,312,492)
Depreciation, amortisation and charges to provisions	(31,107,120)	(22,139,019)
Other operating expenses	(3,147,873)	(1,238,504)
Operating profit	**76,381,958**	**73,782,467**
Financial income	135,465,835	94,099,184
Financial expense	(137,289,875)	(138,058,576)
Net finance cost	**(1,824,040)**	**(43,959,392)**
Pre-tax profit on ordinary activities	**74,557,918**	**29,823,075**
Net non-recurring items	(613,094)	25,085,146
Employee profit-sharing		
Income tax	(13,156,217)	(17,537,186)
NET PROFIT	**60,788,607**	**37,371,035**

REVENUE

ORPEA SA's revenue came to €943.2 million in FY 2019, up 8.9% compared with 2018.

ORPEA's core business of operating nursing homes generated revenue of €939.6 million, up 8.8% on the FY 2018 level of €863.6 million. The increase reflects the ORPEA Group's development policy combining organic growth and acquisitions as outlined above.

Revenue from the disposal of real estate properties came to €3.6 million, up from €2.7 million in 2018.

OPERATING PROFIT

Operating expenses rose in line with the growth in the business:

- purchases and other external charges increased by 14.6% to €363.7 million;
- staff costs grew 5.0% to €454.1 million.

Taxes other than on income increased by 5.7% to €55.3 million.

Depreciation, amortisation and charges to provisions totalled €31.1 million, up from €22.1 million in 2018.

Taking these factors into account, operating profit rose €2,600 thousand to €76.4 million in FY 2019.

NET FINANCE COST

Net finance cost came to a loss of €(1.8) million, compared with €(44.0) million in 2018. In 2019, it included a dividend payout from the CLINEA SAS subsidiary amounting to €50 million.

NET NON-RECURRING ITEMS

Net non-recurring items showed a net expense of €(0.6) million, compared with a net gain of €25.1 million in 2018.

NET PROFIT

After €(13.2) million in income tax expense, net profit came to €60.8 million, up from €37.4 million in 2018.

2.3.2 ORPEA SA'S BALANCE SHEET

ASSETS

(in euros)	31/12/2019 Gross	31/12/2019 Depreciation, amortisation and charges to provisions	31/12/2019 Net	31/12/2018 Net
NON-CURRENT ASSETS				
Intangible assets	420,087,690	22,672,307	397,415,383	290,498,358
Property, plant and equipment	502,028,760	204,186,682	297,842,078	276,846,859
Financial assets	1,823,844,267	31,836,592	1,792,007,675	1,701,982,694
Total non-current assets	**2,745,960,718**	**258,695,582**	**2,487,265,136**	**2,269,327,913**
CURRENT ASSETS				
Inventories and work-in-progress	15,323,659	1,188,655	14,135,004	9,933,672
Advances and downpayments made	4,909,309		4,909,309	4,399,087
Trade receivables	37,336,522	7,184,950	30,151,572	14,397,422
Other receivables	3,248,385,404	4,655,178	3,243,730,226	2,860,791,097
Marketable securities	4,433,208		4,433,208	64,777,225
Cash	546,251,857		546,251,857	101,177,583
Prepaid expenses	19,489,115		19,489,115	12,343,550
Total current assets	**3,876,129,074**	**13,028,782**	**3,863,100,292**	**3,067,819,636**
Bond repayment premiums	2,255,619		2,255,619	2,690,096
Unrealised foreign currency losses			0	42,738
TOTAL ASSETS	**6,624,345,410**	**271,724,365**	**6,352,621,046**	**5,339,880,383**

LIABILITIES AND EQUITY

(in euros)	31/12/2019	31/12/2018
EQUITY		
Share capital	80,769,796	80,732,904
Share premiums and reserves	663,373,834	703,522,567
Net profit for the period	60,788,607	37,371,035
Tax-regulated provisions	9,391,664	8,990,449
Total equity	**814,323,901**	**830,616,956**
Provisions for liabilities and charges	12,088,000	17,189,824
LIABILITIES		
Borrowings and financial liabilities	4,424,964,068	3,860,464,225
Advances and downpayments received	(167,241)	248,362
Trade payables	47,811,185	43,750,885
Tax and payroll liabilities	103,907,884	129,921,780
Other payables	932,155,158	446,345,969
Prepaid income	8,934,301	8,330,921
Total liabilities	**5,517,605,356**	**4,489,052,140**
Unrealised foreign currency gains	8,603,789	3,021,463
TOTAL LIABILITIES AND EQUITY	**6,352,621,046**	**5,339,880,383**

ORPEA SA had net non-current assets of €2,487.3 million at 31 December 2019, compared with €2,269.3 million a year earlier, with the difference attributable to the rise in intangible assets and financial investments.

Its net current assets came to €3,863.1 million at 31 December 2019, compared with €3,067.8 million at 31 December 2018.

On the liabilities side, the Company's equity totalled €814.3 million at 31 December 2019, compared with €830.6 million in FY 2018.

Borrowings and financial liabilities, the main component of the Company's debt, amounted to €4,425 million at 31 December 2019, compared with €3,860.5 million at 31 December 2018, with the increase reflecting the issue of a €500-million public bond placement.

Its assets totalled €6,352.6 million at 31 December 2019, compared with €5,339.9 million at 31 December 2018.

2.3.3 INFORMATION ON SUPPLIER AND CUSTOMER PAYMENT TERMS

Pursuant to Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the following table shows information about the payment terms applicable to ORPEA's suppliers and customers at 31 December 2019.

	Article D. 441 1-1: Past-due invoices received but not paid at the reporting date					
	0 days (indicative)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payments by period						
Number of invoices concerned						39,915
Total amount of invoices concerned incl. VAT	8,853,841	5,035,588	3,360,872	1,349,076	4,422,306	14,167,843
Percentage of total purchases in the FY incl. VAT	2%	1%	1%	0%	1%	3%
Percentage of total FY revenue incl. VAT						
(B) Invoices excluded from (A) corresponding to debts and receivables in dispute or not recognised						
Number of invoices excluded	Impossible to obtain this information (accrued invoices by total per period and not by invoice)					
Total amount of invoices excluded incl. VAT	18,589,501					
(C) Reference payment terms applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual periods: 30 days Statutory periods: 30 days					

	Article D. 441 1-1: Past-due invoices issued but not paid at the reporting date					
	0 days (indicative)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total (1 day or more)**
(A) Late payments by period						
Number of invoices concerned						51,462
Total amount of invoices concerned incl. VAT	648,197	6,774,545	3,187,562	611,555	18,045,077	28,618,739
Percentage of total purchases in the FY incl. VAT						
Percentage of total FY revenue incl. VAT	0%	1%	1%	0%	7%	9%
(B) Invoices excluded from (A) corresponding to debts and receivables in dispute or not recognised						
Number of invoices excluded	Impossible to obtain this information (invoices to be issued, creditor customers and doubtful accounts by total per period and not by invoice)					
Total amount of invoices excluded incl. VAT	884,636					
(C) Reference payment terms applied (contractual or statutory period – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual periods: 30 days Statutory periods: 30 days					

2.3.4 SUBSIDIARIES AND OTHER EQUITY INTERESTS

2.3.4.1 CLINEA SAS' ACTIVITIES AND RESULTS

Revenue

CLINEA SAS' revenue from the operation of hospitals came to €769 million, up 11.3% from the €691 million recorded in FY 2018. This growth reflects the Group's development policy combining organic growth and acquisitions as outlined above.

Operating profit

CLINEA SAS kept a tight grip on its operating expenses, which rose at a slightly slower pace than revenue:

- purchases and other external charges increased by 17.4% to €251.0 million from €213.7 million in FY 2018;
- staff costs were up 8.0% to €349.7 million;
- taxes other than on income increased by 3.0% to €58.6 million.

Taking these factors into account, CLINEA SAS' operating profit came to €96.5 million, up 5.0% compared with FY 2018.

Net finance cost

Net finance cost stood at €(13.5) million compared with €(8.0) million in FY 2018.

Net non-recurring items

Net non-recurring items showed a net expense of €(1) million compared with a net gain of €14.1 million in FY 2018.

Net profit

After €(25.2) million in income tax expense, net profit came to €48.3 million, down from €69.7 million in FY 2018.

Balance sheet

CLINEA SAS' **net non-current assets** totalled €851.7 million at 31 December 2019, up from €830.4 million at 31 December 2018. That increase reflects the development of CLINEA SAS and its restructuring measures.

Its **net current assets** came to €303.2 million, compared with €227.1 million at 31 December 2018.

On the liabilities side, the Company's **equity** stood at €349.4 million at 31 December 2019, compared with €352.5 million at year-end 2018.

Borrowings and financial liabilities rose to €23.7 million at 31 December 2019 from €22.5 million at 31 December 2018.

Total assets increased to €1,155 million at 31 December 2019 from €1,057.8 million at 31 December 2018.

2.3.4.2 ACTIVITIES AND RESULTS OF THE OTHER MAIN SUBSIDIARIES

The France Benelux region includes operations in France, Belgium and the Netherlands. The ORPEA Group's revenue in the region continued to grow, rising by 8.7% to €2,218.4 million over the course of the financial year, accounting for 59% of the Group's total activity.

The Central Europe region encompasses operations in Germany, Switzerland and Italy. Revenue in the region posted an impressive increase of +9.9% to €961.6 million, contributing 26% of the Group's total revenue.

This increase is driven by a good level of organic growth, as well as by the contribution of selective acquisitions in Switzerland and Italy.

The Eastern Europe region includes operations in Austria, the Czech Republic and Poland. Revenue in the region posted growth of +7.1% to €358.7 million, generating 9.6% of the Group's total revenue.

The Iberian Peninsula region includes operations in Spain and Portugal. Revenue in the region grew by +18.5% to €198.3 million, representing 5% of the Group's total activities thanks to a good level of growth.

Operations in China make up **the Rest of the World region,** with €3.1 million in revenue deriving from the facility in Nanjing.

2.3.4.3 DETAILS OF MAIN INVESTMENTS IN SUBSIDIARIES

See Chapter 6 "Parent company financial statements at 31 December 2019".

2.4 OTHER FINANCIAL INFORMATION

2.4.1 DIVIDEND PAYMENTS DURING THE PAST THREE FINANCIAL YEARS

The table below shows the amount of the dividend per share paid in the past three financial years, as well as the applicable tax regime.

Financial year (year of distribution)	Dividend paid per share	Eligible for the 40% tax allowance referred to in Article 158(3)(2) of the French General Tax Code	Not eligible for the 40% tax allowance referred to in Article 158(3)(2) of the French General Tax Code
2016 (2017)	€1.00	€1.00	None
2017 (2018)	€1.10	€1.10	None
2018 (2019)	€1.20	€1.20	None

Pursuant to Article 2277 of the French Civil Code, dividends that are not claimed within five years of their payment date will lapse and become the property of the state.

2.4.2 APPROPRIATION OF NET PROFIT AND DIVIDEND PROPOSED AT THE ANNUAL GENERAL MEETING

Net profit for the financial year came to €60,788,607.28. At the Annual General Meeting due to be held on 23 June 2020, the proposal will be to appropriate this amount to "Other reserves".

2.4.3 SUMPTUARY EXPENSES

Sumptuary expenses referred to in Article 39-4 of the French General Tax Code amounted to €599,792 for the Company. These included excess depreciation of the passenger vehicles not deductible for tax purposes.

2.4.4 SHARE BUYBACK PROGRAMME AND LIQUIDITY AGREEMENT

SHARE BUYBACK PROGRAMME

The Annual General Meeting of 27 June 2019 renewed the authorisation of the Board of Directors to trade in ORPEA shares. The following table sets out the arrangements and objectives for the Company's new programme to repurchase its own shares.

Shares concerned	Ordinary shares
Maximum percentage of the share capital that may be repurchased pursuant to the Annual General Meeting's authorisation	10% of the total number of shares forming the share capital of the Company at any time
Maximum repurchase price	€150 per share
Maximum amount of funds available for share repurchases	€969,237,555

Shares concerned	Ordinary shares
Objectives of the programme	■ To use some or all of the shares purchased for allotment to employees and/or corporate officers of the Company and/or the Group under the terms and conditions set out by law, including under employee profit-sharing plans, stock option plans, bonus share allotment plans or employee share ownership plans ■ To deliver shares upon the exercise of rights attached to securities carrying entitlement by way of conversion, exercise, redemption, exchange, or any other means to the allotment of Company shares in accordance with stock market regulations ■ To cancel its shares through a capital reduction as provided for in the French Commercial Code ■ To keep some or all of the shares purchased for subsequent remittance in exchange for or as consideration in connection with any other growth-related transactions or any other transaction authorised pursuant to the regulations in force ■ To implement any market practices that are permitted by law or by the *Autorité des marchés financiers* ■ To make a market or ensure the liquidity of trading in the shares through an independent investment services provider acting under a liquidity agreement that complies with a Code of Conduct approved by the *Autorité des marchés financiers*
Share buyback terms	These shares may be purchased, sold, transferred or exchanged and paid for by any means on the regulated markets or multilateral trading systems, including under a liquidity agreement entered into by the Company with an investment service provider, subject to compliance with the regulations in force, including off-market and block transactions, the use of derivative financial instruments, the implementation of option strategies (purchase and sale of calls and put options, and any combinations thereof in accordance with the applicable regulations) at the times that the Board of Directors or, where appropriate, the person to whom the Board of Directors delegates its powers, sees fit (except during a public offering of Company shares). There are no restrictions limiting the portion of the share buyback programme that may take place through block trades
Length of the programme	18 months from the Annual General Meeting of 27 June 2019, that is until 26 December 2020

The Company has not used any derivatives in connection with this share buyback programme or the previous one, and it does not have any open positions.

LIQUIDITY AGREEMENT

The Company has entered into a liquidity agreement with Gilbert Dupont to implement the share buyback programme. The agreement complies with the AMAFI Code of Conduct approved by the AMF on 1 October 2008. Gilbert Dupont trades in the Company's shares on an arm's length basis and has sole responsibility for investment and divestment decisions, which must comply with the purpose of the liquidity agreement and ensure its continuity. The sole purpose of the liquidity agreement is therefore to make a market in the ORPEA shares and ensure regular price quotations to avoid swings in share price which are not warranted by market trends. In any event, transactions made under the liquidity agreement must not disrupt the market's normal operation. Gilbert Dupont is also committed to the principle of proportionality set out in the charter.

The assets and funds held in the liquidity account at 31 December 2019 for the purposes of the liquidity agreement were as follows:

- number of shares: 21,871;
- cash balance held in the liquidity account: €3,136,737.20.

2.4.5 LEGAL AND ARBITRATION PROCEEDINGS

The Group is not aware of any exceptional event or litigation, including in the recent past, that could have a material adverse effect on its assets and liabilities, financial position, business activities or the results of its operations.

To the best of the Group's knowledge, there are no governmental, legal or arbitration proceedings that may have or have had in the recent past significant effects on ORPEA's financial position or profitability.

2.5 OUTLOOK AND EVENTS SUBSEQUENT TO 1 JANUARY 2020

2.5.1 OUTLOOK

First-quarter 2020 revenue rose 7.8% to €980.9 million. Half of this increase came from a healthy pace of organic growth at 3.9% and the other half from the contribution made by recently acquired companies, including those in Ireland, Portugal and Latin America.

The Covid-19 pandemic began to impact operations in the last ten days of Q1 and into Q2, resulting in:

- the full closure of 15 clinics in Austria, decided in agreement with the pension funds so that the funds could be allocated as a priority to facilities dealing with Covid. They are expected to reopen in May;
- a reduction in business at rehabilitation hospitals in Germany related to the immediate halt in surgical procedures, despite the limited impact of Covid-19 in that country. Occupancy rates began increasing gradually around ten days ago;
- a limited decline in stays at post-acute and rehabilitation hospitals in France, followed by an increase in demand for Covid-19 patients needing rehabilitation after being in intensive care;
- a slowdown in nursing home business in France, Italy and Spain, which is now stabilising;
- the staggering of openings as from March.

Since 17 March, the date on which the 2019 results were published, the Covid-19 pandemic has spread rapidly, impacting the Group's activities in a number of regions. For this reason, ORPEA has decided to put its 2020 financial objectives on hold. At this point in time, given the current volatility of the recovery as most countries begin to ease lockdown restrictions, and the introduction of potential compensatory measures in virtually all countries, it is impossible to accurately define the outlook for 2020. However, the Group remains confident about the medium and long term.

2.5.2 EVENTS SUBSEQUENT TO 1 JANUARY 2020

ACQUISITION OF TLC IN IRELAND

ORPEA has expanded into Ireland, specifically County Dublin, where it has acquired one of the country's leading nursing home operators, the TLC group.

The long-term care sector in Ireland boasts healthy growth prospects:

- the Republic of Ireland is a member of the euro zone and has one of the strongest economic growths in the zone (GDP up +6.7% in 2018);
- the number of people over 80 is expected to grow by +3% per year until 2046;
- the private nursing home sector is highly fragmented, with the top 10 representing just 25% of the market;
- 7,500 new construction beds are expected to be added by 2026 to meet demand.

Founded in 2004, TLC is one of the main players in nursing homes in Ireland, recognised for its quality offer by the Health Authorities (HIQA). TLC owns a network of five facilities with a total of 674 beds. All facilities are new and located in County Dublin. TLC owns 100% of its real estate and benefits from an experienced management team.

ORPEA acquired 100% of the share capital of TLC, which has been consolidated since 1 January 2020. TLC generated revenue of €40 million in 2019, with profitability in line with that of ORPEA.

THE GROUP'S ACTION AGAINST COVID-19

The Group has done everything possible to protect its residents, patients and employees in the face of the Covid-19 pandemic.

From January 2020, ORPEA set up crisis units both at Group level and locally in order to anticipate the measures to be implemented as best as possible. Business continuity plans (BCPs) were therefore able to be implemented quickly and barrier measures were reinforced at all sites. The Group has capitalised on its expertise to prepare for and anticipate the spread of Covid-19. Barrier measures, protocols, training and management of equipment inventories were deployed upstream in Group facilities and access to facilities in most countries was quickly limited to staff only.

Given the uncertainty about how long the epidemic will last, it is, however, too early to assess the possible impact on the Group's future financial results.

In any event, ORPEA is not expecting any impairment of its assets or the revaluation of its liabilities.

2.6 INTERNAL CONTROL

2.6.1 SCOPE AND OBJECTIVES OF INTERNAL CONTROL

Internal control is a framework applicable to the Company and its consolidated subsidiaries. It is rolled out across all its Clusters and Business Units and aims to provide reasonable assurance that:

- the strategic priorities set by executive management are actually executed;
- applicable laws and regulations are complied with;
- internal procedures and protocols are applied effectively and efficiently;
- controls intended to control and mitigate risks are understood and adopted across the Group, and appropriate actions are implemented;
- the Company's assets are valued appropriately and measures are taken to safeguard them and its reputation;
- the information produced is reliable, comprehensive and of a high quality, including financial and accounting information.

The internal control framework should provide a sound basis on which the Group can continue to expand and deliver further improvement in its financial and operating performance in a control environment tailored to its business activities.

More broadly, this framework plays a role in controlling the Group's business activities, the effectiveness of its operations and the efficient use of its resources.

As with any control system, it cannot ensure with absolute certainty that these objectives will be achieved, but aims primarily to create the best possible conditions for achieving them.

The internal control environment, with its Group-wide rules, procedures and charters, provides a framework for a structured organisation that aims to safeguard operations as far as possible and, secondly, to react as effectively as possible should a material adverse event occur.

The Group's principal risk factors arising from its business activities are presented in the "Risk factors" chapter of this document.

2.6.2 INTERNAL CONTROL PARTICIPANTS AND BODIES

2.6.2.1 INTERNAL CONTROL PARTICIPANTS

Executive management

The executive management team plays a crucial role in internal control. The "tone at the top" is vital for establishing, leading and passing on best practices in the area.

The ORPEA Group's executive management has always adopted a very clear stance, never leaving any doubt about the imperative of ensuring that key controls are in place and that risk factors are identified, ranked by their importance and appropriately dealt with.

Audit, risk and compliance department

Measures to strengthen the audit, risk and compliance department, which began in 2017, continued in 2018 with a structuring of the corporate teams, under the leadership of executive management. This structuring continued in 2019 with the creation of positions in the Clusters to ensure best practices are deployed at all levels of the organisation. The department, which has dual reporting lines to the executive management team and to the Audit Committee to safeguard its independence, is built around two units – permanent control and periodic control.

Permanent control unit

The permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework. It has four main areas of expertise:

- risk management, which is in charge of preparing and coordinating various risk mapping exercises;
- internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly;
- compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling;
- data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data.

Permanent control's four functions are centralised at the head office, but are also represented in the Clusters/Business Units by local correspondents who are also in charge of adapting Group principles to fit the local environment.

Coordination between the corporate headquarters and the Cluster/BU teams is achieved through regular communication and visits to foster transparency on issues met at corporate and at local level.

Periodic control unit

The periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

It performs its engagements in accordance with professional standards and aims to safeguard the quality of the internal control framework. Best practices are reported so they can be incorporated in the internal control environment, with recommendations issued to address weaknesses identified and regular follow-up.

Finance department

The finance department assists and monitors the management of the Group's finances by its operational staff. Its role is to maximise its profitability, manage its cash and produce reliable financial reporting for internal and external stakeholders.

The function is described in greater detail in Section 2.7.5.1 below.

Quality department

The quality department provides methodological assistance to facilities to ensure that they are able to implement and monitor their own quality and operational risk management programme. It also supports facilities with their efforts to obtain certification and with internal and external assessments. To help with these tasks, it develops assessment and control systems, plus training courses.

In particular, a Quality and Risk Management Committee meets every month in all the Clusters to review implementation and adoption of best practices by the facilities. It also addresses any implementation difficulties encountered by operational teams and proposes solutions to ensure that targets are met. The Committee also considers changes in and improvements to internal control systems to ensure that the Group's operational policy is complied with. A report is then given at the Operations Committees.

Legal department

The legal department advises and assists executive management and all the operations and functional departments with safeguarding the Group's interests and assets from a legal perspective. More specifically, the department is tasked with identifying legal risks and managing them as effectively as possible. It is also responsible for compliance by the Group's various activities with their statutory and regulatory obligations.

It is organised into three units:

- the operations unit, which assists the Group's facilities with any operational issues, such as handling complaints where the facility may potentially be held liable, managing litigation, and negotiating or terminating contracts;
- the real estate unit, which interfaces between the Group's real-estate management and construction units;
- the corporate unit, which is responsible for managing acquisitions and for corporate issues in general.

Units in contact with the supervisory authorities and the lawyers in the Clusters/Business Units also provide support to the legal function.

Construction and maintenance department

Real estate has a major impact on ORPEA's investments and also on the care and security of its residents, patients and employees. With this in mind, the construction and maintenance department conducts controls throughout a building's life cycle:

- in advance of the Development Committees: ensuring the building is designed properly and the investment budget is estimated appropriately;
- before construction projects are set in motion: making certain all the critical prerequisites for the smooth progression of a construction project have been put in place prior to the start of work;
- during construction, via monthly monitoring and on-site inspections at milestone dates: ensuring the project is delivered on budget and on schedule and meets quality guidelines;
- during operation, including the implementation and follow-up on security and asset register audits: ensuring compliance with regulatory obligations and maintaining the condition of the premises.

Other **Corporate** services

The Group has set up Corporate services whose aim is to define guidelines that will apply to all Clusters/Business Units in their areas of expertise (HR, IT, communications, medical, purchasing, etc.). These services are coordinated by the administration department which makes sure relations between corporate headquarters and the Clusters/Business Units are suitably flexible to handle different situations and priorities. Each Corporate service is responsible for ensuring that principles are properly implemented and rules thus established are complied with.

The office of the Corporate Secretary checks in with the various department heads once every two months to ensure that business-line principles are being properly applied and that the main areas for improvement are being identified. A check is also made for potential obstacles or warning signs. Action plans are drawn up accordingly and monitored on a regular basis.

2.6.2.2 CONTROL COMMITTEES AND BODIES

Audit Committee

The remit of the Audit Committee is presented in the "Corporate governance report" in Chapter 5 of this document.

Executive Committee

The Executive Committee, a forum for discussion and reflection, meets three times a year and lays down the major strategic, commercial, managerial and organisational priorities applicable to all the entities. It reviews and signs off on the arrangements for implementing all large-scale projects and makes sure the Group operates smoothly. It is also responsible for enhanced internal communication of the Group's policies and tighter integration of the various entities, unifying them around common values and processes.

Any decisions made at the Executive Committee are implemented through action plans, which are then followed up on at its subsequent meeting.

As part of the Group's reorganisation and creation of Clusters, the composition of the Executive Committee was overhauled and given a greater international dimension. The CEOs of the Clusters now sit on the Executive Committee alongside ten members from the corporate headquarters (Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Quality Officer, Chief Medical Officer, the two Heads of Operations responsible for oversight of nursing homes and hospitals respectively, the Corporate Secretary, and the Finance Secretary).

The Executive Committee meets once a year with the executive teams (CEOs, COOs, CFOs) of Clusters and Business Units as part of an international seminar that aims to promote best practices, set in motion discussions and launch new transformational projects.

Operations Committee

The Operations Committees consider any issues arising in relation to the activities of the Clusters/Business Units. Their discussions include an update on action plans in progress and for implementation, budgets, quality and the training plan. They also review commercial performance and the main expense items.

Operations Committee meetings take place at two levels:

- They are held every two months by each Cluster/Business Unit and are attended by the executive team of the relevant entity and the Chief Operating Officer and/or the Head of Operations responsible for oversight of the relevant entity. The various support services (local or corporate) may give presentations on a regular basis. This is also the body that signs off on any decisions submitted for the prior approval by corporate headquarters in line with the rules in force within the Group.
- Within each Cluster/Business Unit there is a local Operations Committee that holds meetings on a monthly basis attended by the operations department of the relevant entity, its regional managers and the main department heads of the local head office. These local committees prepare committee meetings with corporate headquarters.

The decisions made during these Operations Committee meetings are always passed on and explained to facilitate their implementation *via* monthly regional operations meetings with each regional manager and facility managers within their scope. These meetings are scheduled over the same week across the various regions to ensure that information is passed on to all facilities concurrently and thus that decisions made are put into action rapidly.

Decisions approved are added to the action plan of each of the regions, and even of each facility, so that attainment of the objectives set can be tracked on a monthly basis. Reporting on achievement of these targets is prepared in advance of every Operations Committee meeting so that the concrete results obtained can be discussed and any further remedial action necessary taken.

Development Committee

The role of the Development Committee is to give the go-ahead to development projects, which may include the creation, acquisition or redevelopment of facilities. It also conducts progress reviews on development projects in progress.

Each development project undergoes a due diligence process, which the Development Committee relies on when making its decision. Each opportunity is scrupulously studied (operational audits, real estate audits, compliance due diligence, and so on) to evaluate its fair value, identify potential risks and prepare for its smooth integration. It is then submitted to the Development Committee for approval by executive management.

To make sure decisions can be made rapidly, the Development Committee meets several times a month at the request of the Clusters and Business Units. It is made up of the Group executive management team, the Group transactions team, Group development team and representatives of the Clusters and/or the Business Units (generally the CEO, CFO, COO and head of development). Where required, the Development Committee may call on the operations, finance, legal, construction and maintenance, medical and compliance departments.

Operational crisis management unit

A crisis management unit has been designed and set up by the Group to ensure the swiftest possible response to any incident or adverse event occurring at its facilities that threatens to impact business continuity or implicate it and/or tarnish its image.

A swift response is crucial to limit the exact impact of such incidents and make sure that they do not snowball in size.

The crisis management unit, whose composition is adapted to the crisis in question, is typically made up of the Chief Operating Officer, the Chief Legal Officer, the Chief Quality Officer, the Chief Medical Officer, the Communications Director, and the Head of audit, risk and compliance. It provides support and guidance to the Clusters and/or Business Units manager, and to the relevant facility manager. It also launches an immediate in-depth investigation and coordinates action plans.

In parallel, it aims to establish contact with the complainant and/or with the relevant parties, as well as with the supervisory authorities, to whom the incident is reported in compliance with applicable regulations once a preliminary investigation has established the basic facts.

2.6.3 CROSS-FUNCTIONAL INTERNAL CONTROL FRAMEWORK APPLICABLE TO THE GROUP

CONTROL ACTIVITIES

Control activities, which are effected at every tier of the organisation, aim to safeguard operations and to enable the ORPEA Group to achieve its objectives while taking only an acceptable level of risk. If they are to be relevant, control activities must be proportionate to the goals they seek to achieve, and they may cover either the entire organisation or be specific to just one business (to meet specific needs).

Control activities must not be reduced to a series of documents or information because all those involved in the organisation are stakeholders in these control activities. Accordingly, they may take various forms and involve implementation of a procedure, a method, a shared or supervised control action.

Nonetheless, the Group has drafted internal rules and crisis management plans so that Group-wide risk factors are addressed in a consistent manner or in respect of which management has adopted a clear stance to uphold the Group's values. Risk mitigation methods include reduction of the impact, prevention to reduce their occurrence and transfer when the very nature of a risk factor means that it cannot be addressed in any other way.

It is essential for the nature of the Group's activities to be taken into account because it operates in a highly regulated environment.

BODY OF INTERNAL RULES

Rules issued by the executive management team

Executive management has stated its desire for the body of rules to apply to everyone within the organisation from the top down. Management thus has to abide by the rules and principles that apply in every country. These rules of procedure provide the framework for delegation of powers, reporting, governance and compliance that has to be adopted locally by the management team. The heads of the Clusters/Business Units (CEOs, CFOs and COOs) have to sign a statement certifying that the rules of procedure have been abided by, and so they play a leading role in making sure the rules of procedure are properly applied.

Rules issued by support functions drafted with assistance from the internal control unit

The internal control unit is responsible for coordinating the internal control framework under the supervision of the audit, risk and compliance department. Accordingly, it has established rules with the business lines to ensure that best practices are catalogued in an internal control reference framework. This reference framework dovetails perfectly with the rules of procedure to maintain overall consistency and is built around the following priorities:

- educational tools to ensure full buy-in from teams that have to abide by these principles. In practice, these tools are largely translated into flowcharts and mind maps that can be used to gain insights into the key stages and key controls, and to identify the individuals/functions responsible for implementing them. To make sure these principles are abided by properly, the Group's internal control unit holds workshops across its various BUs, which are backed up with action plans to achieve full compliance with the Group's principles while addressing specific local characteristics;
- the formal definition of rules in the "Internal control standards" handbook, which presents details of the various educational tools and illustrates them with expected theoretical controls, examples of how these controls can be applied, formal templates, etc. These standards are made available to all the Group's entities via a dedicated platform and also to the Business Units during workshops;
- coordination of self-assessment campaigns based on the standards.

Rules issued by the quality department

The quality procedures, which are mandatory for the entire Group, cover a variety of events that may affect the smooth operation of the Group, its performance or reputation, or the safety of residents, patients and employees. These procedures contain preventive or remedial measures and actions for managing such events.

The body of rules is updated whenever necessary and at least twice a year by the corporate quality department, which works closely with each country's operating and quality departments and headquarters functions as part of a continuous improvement policy.

The country's operating and quality departments provide each facility manager with a copy of the body of procedures, together with the appropriate explanations, when they join. Facility managers are kept informed of any updates as a matter of course, and they are asked to provide written confirmation that procedures are applied in the facility under their charge.

Regular training on how to apply these procedures properly is arranged to promote the adoption of best practices by teams and sustain the drive to make sure they are abided by at all times.

The quality procedures are applied by all the Group's facilities. When the Group acquires an operation in a new territory, the corporate quality teams support the country's quality teams with implementing and establishing its rules and best practices with the local teams.

CRISIS MANAGEMENT PLANS

Each facility has drawn up its own business continuity plan (BCP), which covers all possible incidents, accidents and disasters that could affect a facility and sets out how normal operation can be resumed as rapidly as possible. Examples of crises include the Covid-19 or H1N1 flu outbreak, or, more generally, any epidemic, a major weather event blocking access to the facility, or industrial action affecting a facility's operations.

The BCP is a planning tool for responding to a crisis situation outside the scope of the facility's normal operations. It lays down the actions to be taken in such circumstances. It aims to minimise the impact of a crisis on the Group's operations and restore order after disruption so that the business can return to normal as rapidly as possible.

The BCP is supported by a crisis management plan that catalogues all the human resources, equipment and logistics that can be called upon in the event of a health crisis. It also states the arrangements for setting up a crisis unit. The plans are submitted to the relevant authorities and also undergo scrutiny by the operations departments and the quality department.

As part of this organisation structure, the internal control framework is built around the implementation of Group policies in the field, checks to ensure that these are applied by the various tiers of the Group, including by means of assessments and audits, and analysis of the results of these checks with the support functions of the relevant headquarters to take any remedial measures required.

PROCESS FOR HANDLING MATERIAL ADVERSE EVENTS

A procedure for handling material adverse events states that all the Group's facility managers must inform the regional manager immediately as a matter of course of any adverse event. In line with the chain of command, the regional head then informs the Cluster/Business Unit head and the Group's Chief Operating Officer.

The procedure is applied at every facility. The causes of the material adverse event are analysed so that preventative measures can be adjusted as necessary and remedial action taken to avoid an unusual event of this type from happening again. If required, the supervisory authorities may be informed.

Twice a year each country produces a report that is sent to the corporate quality department for a more general discussion about the possible recurrence of certain adverse events. The department also discusses what comprehensive preventative and collective measures should be implemented either throughout the Group or in a particular country.

ASSESSMENTS AND AUDITS

Self-assessments by facilities

Permanent control is founded on the continuous monitoring of the business activities by operational staff. It encompasses all the systems and measures taken on an ongoing basis to ensure that business activities can continue to operate securely in line with the laws and regulations.

To make sure this is the case, each facility conducts a self-assessment throughout the year using pre-defined criteria applied across the Group. The results of these self-assessments provide input for the semi-annual audits of facilities by the regional departments to make sure that residents and patients are cared for properly at all times and that the care provided is commensurate with the Group's quality policy.

The results of these self-assessments and audits are then compiled into a semi-annual report. This enables the BU departments and the quality department to check that these control processes are applied systematically. It also brings to light any recurring discrepancies in the application of best practices. Once such issues have been identified, a collective corrective action plan can be drawn up and implemented.

External assessments and certifications

In France, nursing homes and health facilities are subject to mandatory assessments conducted on a regular basis by independent organisations and agencies. Nursing homes undergo an external assessment every seven years by an outside assessment body approved by the ANESM (French national agency for quality and assessment of nursing homes). The *Haute Autorité de la Santé* (HAS), an independent public agency with a scientific remit, conducts an assessment of hospitals every four years.

Outside France, depending on the regulations in force in the various countries, the Group may comply with other types of certification, including in Spain, Switzerland, Italy and the Netherlands. These assessments are either based on recognised international reference frameworks such as ISO or on industry standards imposed by the authorities of the country in question.

The Group regards these assessments, as well as being a regulatory requirement, as an additional opportunity to analyse how well its businesses are performing based on an objective, rigorous and impartial approach provided by the outside view of the assessors. Each facility's teams are involved in self-assessment tasks throughout the year in preparation for the appraisal process.

Through its approach, the Group views the regulations applicable to its activities as an opportunity for continuous quality improvement.

Audits of facilities

In addition to the scheduled assessments, the quality, medical/care, catering and maintenance departments make spot checks on facilities throughout the year.

The information obtained and conclusions drawn on the basis of these audits help to shape the Group's quality policy.

In addition, the buildings used by the Group's facilities are regularly audited to ensure that appropriate safety and maintenance procedures are abided by.

Satisfaction surveys

In line with the commitments laid out in the Group's quality charter, satisfaction surveys are carried out annually at nursing homes to gauge how the residents and their families feel about the quality of care provided and about the way the facilities are run. These surveys flesh out the information provided by the facility audits and provide a sound basis for devising what measures need to be taken to achieve continuous quality improvement.

Similarly, in the case of hospitals, patients are asked to complete a satisfaction survey during and/or at the end of their stay.

Internal audit assignments

The internal audit division of the audit, risk and compliance department is responsible for ensuring that internal control procedures are correctly applied to cover the key risks to which the Group is exposed. For instance, audits are conducted by the corporate audit department in all countries in which the Group operates, with auditors using methodology that complies with industry standards. The auditors act within a framework laid down in the Internal Audit Charter approved by the Group's Audit Committee.

The annual audit plan is based on risk mapping and shared with Group management. It is reviewed and approved by the Audit Committee before being deployed and includes various types of tasks (general audit, targeted audit, theme-based review or ad hoc assignments).

2.6.4 SPECIFIC INTERNAL CONTROL FRAMEWORK FOR COMBATING CORRUPTION AND FRAUD

All the factors related to non-compliance risks are covered in Section 3.3 of the Statement of non-financial performance.

2.6.5 SPECIFIC INTERNAL CONTROL FRAMEWORK FOR THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

2.6.5.1 PARTICIPANTS IN THE FINANCIAL REPORTING PROCESS

Group finance department

The Group finance department assists and monitors the management of the Group's finances by its operational staff. It compiles all the accounting and management data through reporting. It also handles the process of consolidating and checking the data so that it can be used for management purposes and released to various internal and external stakeholders, such as supervisory authorities and investors.

It has implemented financial reporting and centralised treasury management systems and procedures applicable to all the Group's operational staff.

The Group finance department is organised into sub-divisions – general accounting, consolidation, treasury and tax – handling accounting and financial tasks under the leadership of the Chief Financial Officer.

In France, the accounting service is organised into two units, one handling general accounting, and the other handling supplier accounting. The consolidation process is overseen by the Group Head of Consolidation.

Finance departments of international subsidiaries

The finance departments of international subsidiaries have responsibility for overseeing accounting and management data for the country subsidiaries and reporting it to the Group finance department, which oversees them.

Cross-border cash flows are managed and coordinated by an international financial control unit.

Management control team

Under the oversight of the Chief Executive Officer, the management control team is responsible for preparing and tracking budgets in conjunction with the Chief Operating Officer, the Cluster/BU heads, the IT department and the works unit in relation to investment projects.

2.6.5.2 PROCESS OF PREPARING ACCOUNTING AND FINANCIAL INFORMATION

Given the ORPEA Group's major expansion in recent years, it has had to make continual changes to its internal organisation, procedures and information systems to rise to the challenge of producing high-quality accounting and financial information and meeting its reporting deadlines. As a result, the Group has steadily strengthened its organisation and its systems.

Year-end reporting

The Group finance department is responsible for preparing the consolidated financial statements based on each entity's individual financial statements and the consolidation packages prepared by each country.

Each country has its own accounts and makes its own entries on a daily basis. The French accounting teams use Navision, which interfaces on a daily basis with Harmonie, pending full and final migration to Navision. Outside France, most of the Group's units use Navision.

The finance team of each facility also produces monthly reporting for the Group finance department.

Interim and full-year consolidated financial statements are prepared, with the process being supervised by the Group Head of Consolidation and their team. Consolidated financial statements are prepared only for the interim and the full-year period.

The financial reporting process also involves all the accounting teams in France and around the world. It has three main stages:

1. Prior to the period-end date, a schedule of the key milestones is drawn up and sent to the various participants.
2. Each entity has to send in its parent company financial statements within one month of the period-end date. In Spain, Switzerland, Austria, Germany, Belgium and Poland, the local teams prepare an initial set of consolidated financial statements for their sub-group (there are two consolidated sub-groups in Germany).
3. Once all the individual financial statements have been received, the consolidation department prepares the consolidated financial statements using special software. This task consists in verifying compliance with the statutory and regulatory requirements and confirming that accounting principles and standards are applied properly.

The Group finance department also conducts an ongoing review of changes in accounting standards, tax law and new statutory requirements. To assist its decision-making on technical points, the finance department may also call on other headquarters functions or on the services of external advisors.

ORPEA stays in regular contact throughout the year with its Statutory Auditors, and it may consult them on certain specific technical issues, whenever the need arises.

2.6.5.3 BUSINESS AND FINANCIAL PERFORMANCE MONITORING SYSTEMS

Operational management control

The reporting system for the various business indicators continuously and consistently tracks performance trends at each of the Group's facilities and makes sure they stay on course to meet the targets they have been set.

The management control unit has a wide range of tasks, and it liaises closely with both the finance department and operating department to:

- prepare an annual budget for each facility;
- prepare a monthly budget tracking and reporting system;
- develop new systems and enhancements to existing systems to improve responsiveness;
- carry out specific analytical tasks, such as budget simulations or adjustments.

The aim with budget preparation is to use an identical template for all facilities. This template is pre-populated by management control using the various existing databases. The budget is subsequently completed and amended by facility managers and regional managers. The budget is put together through ongoing dialogue between the operations department and management control. Once validated, it serves as a roadmap for each facility and the management control can use it for ongoing monitoring purposes throughout the year.

A budget tracking document is prepared on a monthly basis monitoring trends in revenue and operating expenses. It also provides a basis for a monthly analysis of operating performance based on the financials.

This reporting is prepared by the 10th of the following month and includes payroll costs, revenue, other expense items and customer-tracking data.

This document is given to the Chief Operating Officer and to the Cluster managers prior to Operations Committee meetings, during which action plans are drawn up, where required, with input from the managers of the technical headquarters units (medical, employee affairs, purchasing, catering and works).

Meetings are also held every month in each Cluster to implement these action plans in conjunction with the relevant facility managers and to remedy any shortcomings.

The occupancy rate of all facilities is tracked in real time via an intranet, which compiles all the data once a day.

Real-estate management control

Special management control arrangements have been put in place for real estate and construction activities.

For each construction project or major facility redevelopment, an overall budget and schedule are prepared by the project contracting unit. This budget is entered in an internally developed database with a description of each entry. The budget is then converted into a contract, reflecting the agreements signed with the various participants. Invoices are entered on a daily basis, enabling the real-estate management control unit to track expenditure and make sure the project keeps to its schedule.

Monthly reporting on each project is submitted to executive management and the project contracting unit, showing any delays to the schedule and budget variances so that the relevant remedial measures can be taken.

An annual budget is drawn up for maintenance spending at mature facilities, and a database is also used for tracking purposes.

Since September 2012, the real-estate management unit has been scaled to handle all the administrative, accounting and financial aspects of the Group's French real-estate portfolio.

Treasury management

Treasury management is fully centralised at each country's administrative headquarters and coordinated by the Group Treasury Director. The Group's operational facilities do not make any payments, since all trade payables are handled by the headquarters.

The Group has placed restrictions limiting powers for the issue of means of payment at the headquarters. Special powers and rules of procedure have been put in place to cover these restrictions at the finance departments of the subsidiaries outside France.

The Group's cash flows are also monitored on a daily basis to spot any unusual transactions.

Cash pooling takes place automatically every night with a feed of bank data containing the previous day's transactions processed by cash management software.

2.6.5.4 AUDIT COMMITTEE

The remit of the Audit Committee is presented in the "Corporate governance report" in Chapter 5 of this document.

2.6.5.5 THE STATUTORY AUDITORS

The Statutory Auditors are responsible for reviewing the Company's accounts and financial statements and also those of its consolidated subsidiaries. This takes the form of:

- a review at the 6-month period for ORPEA SA and its major subsidiaries;
- an audit at the financial year-end.

A letter of representation, signed jointly by the Chief Executive Officer and the Group's Chief Financial Officer and giving undertakings concerning the quality, reliability and completeness of the financial information, is given to the Statutory Auditors at each reporting period-end.

Once they have examined all the financial statements and the methods used to prepare them, the Statutory Auditors give their opinion. They certify that parent company and consolidated financial statements provide a true and fair view.

2.6.5.6 FINANCIAL REPORTING

The executive management team has direct responsibility for financial reporting.

The annual and interim financial statements are made available to investors once they have been approved by the Board of Directors.

A reporting schedule of financial information is drawn up by the Group each year and published for investors (on the Company's website).

The investor relations and financial reporting website (www.orpea-corp.com) contains all the information available for investors, including presentations given to the financial community, press releases and regulated information.

Twice a year, executive management gives a presentation of the Group's results to the financial community.

The Group also provides development updates throughout the year and regularly meets with its shareholders and new institutional investors.

2.7 APPENDICES

2.7.1 APPENDIX 1: FIVE-YEAR FINANCIAL HIGHLIGHTS

	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
SHARE CAPITAL AT YEAR-END					
Share capital *(in euros)*	80,769,796	80,732,904	80,691,404	75,342,114	75,342,114
Number of ordinary shares in issue	64,615,837	64,586,323	64,553,123	60,273,691	60,273,691
Maximum number of additional shares to be issued					
■ through bond conversion	3,450,511	0	0	4,503,369	4,448,097
■ through exercise of subscription rights	183,110	71,726	0	0	0
KEY INCOME STATEMENT HEADINGS *(in euros)*					
Revenue	943,200,804	866,262,327	792,094,399	723,748,182	687,048,320
Operating profit	76,381,958	73,782,467	72,128,666	64,149,083	53,920,720
Net finance cost	(1,824,040)	(43,959,392)	52,996,448	(17,188,304)	(27,450,495)
Pre-tax profit on ordinary activities	74,557,918	29,823,075	125,125,114	46,960,779	26,470,225
Net non-recurring items	(613,094)	25,085,146	(8,969,099)	(10,568,119)	(10,118,919)
Earnings before tax, depreciation, amortisation and charges to provisions	107,489,078	95,921,561	146,632,512	69,367,946	52,387,470
Income tax	13,156,217	17,537,186	4,954,206	6,483,743	5,112,712
Net profit	60,788,607	37,371,035	111,201,809	29,908,917	11,238,594
Profit paid out to shareholders	0	77,539,004	71,044,955.30	60,273,691	54,246,322
EARNINGS PER SHARE *(in euros)*					
Basic earnings per share	0.94	0.58	1.72	0.50	0.19
Diluted earnings per share	0.94	0.58	1.72	0.50	0.19
Dividend paid per share	0	1.20	1.10	1.00	0.90
STAFF					
Average headcount	11,946	11,145	9,643	9,219	8,735
Total payroll expenses *(in euros)*	349,428,394	327,623,211	279,795,303	260,494,876	243,743,094
Total employee benefits *(in euros)*	104,664,462	104,689,281	89,515,129	85,434,373	79,837,096

3 RISK FACTORS AND RISK MANAGEMENT

3.1 GENERAL RISK IDENTIFICATION AND MANAGEMENT POLICY

Given the nature of its operations, the ORPEA Group follows an active risk prevention and management policy for the risks inherent to its business. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group.

Measures to strengthen the audit, risk and compliance department began in 2017 under the leadership of executive management. The Group continued to build momentum for this effort by hiring teams at the Corporate level in 2018 and by hiring dedicated coordinators within the permanent control units at the Clusters level in 2019. This department reports to the executive management team and to the Audit Committee for day-to-day operations to safeguard its independence. It is built around two units:

- the permanent control unit, which endeavours to identify and prevent risks and to devise an appropriate internal control framework. It has four main areas of expertise:
  - risk management, which is in charge of preparing and coordinating various risk mapping exercises;
  - internal control, which is responsible for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various projects to ensure risk factors are handled properly;
  - compliance, which is tasked with ensuring the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling;
  - data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data;
- the periodic control unit, which consists solely of internal audit, and which is responsible for ensuring the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

In 2019, the Company completely overhauled its risk mapping, which aims to identify the main risks at the Group level. All subsidiaries and activities were included in the exercise to take into account changes within the company and the environment in which it develops. The risk mapping was presented and shared in full with the members of the Group's executive management and with the Audit Committee.

The Group has a risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various Clusters and Business Units;
- risk benchmarks for risks that apply to similar sized companies in the same or related sectors;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

3.2 MAIN RISKS

In accordance with Article 16 of Regulation (EU) 2017/1129 of the European Parliament and Council, the "Main risks" chapter of this document has been revised to make it easier to read. In line with this new regulation, this chapter includes the main risks that could impact the Group's business, financial position, reputation, results of operations or outlook.

However, the fact remains that the risk management policy includes a wider range of risks, and is not limited to the most significant ones. For instance, some risks identified during the risk mapping exercise are covered in the Statement of non-financial performance but are not covered in the main risks discussed in this chapter.

The risks identified by the Group during the risk mapping exercise are ranked in order of severity: moderate, significant and critical. This ranking comes from combining the risk's likelihood of occurrence and potential impact. Risk management systems are connected to these risks, which helps the Group obtain the net risks presented in the table below. Due to action plans rolled out, the Group does not have critical net risks. In accordance with the new regulation, the highest risk is shown at the top of each category.

1. Risks arising from the Company's activity	Severity
1.1 Strategic risk: risk related to building and maintaining real-estate assets	Significant
1.2 Strategic risk: risk related to acquisitions and their integration	Significant
1.3 Operational risk: risk related to a failure to respect the rights and dignity of vulnerable persons	Moderate
1.4 Operational risk: risk related to medical treatment and quality of care	Moderate
1.5 Operational risk: risk arising from facility safety conditions	Moderate

2. Operational risks	Severity
2.1 Human resources risk: difficulty attracting, hiring and retaining employees, especially for in-demand jobs (medical and paramedical jobs)	Significant
2.2 Communication risk: risk of damaging the Group's image	Significant
2.3 Cybersecurity risks	Significant
2.4 Information system risks	Moderate

3. Legal and compliance risks	Severity
3.1 Compliance risk: risk related to managing personal and medical information	Significant
3.2 Compliance risk: risk of violating the Group's ethical principles and efforts to combat corruption and influence peddling	Moderate
3.3 Legal and regulatory risk: risk related to the award and renewal of operating licences	Moderate
3.4 Legal and regulatory risk: risk related to pricing policies	Moderate

4. Financial risks	Severity
4.1 Risk related to raising additional funding	Moderate
4.2 Risk related to the Group's debt	Moderate

3.3 COVID-19 RISK

Description of risks

The Covid-19 public health crisis is unprecedented. This pandemic has affected some patients, residents and employees. At 7 May 2020, a total of 1,714 ORPEA Group residents or patients have either died of Covid-19, tested positive for Covid-19, or are suspected to have Covid-19 out of 80,000 patients and residents, totalling 2.1% of all the people under the Group's care.

At the same date, two-thirds of the Group's facilities have not had any residents or patients test positive. On 7 May 2020, 4.6% of residents and patients and 2.0% of employees in the entire network tested positive for Covid-19. This situation led the Group to reschedule some development projects over time, which could have a material adverse impact on the Group's business, financial position, results of operations and outlook.

Risk management

The Group has always recognised the risk of an epidemic, and consequently a pandemic, which is why the Group has implemented and tested early treatment and crisis management plans at every facility. Managing this crisis is an essential part of the measures the Group has rolled out for providing medical treatment and quality care. Since its creation, ORPEA has developed extensive expertise in managing epidemics, during flu seasons or periods of transmissible gastroenteritis, which occur every year in countries with frail populations. ORPEA has always used all its procedures and resources during these times to protect residents, patients and employees.

As a player in the healthcare system, all our efforts are focused on keeping our patients, residents and employees healthy. As a result, we are fully prepared to continue caring for our patients and residents and running the business.

With regard to the Covid-19 pandemic, ORPEA has taken all measures possible to protect patients, residents and employees. In January 2020, the Group created local and Group-wide crisis units to anticipate, insofar as was possible, the safety and infection control measures to be implemented by the Group. This meant that business continuity plans (BCPs) could be instituted quickly and barrier measures stepped up at all sites. The Group applied its expertise to prepare for and anticipate the spread of Covid-19. Barrier measures, protocols, training and equipment inventory management were introduced upstream at the Group's European facilities and access to facilities in most countries was quickly restricted to staff only. The Group is still ready to act and continues to roll out the necessary action plans.

Due to the uncertainty about how long the pandemic will last, it is too soon to gauge the potential impact on the Group's future financial results.

On 5 May 2020, the Group temporarily suspended its financial objectives for 2020 since it is impossible to see when the economy will start to rebound even though most countries are going to start lifting lockdown restrictions, and there is uncertainty as to whether most countries will provide government relief packages. See Chapter 2.5.1 – Outlook.

As at 7 May 2020, the Group is not aware of any criminal charges that could have been brought against it due to its management of the Covid-19 epidemic.

3.4 RISKS RELATED TO THE COMPANY'S BUSINESS

STRATEGIC RISK: RISK RELATED TO BUILDING AND MAINTAINING REAL-ESTATE ASSETS

Description of risks

The Group's development depends on organic growth, which involves building or renovating facilities (Greenfield). As a result, the ORPEA Group strives to meet its development goals in a way that boosts its growth outlook and financial results.

ORPEA's real estate strategy is to own around 50% of its buildings. At 31 December 2019, the directly owned real-estate portfolio, which accounted for 2.1 million sqm, was valued at €6,017 million (not including the €338 million in real-estate assets sold within one (1) year), €595 million of which was land and assets under construction or redevelopment. In 2019, the real-estate portfolio rose €304 million due to new construction projects and building acquisitions. After the application of IFRS 16, an asset's right-of-use, which corresponds to discounted future lease payments giving the right to use the leased assets, totalled €2,334 million.

During the financial year ended 31 December 2019, real estate expenditure represented by depreciation and impairment amounted to €445.7 million.

Overview of beds in service and under construction by geographic group at 31 December 2019

	Number of sites	Beds in service	Beds under construction	Number of beds
France Benelux	**500**	**39,316**	**4,752**	**44,068**
France	352	31,127	2,896*	34,023
The Netherlands	82	1,219	1,042	2,261
Belgium	64	6,970	449	7,419
Luxembourg	2	0	365	365
Central Europe	**249**	**21,606**	**4,885**	**26,491**
Germany	185	16,654	2,929	19,583
Italy	27	2,000	1,229	3,229
Switzerland	37	2,952	727	3,679
Eastern Europe	**135**	**10,772**	**3,647**	**14,419**
Austria	85	7,074	741	7,815
Czech Republic	19	2,044	681	2,725
Slovenia	7	551	242	793
Russia	1	0	200	200
Poland	23	1,103	1,783	2,886
Iberian Peninsula/Latin America	**119**	**10,266**	**7,648**	**17,914**
Spain	64	8,842	2,235	11,077
Portugal	29	728	2,380	3,108
Brazil	19	471	2,281	2,752
Uruguay	3	100	226	326
Colombia	2	0	321	321
Mexico	2	125	205	330
Rest of the World	**1**	**140**	**-**	**140**
China	1	140	0	140
TOTAL GROUP	**1,004**	**82,100**	**20,932**	**103,032**

** Of which 895 beds under redeployment in 2019. Beds under redeployment are beds in facilities that will be closed for redevelopment.*

Building future facilities and maintaining the existing real-estate portfolio represent strategic priorities for the Group. The ORPEA Group may therefore be faced with the risks listed below:

- operational delay due to not obtaining administrative permits (e.g. third-party objections);
- construction cost for a project exceeding the preliminary assessment;
- construction period exceeding the estimated time;
- technical difficulties (default by subcontractors, inclement weather, etc.);
- deficiencies in the maintenance and rehabilitation of buildings leading to the ageing and disrepair of real-estate assets;
- regulatory non-compliance with regards to the safety of buildings.

At 31 December 2019, the ORPEA Group had not experienced any significant events (e.g. facility closure due to a health hazard, inspections by relevant authorities that require major repairs etc.) under its real-estate portfolio management.

Any inability by the ORPEA Group to meet the construction and maintenance objectives for its real-estate assets may have a significant negative impact on its business, financial position, results of operations and outlook.

Risk management

To curb construction risks, the Group has a works department where teams dedicated to construction prepare, with the help of outside architects, planning permission applications in close collaboration with:

- operational staff (regional managers, medical department and pricing department) to devise a functional plan ensuring the facility runs smoothly and care is properly organised;
- the administrative departments of the local authorities responsible for granting planning permission, which streamline preparation of the application and research for the process to obtain permission.

The Group regularly monitors the progress of each project to most effectively manage costs, quality and schedule. In addition to weekly site visits, monthly reporting is prepared and sent out and teams from Corporate visit the construction site several times for milestone visits.

In addition, customised insurance policies (comprehensive jobsite insurance, builder's liability insurance etc.) are taken out for all construction works.

The ORPEA Group pays close attention to compliance with safety standards at its facilities to prevent real-estate portfolio maintenance risks by maintaining an investment policy that ensures properties are maintained and repaired on a regular basis.

At ORPEA, our priority is to ensure all facilities are high-quality, safe and comfortable locations. With its portfolio of facilities built or redeveloped recently, ORPEA possesses a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort few in the sector can match.

A works department established in each country is responsible for building safety and maintenance. This process includes preventative maintenance and remedial measures that are part of a system assuring full traceability to identify the issue that has arisen, the action taken to mitigate it, the person responsible, and the date on which the action was completed.

At the same time, the ORPEA Group has established a network of specialised independent contractors that can audit the safety of its facilities and buildings to check their compliance with the regulations in force (fire safety, lift safety, electricity, gas, water etc.).

STRATEGIC RISK: RISK RELATED TO ACQUISITIONS AND THEIR INTEGRATION

Description of risks

For many years now, ORPEA has implemented an active development policy, in particular through the acquisition of existing facilities or small groups of facilities. In recent years, around 50% of the Group's growth has come from acquisition-led growth in countries where it already operated and in new territories.

However, more significant competition is emerging given the concentration of the long-term care sector in recent years and growing interest from private equity companies. Indeed, the emergence of national and international groups in the nursing homes and medical facilities sectors could cause those groups to bid up the prices paid to acquire independent facilities; this makes it challenging to identify sufficiently attractive opportunities. By way of example, several transactions were announced throughout Europe in 2019:

- Domidep, the fifth largest nursing home operator in France, was purchased by I-squared, an American private equity firm specialised in global infrastructure investments;
- Naxicap Partners, and Ardian, a world-leading private investment house, purchased a major stake in Emera Group, a leading geriatric care provider in France with more than 6,000 beds;
- Tertianum, the leading nursing home provider in Switzerland, was purchased by the Swiss company Capvis.

After integration, the purchased facilities do not always comply with the Group's quality or its expected profitability standards. Consequently, upgrading the purchased facilities requires investments and increased staff involvement in order to meet the Group's standards.

As a result, changes to the competitive landscape the Group operates in could hamper its ability to push ahead with its acquisition-led growth strategy and/or cause the Group to purchase companies and/or facilities at higher prices than they have historically had to do and/or cause the Group to purchase lesser quality companies and/or facilities than the Group normally does, which could have a material adverse impact on the Group's business, financial position, results of operations and outlook.

Risk management

For acquisitions

The number of potential targets remains significant, because, apart from a few private groups (Korian, Domus Vi, Attendo etc.), the private sector remains highly fragmented in all countries and is dominated by small family-owned operators. In most cases, these facilities no longer have the means to adapt to the ever-growing number of and increasingly stringent regulatory standards, or their owners wish to hand over the reins, notably where the founder has reached retirement age. In addition, given the funding difficulties faced by local authorities, certain facilities in the not-for-profit sector are struggling and therefore represent a new source of growth for the Group.

Furthermore, ORPEA has significantly broadened its range of potential targets through its geographical and operational diversification. With its new Cluster-based organisation structure, the Group is in a position to make acquisitions in 35 countries. ORPEA adopts a highly selective approach focused on acquiring independent facilities or small groups of facilities, a segment in which there is far less competition than for larger groups.

Every opportunity is meticulously studied (operational audits, real estate audits, due diligences etc.) to measure its fair value, identify potential risks and prepare for integration as well as possible. It is then submitted to the Development Committee for approval by executive management.

Lastly, ORPEA's development policy consists not just in going ahead with targeted acquisitions, but also with organic developments by establishing completely new facilities.

For integrations

ORPEA has gained great experience in acquiring facilities, and has built its organisation and information systems to integrate and control the groups it buys. In recent years, it has invested heavily in both information systems and in strengthening management teams to facilitate the smooth integration of its new facilities in all respects and to tighten its controls.

The Group's strategy also involves acquiring independent facilities or medium-sized groups, which makes it easier to integrate them into the group faster.

OPERATIONAL RISK: RISK RELATED TO A FAILURE TO RESPECT THE RIGHTS AND DIGNITY OF VULNERABLE PERSONS

Description of risks

The ORPEA Group provides long-term physical, intellectual, permanent and temporary care. In 2019, the Group cared for more than 265,000 patients and residents in its facilities around the world. Due to the vulnerability of the individuals in its care, the Group has established respect of their dignity and their rights as part of its business ethics.

The Group's inability to respect its ethical commitments and guarantee care under the best possible safety conditions may have a negative impact on the health of the individuals cared for as well as on the Group's reputation which may be held legally liable. The Group has therefore been highly proactive in its treatment of these risks and in gaining recognised expertise in long-term care, in both medical terms as well as the quality of its services and the safety of its facilities. At 31 December 2019, the complaint rate remained the same as the previous year at 0.40%, or 1,050 claims throughout 2019 for around 265,000 patients and residents cared for over the same period.

Despite all the care and professionalism of the ORPEA Group's teams, residents or patients may believe they have suffered an act of mistreatment or abuse. Mistreatment and abuse can come in various forms such as physical, psychological, moral, sexual or financial abuse. This risk may result from intended or unintended negligence that may harm the dignity and privacy of an individual. Staff may be held liable, which may have a negative impact on the image of the facility in question and, as a result, on the appeal and image of the Group as a whole.

Risk management

A shared set of best practices has been developed within the Group to prevent and manage these risks to the best of our ability. The Group has procedures in place that outline how to manage patient care and make sure residents and patients are safe at all times. The Group pays close attention to care provision traceability to make sure it delivers high quality care and a personalised care programme. Teams working under the leadership of the Group quality department and in collaboration with the medical department developed consistent quality standards tailored to all the facilities.

Additionally, difficulties identified while caring for a resident/patient are discussed at the weekly briefing meetings held in each Group facility. The best solutions for respecting the freedom, rights, individuality and dignity of the resident or patient are identified by participants working as a team. The Group's operating structure facilitates excellent monitoring of the quality of care provided as well as oversight of how staff handle everyday problems, since facility managers are relieved of the majority of support functions.

The ORPEA Group has also always been committed to providing positive treatment by continuously raising teams' awareness about the values and best practices that are essential to maintaining respect for the dignity and individuality of its residents and patients. These values are enshrined in the Group's Code of Conduct and in ORPEA's quality charters and in charters setting out values that matter most to teams.

Within these documents, the Group has included a preventive and remedial protocol for mistreatment and abuse for all of its facilities. Not only is this designed to help prevent such behaviour – through appropriate recruitment, staff integration, support and training – but it also calls for any person suspected of mistreatment or abuse to be suspended in compliance with personnel management rules for as long as it takes to conduct an internal investigation.

Throughout the year, the ORPEA Group employees also receive training on how to detect and prevent mistreatment and abuse. The training includes discussions of personal experiences, role-playing activities, and individual and collective action plans. Mini-training sessions are also provided regularly in each facility.

To reinforce the attention it gives to the ethical aspects of care practices, the Group established an International Scientific and Ethics Council in 2015. Its work helps to nurture the practices of the various teams at ORPEA facilities in France and around the world. Each of the Group's facilities can refer matters to the Committee or raise issues and questions concerning a resident's or patient's care, especially where this has implications for positive treatment.

Every year the International Scientific and Ethics Council (ISEC) organises the ORPEA Excellence Awards to promote a responsible professional and pragmatic culture of clinical ethics and to encourage teams to innovate, question their approach and make constant improvements to the care they provide to residents and patients. The event aims to reward the Group's teams that have devised noteworthy clinical ethics programmes. In the past four years, 21 teams have entered in the clinical ethics category.

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and staff are required to show an impartial attitude.

Furthermore, the resident/patient has the right to refuse any treatment and may express their end-of-life wishes by providing guidelines in advance. ORPEA's teams are trained in end-of-life care. They can manage pain and discomfort, and provide psychological support, not only for the resident/patient, but also for relatives. Training involves the listening skills, compassion and availability that teams need in order to maintain the resident/patient's dignity so that they do not feel abandoned, and to create a safe space for them.

The Group's facilities naturally abide by the legislation in force. In France, that includes the 1999 law enshrining the right to palliative care and the Leonetti law of 2005, which stresses that suspending or no longer providing "curative" care does not mean "neglecting" or "abandoning" the patient.

OPERATIONAL RISK: RISK RELATED TO MEDICAL TREATMENT AND QUALITY OF CARE

Description of risks

The health of residents and patients is at the heart of ORPEA's activity. It is the main priority of all teams within the Group's facilities, whose primary role is to provide care and support for vulnerable persons with loss of independent living skills.

Any failure in care and treatment could materialise in several ways:

a. the occurrence of a risk of infection may impact patients and residents as well as staff. This may be the result of non-compliance with hygiene best practices or the poor management of potentially infectious medical waste (PIMW). The contamination of a patient, resident or member of staff may affect their health, and even lead to an epidemic;

b. the use of medical devices may carry risks. Those risks may arise through the way they work, the way they are used or a combination of other causes. The risks may affect the resident, patient, user or a third party;

c. residents or patients could file complaints against one of the ORPEA Group's facilities regarding their medical or paramedical care for negligence or professional malpractice despite the fact that doctors are personally liable when providing care, in particular doctors in private practice. In addition to the risk related to the facility's image and, as a result, to the Group as a whole, ORPEA may be obliged to pay financial compensation to residents or patients who filed the complaints;

d. drug-induced iatrogenesis refers to adverse effects on a patient's health from any act or procedure performed or prescribed by a qualified professional aimed at protecting or curing an individual. Adverse side effects may result from an act by a professional with or without medical error or from the use of a drug, whether or not its use corresponds to its standard therapeutic indication. If iatrogenesis results from a "medication" error, the facility may be held liable;

e. an ageing population and the growing number of people with Alzheimer's disease means that the risk of patients wandering out of medical facilities and nursing homes has increased. Wandering by senile patients or patients with degenerative diseases or psychiatric conditions may cause them significant harm which may, in turn, result in the facility being held liable;

f. given the number of people cared for in its facilities, in particular in psychiatric facilities, the Group may be held liable if a resident or patient attempts or commits suicide;

g. failure in the food supply chain may give rise to the risk of facility-wide food poisoning, which could negatively impact the health of residents, patients and employees as well as harm the facility's image. Moreover, the facility may be held liable in the event of such an infection.

The occurrence of one or more of the above-mentioned incidents may damage the Group's reputation and have a negative impact on its business, financial position, results of operations and outlook.

Risk management

The Business Units' quality departments (which cover care, health, safety and security, meals, and quality process monitoring) and authorised outside companies (food testing and analysis laboratories, building safety external control office) conduct audits to prevent risks. There are 200 quality control checkpoints performed every quarter at each facility.

In addition to these audits, the Group conducts satisfaction surveys in every country and at every site (such as post-acute care facilities, rehabilitation facilities, psychiatric facilities, nursing homes and home care companies) to verify that residents and patients receive the care and assistance they need. These surveys are conducted when patients are discharged from the facility and once a year for nursing homes. Results and improvement plans developed for each facility are presented to residents and their families. In 2019, the satisfaction survey was sent to more than 53,000 nursing home residents and family members, and 57% responded. Overall, 92% of respondents said they were satisfied or very satisfied and 94% would recommend an ORPEA facility to their family or friends.

In addition, specific actions were taken for each of the risks mentioned above:

a. To prevent the risk of exposing patients and/or residents to infection risk, the ORPEA Group has developed procedures for complying with hygiene rules (hand-washing, standard precautions) as well as specific measures to limit the risk of contaminating other residents and patients (isolation measures).

The Group created a hygiene unit in 2016. It includes outside experts, such as representatives from the French Nosocomial Infection Prevention Committee.

The Group's public health specialists gave a training session to teams at every facility on how to prevent and control infection risk.

Widespread use of alcohol-based solution in the facilities reduces the spread of infection by hand.

At the same time, awareness raising campaigns have been launched to teams through annual hand hygiene days and/or resident/patient safety days.

The quality and/or medical department regularly conducts audits to ensure hygiene rules are complied with, laundry and waste cycles are properly managed, and staff, residents/patients and visitors are made aware of protocol.

With regard to managing potentially infectious medical waste (PIMW) specifically, to prevent contamination risk, managing and eliminating these risks requires strict organisation and logistics, which the Group's facilities comply with under regulations in effect. All facilities are equipped with special receptacles for collecting these types of waste: containers for needles and other sharps, and CliniBox-type containers for other infectious waste. Medical waste is removed and disposed of by an authorised company under a service agreement or through a partnership. Every country has protocols for managing PIMW that define how to store the materials at various intervals as well as protocols for collecting it for destruction at different pre-defined intervals according to the country's laws.

b. At the ORPEA Group, all of the medical systems used are listed out and an annual preventative maintenance plan has been defined as well as maintenance protocols for these medical systems.

At the same time, in facilities where the medical systems are more widely used, a materials vigilance coordinator has been appointed and is responsible for monitoring the medical systems: reporting incidents, approving measures to implement etc.

Setting up a materials vigilance system plays an essential role in managing risk and improving safety and quality of care at every facility.

Supervisory authorities ensure materials comply with regulations, if applicable, during their annual inspections.

c. The Group has rolled out complaint management procedures. Managing risk of negligence or inadequate care coincides with managing risk of mistreatment or abuse: protocols for care and for how to track down actions are the primary ways to prevent and control how effective care is.

The Group has also taken out liability insurance.

d. Several departments (operations, medical, quality, purchasing, IT, training, legal etc.) are involved in rolling out tools and help to make medical treatment safer for patients and residents to control the risk of drug-induced iatrogenesis.

In every country where ORPEA operates, the Group has rolled out IT software with prescription, dispensing and administration information tailored to both the specific business sector and regulations. This sophisticated and scalable technology lets ORPEA quickly deploy extra safety measures to prevent any drug-related risk.

Best practices have also been introduced to round out medicinal safety mechanisms: receiving medications, storage conditions, preparation, expiry date management, batch recalls etc.

In addition to these medicinal safety mechanism control processes, each quarter, every facility conducts a self-assessment of its medicinal safety mechanisms to identify potential risks and implement the necessary corrective actions. The support units also conduct external audits at the facilities.

To make sure these safety measures last long-term, the Group's quality department rolled out specific medical treatment incident reporting tools so everyone can file an incident report immediately. Every month, teams go over incidents that have taken place in a debrief to identify what caused the incident and fix the issue.

The ORPEA Group also trains its teams on all the tools available to make its medicinal safety mechanisms even safer.

e. Preventing risk of resident/patient wandering is a major priority and a key component of the best practices ORPEA Group has introduced. Every country ORPEA operates in has the following best practices included in their written procedures: upon admission, as part of the file created by the facility doctor or by the health supervisor when a doctor in attendance isn't required by law, residents/patients at potential risk for wandering are identified so they can be put in specially designed and secure units (called Special Care Units) or so appropriate monitoring measures can be set up (anti-wandering system). These measures are always discussed with the doctor, staff and the resident's legal guardian, safeguarding the resident's and patient's well-being, rights and freedoms.

Teams are trained on a daily basis to report any conduct that could be a sign of wandering risk. Any incident is immediately reported to management and care staff so more personalised measures can be put in place and the resident's living and care plan can be fine-tuned.

If a resident or patient goes missing, ORPEA Group has developed and applied very strict procedures at every facility that very quickly activates a structured plan for the search based on a detailed incident report (description of the resident/patient, what they're wearing, picture, former residence etc.).

f. Upon admission, the care team assesses the resident/patient's potential suicide risk by reviewing their past and/or current situation, signs of vulnerability, impulsiveness, individual, family and psychosocial factors. A specially designed care plan is made to take the resident/patient's suicide risk into account. For individuals at risk, from that moment on, in addition to the requisite close monitoring, the care team (doctor, nurses, care workers, psychologist) introduces protective measures, devises an appropriate care plan that includes strengthening relationships with friends and family or projects that let the resident/patient build a future and/or other lifestyles.

In any case, the resident/patient is cared for in a safe environment: limited window opening, no access to areas identified as "dangerous" for residents/patients, and dangerous objects are removed from their vicinity.

In order to increase prevention within our facilities, the Group has launched initiatives ranging from suicide risk training to awareness raising campaigns for teams. Some facilities have appointed officers to disseminate best practices.

In the event of a suicide, a procedure outlines best practices on how to manage the incident. Family and friends are immediately contacted and the facility's teams have a debriefing.

Lastly, to help manage the most difficult cases, in 2009, the Group created an emergency psychological intervention unit comprising around twenty psychologists with special training in treating post-traumatic stress disorder who can come in for group and/or individual therapy within 24 hours after the event in France, Belgium or Switzerland. In other countries, subsidiaries can use specialised organisations or professionals from other facilities than the one where the incident occurred.

g. Meals not only have to be healthy, delicious and tailored to the resident/patient's particular dietary needs, but they have to comply with food safety standards as well. In all countries, food safety inspections in the kitchens are conducted based on the HACCP (*Hazard Analysis Critical Control Point*) approach. Internal procedures describe the process to follow and are grouped together in a best practices binder available in the kitchen.

Monitoring the safety of products made is outsourced to an outside laboratory at regularly defined intervals. The goal is to verify and control the safety of products served to consumers and ensure that food safety rules as well as storage temperatures, cooking temperatures and meal distribution temperatures are in compliance. Sample collection is made with no notice by a technician appointed by the referenced laboratory.

Quarterly audits of compliance with food safety practices round out the inspection. If a non-compliance issue is found, the catering department develops action plans.

In addition to all of these measures, every facility has a business continuity plan covering every situation, with different levels of response. This business continuity plan also includes an inventory and orders for the relevant equipment (masks, protective glasses, alcohol-based solution to cope with an epidemic, plus air conditioners and fans for heatwaves etc.) to help protect residents/patients and Group employees. The facility's crisis unit communicates with the national crisis unit (consisting of the operations department, the medical department and the quality department), which coordinates measures regionally and compiles the information provided by local crisis units.

OPERATIONAL RISK: RISK ARISING FROM FACILITY SAFETY CONDITIONS

Description of risks

Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home. Every country or even sometimes region has different strict construction standards and requirements as well as external inspections on hygiene, the cold chain, food etc.

In 2019, the ORPEA Group had to contend with fires in its facilities. The teams' professionalism helped set prevention measures in motion and protect residents/patients as defined in the safety procedures. Feedback was conducted so the Group can continue to improve safety conditions.

Risk relating to the safety of premises may arise in different ways:

a. failure to comply with the increasing number and stricter regulations applicable to facilities open to the public;

b. a fire;

c. a contamination of hot water may lead to health issues such as Legionnaire's disease;

d. the non-potability of water;

e. inability by the infrastructure to guarantee optimal protection against climate-related risks (e.g., heatwaves, floods etc.).

Despite measures put in place, which are described in more detail in the statement of non-financial performance, these risks could have an unfavourable impact on the Group's business, financial position, results of operation and outlook.

Risk management

A works budget is allocated each year by the Group works department and executive management to fully comply with regulatory standards. A works department established in each Cluster/Business Unit is responsible for building safety and maintenance operations. This involves:

- a prevention policy developed through training given to all employees;

- daily, weekly, monthly, quarterly, half-yearly, or annual preventative maintenance operations;
- remedial maintenance operations (repairs etc.);
- property audits and administrative and safety compliance audits.

a. The ORPEA Group pays close attention to compliance with safety standards at its facilities by maintaining an investment policy that ensures properties are maintained and repaired on a regular basis. At ORPEA, our priority is to ensure all facilities are high-quality, safe and comfortable locations. With its portfolio of facilities built or redeveloped recently, ORPEA possesses a consistent, homogeneous portfolio of assets that meet the most stringent regulatory standards and provide a level of comfort few in the sector can match.

A works department established in each country is responsible for building safety and maintenance. This process includes preventative maintenance and remedial measures that are part of a system assuring full traceability to identify the issue that has arisen, the action taken to mitigate it, the person responsible, and the date on which the action was completed.

At the same time, the ORPEA Group has established a network of specialist independent contractors that can audit the safety of its facilities and buildings to check their compliance with the regulations in force (fire safety, lift safety, electricity, gas, water etc.).

The ORPEA Group has also developed the necessary measures to mitigate asbestos-related risk and comply with regulations. These regulations can vary depending on the country, and especially regarding a building's construction year. Any facility with asbestos risk has undergone a diagnostic and asbestos removal work in accordance with regulations in effect.

Pursuant to applicable law, the ORPEA Group has had an authorised agency perform a set of radon tests at all facilities located in areas that could be potentially exposed to radon. If the risk is known, corrective measures have been taken to guarantee people in the facility's care are safe.

b. In terms of fire safety, Group facilities strictly comply with each country's applicable standards and perform maintenance quarterly, half-yearly or annually (on the fire safety system, smoke extraction system, fire doors, fire extinguishers etc.).

The Group has applied a prevention policy and is providing training to all Group employees (annually or semi-annually depending on the country). This policy is implemented by either an accredited external firm or a specially trained in-house officer in compliance with the legal requirements in each country.

Safety instructions as well as evacuation maps are posted in every facility, indicating the exact path to take and the meet-up location outside.

Fire drills are regularly conducted at the facilities to verify how fast staff can react when the fire alarm goes off.

Lastly, and depending on a pre-defined frequency pursuant to each country's regulations, facility-wide fire safety audits are conducted by dedicated authorities.

c. Risk management related to hot water systems: ORPEA Group facilities comply with local recommendations for post-acute and rehabilitation hospitals. ORPEA has introduced a policy to prevent and control health risks associated with legionella. This policy is based first and foremost on maintenance best practices for water networks and at-risk installations. The ORPEA Group's works unit ensures that the hot water systems of all facilities are compliant and present no risks. It also verifies that water systems are maintained regularly and properly by the maintenance officer in each facility.

In the countries where regulations require it, ORPEA Group facilities constantly update a health certificate where all the facility's water management information is kept. On top of keeping this record, all facilities monitor temperatures at different points in the network on a daily basis.

In addition, legionella research analyses are conducted based on a schedule set annually.

The Group has also installed technical anti-legionella protocol at all facilities listing out all preventative and remedial maintenance and upkeep to be performed. A protocol for actions to be taken in the event of unsatisfactory findings has also been developed. It includes different steps per facility to take for treatment to ensure resident/patient and staff safety.

d. The ORPEA Group performs water potability analyses (bacteriological and physico-chemical analysis) to check drinking water quality for all the countries where the Group operates.

e. The ORPEA Group's facilities, wherever they are located, are equipped to cope with severe weather (severe heat, cold fronts, floods) that could potentially endanger the health of residents and patients.

The medical department has drawn up procedures and protocols (mobilising staff, hydrating residents, adapting diets etc.) that are applied across the Group's facilities, and staff training has been organised to guarantee the safety of ongoing care and well-being of residents.

All countries comply with the national and regional regulations in force.

All facilities have signed an agreement with a nearby hospital or clinic setting out arrangements for cooperating and in particular for caring for residents who are vulnerable in the event of a heatwave.

The temperature of the premises is checked weekly in every facility; cooled rooms have been installed (and are regularly serviced) in all of the Group's facilities in France, Italy, Spain, Portugal and Belgium in addition to blackout blinds for the most exposed façades; some facilities situated in the hottest areas or where there is a regulatory requirement are fully air conditioned.

Moreover, preventive measures have been put in place at facilities at risk of other climate events, such as flooding. Each of the Group's facilities has drafted a *Plan Bleu/Blanc*, or Crisis Management Plan, which is activated to reduce the health consequences of a risk event as soon as weather alerts are issued.

3.5 OPERATIONAL RISKS

HUMAN RESOURCES RISK: DIFFICULTY ATTRACTING, HIRING AND RETAINING EMPLOYEES, ESPECIALLY FOR IN-DEMAND JOBS (MEDICAL AND PARAMEDICAL JOBS)

Description of risks

This chapter covers the most significant HR risk identified in the risk mapping process. Labour issues are generally covered in the Statement of non-financial performance.

The quality, availability and commitment of employees play a key role in the Group's success.

Any failure by ORPEA to identify, attract and retain competent employees and train them in responsible behaviour, despite its hiring campaigns and the strategy to increase the Group's appeal, could materially affect its business development and results.

In fact, difficulties in hiring qualified care staff in some countries or staff turnover could significantly affect the organisation and disrupt the smooth running of the Group's facilities. At 31 December 2019, the Group had 65,511 employees with 79% under permanent contracts. There were 12,600 departures and 13,900 hirings. Nursing staff ratios vary greatly from country to country and even from facility to facility, depending on regulations and average care requirements. For example, in France, the ratio is around 65 full-time equivalents (FTE) per 100 residents in a nursing home and 95 FTE in a facility per 100 patients. Should hiring difficulties persist, it could have an adverse impact on the quality of care provided.

All facilities must also be able to provide continuity of care and medical treatment for their residents or patients through an adequately staffed and appropriately qualified care team. Thus, a prolonged shortage of qualified care staff, if left unmanaged, could jeopardise the number of beds authorised or even the operating licence itself, as compliance with personnel standards applies to all subsidiaries.

Risk management

To deal with these risks, the Group has chosen to oversee mobility and recruitment more specifically by hiring dedicated teams for these tasks and by bolstering human resource management teams at both the Corporate level and at the Cluster and Business Unit level. The Group also introduced specially-designed action plans to identify and anticipate each Business Unit's recruitment needs. These action plans:

- specifically define hiring needs by subsidiary and by profile while taking into account development projects and the age pyramid;
- make sure our job offers are visible by using customised media based on needs and new means of communication (social networks etc.);
- develop mobility not only within the country but also between Business Units of different countries. This involves developing employee loyalty within the Group by offering career development opportunities to those who want them;
- leading an energetic schools-relations policy for all countries. This would give our profession and Group added credibility and help us anticipate our needs by welcoming and training interns and work study students at the facilities;
- participate in job fair-type recruitment initiatives, job dating, medical conferences etc. that target the most in-demand positions, especially in rural areas, and develop local initiatives with employment partners;
- manage and oversee an active training policy, which the Group has led for several years, that develops skills and retains employees via several programmes such as language courses for job transfers, ESCP for promoting our talents or specialised degrees awarded to care teams in partnership with renowned universities;
- launch meaningful, morale-boosting and team-building projects for teams to help grow a motivating and engaging work environment;
- maintain employee dialogue to underpin the stability of teams within facilities.

COMMUNICATION RISK: RISK OF DAMAGING THE GROUP'S IMAGE

Description of risks

The Group's reputation may be harmed by events for which it is responsible. For the ORPEA Group, risks mainly arise from the care of residents, patients and individuals cared for in their homes, and also relate to ethics and corporate social responsibility. This risk is growing, especially due to changes in regulations and legislation (e.g. Sapin 2, GDPR, CSR etc.) and societal expectations in general.

Moreover, the lack of awareness of the sector in which the Group operates exposes it to the risk of slander, unfounded allegations or lies that may damage its image or reputation.

Whether founded or not, criticism or allegations may be exacerbated by the speed in which information is spread due to the growth of social networks.

The risk of damage to the Group's image is considered to be serious in the area of care of vulnerable persons. Any deterioration in the Group's reputation may impact the trust-based relationship with patients, residents and individuals cared for in their homes and their friends and family and slow the Group's growth.

At 31 December 2019, there were no national articles or programmes that had a negative impact on the Group's image. On the contrary, in France for instance, ORPEA has a strong local presence, with more than 500 articles in 2019 in daily regional press mentioning facility organised activities and events, demonstrating the facilities' deep local roots.

Risk management

The Group launches initiatives every day to encourage compassion and combat all forms of abuse and mistreatment. Employees are continuously made aware of and trained on the strict ethical rules that apply to the entire Group. Facility teams organise specific and targeted training sessions.

Group facilities also conduct satisfaction surveys with residents/patients and families. Results are analysed in-depth and communicated to each facility. Areas for improvement are identified, summarised and monitored using a single plan per facility.

Intensely aware of how important it is to comply with ethical principles and rules of professional conduct, the Group has opened an internal whistleblowing system for employees and external partners so they can report any suspected abuse or mistreatment or any breach of principles in general.

Additionally, each Cluster/Business Unit has a communication team that puts their local communication plan into action and makes sure that media spokespeople know the rules and respect them. Identified spokespeople receive regular media training.

A reputation management system monitors all types of media continuously to preserve the Group's image and brands. Each Cluster reports any information that could influence the Group's image to Corporate.

The Group and the Clusters have crisis management procedures that can be applied if necessary. They define ways to detect a serious event that could damage the Group's business and how to manage the event quickly and appropriately. The Group has rolled out an internal and external communication system to relay information to all stakeholders.

CYBERSECURITY RISKS

Description of risks

Like all businesses that use connected information systems, the Group, its suppliers and its subcontractors are exposed to cybersecurity risks. At 31 December 2019, the Group had not experienced any major cyberattack. Despite the security measures implemented by the ORPEA Group, the risk remains high because the general view today is that cyberattacks are becoming more and more varied and complex. Their frequency and severity are steadily increasing, too.

Efforts to combat cybersecurity threats are therefore a clear priority given that the ORPEA Group has access to sensitive data, including medical and patient data that could be hacked in a malicious attack. This data is crucial for safeguarding the care and treatment of patients and residents. Therefore, any malfunction, system shutdown or loss of data as a result of any malicious cyberactivity could have a major negative impact on the Group's activity, financial position, results and outlook.

Risk management

Given the proliferation of increasingly innovative cyberattack techniques, the ORPEA Group constantly adapts and refreshes the resources it uses for prevention and detection purposes. High security standards have been introduced Group-wide, including the following main measures:

- active vulnerability monitoring: monitoring of the latest attacks, cybercrime threats (ransomware, CryptoLocker and Crypto Wall) and drafting of an action plan, if necessary;
- security audits to assess existing measures;
- incident tracking to safeguard the information system security and design effective remedial measures;
- regular awareness-raising campaigns intended to reach all employees.

The Information System Security governance framework is based on the ISO 27001-certified information security management standard. The Group also obtained the Health Data Hosting (*Hébergeur de données de Santé* – HDS) certification. Information system and cybersecurity risks were mapped in 2019 as part of this certification process.

INFORMATION SYSTEM RISKS

Description of risks

Information systems play an important role in ORPEA's operations. At 31 December 2019, the Group had not experienced any major information system failure. The temporary unavailability or failure of information systems as a result of either internal or external factors may be damaging for all the Group's operations, adversely affecting the availability of data and continuity of business.

In addition, its efficiency and operational effectiveness could be impaired if technologies prove to be ill-suited to the Group's transformation in the current fast-changing environment. Many projects are being developed including telemedicine and the Internet of Things. The Group actively monitors innovation and allocates investment budgets to information systems to ensure it follows market expectations as closely as possible and thus avoid the risk of obsolescence.

Risk management

The Group has introduced a flexible organisation for the information systems department so it can respond and adapt rapidly to business needs and technological advances. Under this organisation, which puts user satisfaction at the heart of its strategy, teams have been remodelled into start-up-like units.

Where appropriate, the Group designs and introduces bespoke tools tailored to its needs. Each system reflects a desire to unlock greater efficiency and performance gains. Since IT developments are managed internally, the teams have a real understanding of the changes and developments in the software used. Active monitoring of these information systems' availability is achieved through both preventative and detection-based warnings and indicators.

To eliminate risks as far as possible, back-up facilities and redundant networks safeguard data availability and accessibility.

Business recovery plans are updated and tested on a regular basis. The ORPEA Group makes every effort to continually ensure its information systems operate as efficiently as possible.

Mindful that the requirements of the future are already taking shape today, ORPEA does not simply monitor advances in technology, but puts innovation at the centre of its strategy. For this purpose, it has established an innovation unit consisting of specialists who plan ahead for and develop the tools of the future, such as telemedicine.

3.6 LEGAL AND COMPLIANCE RISKS

COMPLIANCE RISK: RISK RELATED TO MANAGING PERSONAL AND MEDICAL INFORMATION

Description of risks

Risks arising from data collection, hosting and access are clear priorities given the increasing trend towards the digitalisation of the data held on the Group's systems. Insecure or unauthorised data access may, for example, lead to leaks of medical data, which could have significant ramifications for patients, residents and for the Group. At 31 December 2019, the Group had not experienced any medical data breaches.

In addition, all these factors need to be handled in accordance with the Group's obligations under the General Data Protection Regulation (GDPR) to ensure that it does not incur financial penalties or suffer damage to its reputation. In this regard, the data protection unit monitors the implementation of the Group's data protection policy. The Group is committed, in particular, to only collecting the data necessary for patient and resident care and ensures that it informs them of their rights and responds to any request to exercise their rights.

Risk management

The Group has always made data security and confidentiality a strategic priority and formed a data protection unit well before GDPR took effect. Accordingly, it has laid down and implemented strict security rules to safeguard data integrity, availability, traceability and confidentiality. The Group has paid special attention to the concept of user profiles, restricting data access, especially to medical data. Accordingly, each user has access solely to the data required for their duties and activities.

Specialised companies, external auditors and the Group internal audit function regularly test the effectiveness and robustness of the access management rules and controls implemented. In addition, concrete security and data privacy measures are regularly implemented and monitored. These have included programmes to raise employee awareness, the use of a questionnaire to assess IT system security risks for each project, an impact assessment procedure, upskilling of the information systems department's staff etc.

It tightened its data protection policy further in May 2018 when the General Data Protection Regulation (GDPR) was introduced. The Group has appointed a Data Protection Officer (DPO) responsible for managing all the relevant GDPR obligations Group-wide. The Group DPO can call on a network of internal and external coordinators in the Clusters/BUs who put the Group policy into action.

COMPLIANCE RISK: RISK OF VIOLATING THE GROUP'S ETHICAL PRINCIPLES AND EFFORTS TO COMBAT CORRUPTION AND INFLUENCE PEDDLING

Description of risks

Ethical conduct and integrity are crucially important to ORPEA. Like any decentralised international business with over 65,511 employees in 20 countries, the Group may be exposed to breaches of its Code of Conduct by one of its employees or stakeholders. Aside from any penalties it may incur, these breaches could damage the Group's reputation and have a detrimental impact on its activity, financial position, results of operations and outlook.

Moreover, ORPEA is expanding in countries, such as Brazil, where the risk of corruption is considered much higher than on its core markets. This could thus expose employees to new sources of risk that the Group needs to identify in order to guard against them. Moreover, the Group's activities involve building relationships with public authorities and civil servants, as well as with health professionals (doctors, pharmacists etc.) in every country in which it operates. In light of this, the Group may incur penalties unless it meets all the requirements imposed by the Sapin 2 law, particularly the anti-corruption section, and the requirements of the local regulations in force. With an eye on these changes as they pertain to the Group's growth and to new regulations, the Group has created a compliance department tasked with introducing and leading efforts connected to the Sapin 2 law and analogous local regulations.

Risk management

The executive management team has always voiced its "zero tolerance approach" towards corruption and influence peddling. This vision has given rise to a compliance programme, with various components incorporated in the internal control framework and implemented by a dedicated unit.

Group executive management equipped the compliance department with the resources needed to roll out ethics policies to all Group entities. A network of compliance officers in the Clusters ensures that local rules are disseminated and followed – especially those related to the Group's standards of business integrity.

In early 2018, the audit, risk and compliance department presented an initial compliance risk map that they developed with an outside firm's help. The purpose of this risk map was to ensure the Group's approach and methodology to compliance was consistent and thorough. This risk map as well as the resulting compliance programme were presented to the Group's Clusters/Business Units in 2018 and 2019 with a focus on local non-compliance risks in order to fine-tune the risk map.

The Group makes training and employee awareness raising campaigns an integral part of its anti-corruption policy and overall ethics principles. The Group's senior managers are trained (last training meeting in Q1 2019) and they in turn distribute the rules to teams, drum up support and ensure they are followed. The ethics principles are mainly reflected in the quality charter, the Staff commitments charter and the Group Code of Conduct.

The Group has taken actions to ensure that principles in the Group's Code of Conduct are presented and shared with all employees in dedicated training sessions at both the Group and Cluster/Business Unit level. As a result, training modules supported by appropriate materials have been provided to the local compliance officers to help train employees throughout their career with the Group and regardless of which entity they reported to. For instance, in France, new employees are introduced to the Code of Conduct as part of the onboarding process (at headquarters and at the facilities) and it is appended to their employment contract. In addition, the Code of Conduct is displayed in staff rooms at the facilities so all employees are aware of its existence and how important it is to be familiar with it.

In June 2018, a general whistleblowing framework for (internal and external) employees and third parties was introduced, providing them with a mechanism for sounding a warning about breaches of the Code of Conduct, especially those concerning fraud, corruption and conflicts of interest. To broaden awareness of the tool, the site was presented in greater detail in the face-to-face training concerning the Code of Conduct. The audit, risk and compliance department has established arrangements to facilitate data reporting. At year-end 2019, 3 incidents were reported and none involved corruption.

At the same time, the Group's revised gifts and hospitality policy was circulated to all the Clusters and Business Units in late 2018. The policy was harmonised and adapted at each *Cluster/*Business Unit in 2019. This process aligns with the Group's active and tough anti-corruption and influence peddling policy. In concrete terms, the gifts and invitations policy aims to provide a framework for relationships between the Group's employees and third parties, such as business partners, authorities (civil servants, government representatives) and healthcare professionals.

Alongside the measures already implemented by the purchasing and legal departments, the compliance department also launched a process of identifying and evaluating significant existing third-party partners. The departments where suppliers underwent more in-depth analysis are as follows: development, works, purchasing and IT. Suppliers were pre-classified on the basis of their business volumes with the Group or their strategic importance. Depending on the results of the evaluation, the compliance department then conducted Know Your Third Party procedures based on in-depth due diligence compliance questionnaires. Action plans were then implemented based on the responses provided. In 2019, more than 800 due diligence questionnaires were conducted with the help of local compliance officers, mostly regarding verifying the integrity of strategic third parties (such as first-tier suppliers and general contractors) and third parties in line with our development operations (intermediaries, vendors).

LEGAL AND REGULATORY RISK: RISK RELATED TO THE AWARD AND RENEWAL OF OPERATING LICENCES

Description of risks

A licence is needed to operate a nursing home or medical facility in France, as in most of the other countries where the Group operates. These licences are issued by the relevant authorities, specific to each country (Regional Health Agency and/or local authority in France, Local Health Administration in Italy, the autonomous communities' social services in Spain, groups of municipalities in Belgium etc.). The ease with which such licences are obtained varies with the national and regional regulations.

In some countries, such as France, Belgium and Austria, obtaining such licences depends directly on the quota of beds planned by the relevant authorities. The number of new licences issued in the above-mentioned countries is closely controlled and limited by the public authorities to control spending.

Other countries, such as Germany, have not established such barriers to entry. However, the authorities require compliance with architectural, safety, quality, staff and other standards before issuing a licence.

Licences are awarded either for an indefinite period – in some regions of Belgium (Wallonia), Switzerland, Austria or Spain for instance – or for a fixed term of 5 to 15 years in France.

To maintain or renew their licences, they usually have to undergo procedures that assess and check their service quality. Depending on the country, these procedures are carried out by either the national or regional supervisory authorities.

At 31 December 2019, intangible assets and goodwill had a total net value of €3,768 million (€2,469 million for intangible assets and €1,299 million for goodwill). They were facility operating licences. In some countries, like France, Belgium, Italy, Spain, Switzerland, Austria, Poland and the Netherlands, licences are highly regulated and limited by the governments. They are measured at around 100% of annual revenue. In these countries, the Group cannot open or operate a care facility if this licence is not granted. In France, for instance, these licences carry particular weight because the government has not granted many new licences at all over the past 6 years. These values are subject to impairment tests. In other countries, like Germany, the number of licences is not restricted. The right to operate a nursing home is left to the relevant authorities' discretion.

Not renewing an operating licence is extremely rare and has never happened to the ORPEA Group in any country where it operates. An operating licence may not be renewed if a significant breach of standards is identified. Licences may even be withdrawn by the supervisory authorities where serious misconduct occurs.

Risk management

Generally speaking, the operating licences granted to the ORPEA Group's facilities have never come under any threat given the internal control and meticulous monitoring processes implemented by its various departments and support units (quality department, medical department, operations departments, works, purchasing, catering units etc.).

The quality procedures, which cover all subsidiaries and all stages of resident and patient care, as well as the care provision traceability approach implemented by the medical department and audits performed by support units, help the ORPEA Group to guard against the potential risk of operating licences not being granted or renewed.

LEGAL AND REGULATORY RISK: RISK RELATED TO PRICING POLICIES

Description of risks

In some of the countries where the ORPEA Group operates, the pricing schedule applied by facilities has two components:

- a component that broadly consists of care and medical expenses, which is usually funded by the public authorities (national or regional health insurance system, national long-term care insurance etc.);
- a component covering accommodation and/or superior comfort levels (e.g. a private room), paid for by the resident or patient.

The portion paid for by the public authorities varies from country to country, and even from one region to another within the same country, but makes up less than 50% of total funding in most cases.

The portion paid for by patients and residents is deregulated in most countries, but increases may be regulated (including in France, Belgium, Austria and Germany) subject to an inflation-linked cap, at least for existing residents. By contrast, pricing is not subject to any regulations for all new residents or patients in France and Switzerland.

In France, the portion of the Group's services that the patient pays for may increase if social security reduces their reimbursement amount or if private healthcare insurers reduce coverage or increase premiums. As a result, individual decisions to reduce personal spending or the risk for patients to pay higher private supplemental health insurance premiums could lead to reduced demand in comfort spending. A general decrease in prices may have an adverse effect on the Group's activity, financial position, results and outlook.

Risk management

The Group now operates in 20 countries, so it has diversified its exposure to several healthcare systems by expanding its operations in countries such as Germany, the Netherlands and Austria, where public funding is in surplus and secure over the long term.

In addition, the Group has always focused on countries where a significant portion of its revenue, and crucially its profits, is generated from private funding. In the event of a cut in public funding, the Group has a degree of flexibility because of the proportion of its funding that comes from private sources.

In certain countries, the Group has developed a completely private offering that does not receive any public funding. That applies in Spain, Poland, Portugal, Brazil and China.

3.7 FINANCIAL RISKS

RISK ARISING FROM RAISING ADDITIONAL FUNDING

Description of risks

Raising funding is a key challenge to support the Group's growth and, as is the case for all market players, ORPEA is exposed to changes to its market. ORPEA can therefore provide no assurance that it alone will be able to obtain the financing it needs for its expansion, and particularly that market conditions will be conducive to raising funds as equity or debt when it needs it.

Risk management

Since 2012, ORPEA has greatly diversified its funding sources beyond just banks by carrying out various market transactions:

- private bond placements with French institutional investors (insurance companies and mutual insurance groups);
- several Schuldschein note issues in the German market, bought by a wide variety of European and Asian investors. In 2019, ORPEA and its subsidiaries issued a total of €391 million in Schuldschein notes;

- in 2018, the Group issued its first-ever bond on Euronext Paris. It had a 7-year maturity and totalled €400 million, tapping into a whole new pool of credit investors;
- in 2019, the Group issued €500 million in convertible bonds (OCEANEs) with an 8-year maturity;
- in 2019, the Group took out more than €300 million in mortgage loans.

The ORPEA Group has also regularly continued to take out financing with a growing number of banks in recent years considering ORPEA's geographical diversification.

Lastly, the Group's cash totalled €834 million at 31 December 2019.

Moreover, ORPEA's banking partners are confident in the Group due to the excellent visibility over its future cash flows, which are not particularly affected by the current economic crisis.

Furthermore, ORPEA has a flexible financial structure, with covenant ratios well below the authorised limits.

RISK ARISING FROM THE GROUP'S DEBT

LIQUIDITY RISK

Description of risks

The Group may be faced with difficulties in terms of the diversification and optimisation of its financial structure. Nevertheless, the ORPEA Group takes advantage of the record low level of interest rates and the strong interest it has attracted from banks and credit investors. The Group has spread its loans across a wide range of banking institutions. Maturities for the Group's financing are well staggered over the years to come.

The Group must continue to offer an attractive risk profile to lenders and thus manage its financial debt (operational and real estate) and have liquid assets to match its growth map.

At 31 December 2019, the Group's debt net of cash by maturity was as follows:

(in thousands of euros)	31/12/2019	Less than 1 year*	Over 1 year
Bond debt	1,273	17	1,256
Finance leases	928	155	773
Bridging loans	350	70	280
Other financial debt (Schuldschein)	4,173	683	3,490
Cash and cash equivalents	789	789	0
TOTAL NET DEBT*	**5,935**	**136**	**5,798**
Current lease liabilities IFRS 16	*240*		
Non-current lease liabilities IFRS 16	*2,260*		

* *Of which debt linked to assets held for sale for €400 million.*

At 31 December 2019, the Group's net debt totalled €5,535 million (excluding the €400 million in debt related to assets held for sale).

Risk management

The Group may be faced with difficulties in terms of the diversification and optimisation of its financial structure. Nevertheless, the ORPEA Group takes advantage of the record low level of interest rates and the strong interest it has attracted from banks and credit investors. The Group has spread its loans across a wide range of banking institutions. Maturities for the Group's financing are well staggered over the years to come.

Bonds issued in 2018 are redeemable in 2025 and any convertible bonds (OCEANEs) that are not converted will be redeemable in 2027. In 2018 and 2019, the Group decided to refinance a part of its Schuldschein repayments early.

The Group still has financial flexibility to allow it to pursue its real estate and operational investments. Its debt ratios are still below the maximums authorised by covenants. At 31 December 2019, they were as follows:

- Financial leverage restated for real-estate assets[1] = 2.3x (restated for IFRS 16), stable compared to 2018 (authorised level of 5.5x);
- gearing[2] restated 1.6x (restated for IFRS 16) compared to 1.5x at 31 December 2018 (authorised level up to 2.0x).

Taking into account the impact of IFRS 16 on EBITDA, at 31 December 2019, real-estate assets came to 1.2x for restated financial leverage and 1.7x for restated gearing.

(1) (Net financial liabilities – Real estate debt)/(EBITDA – (6% x Real estate debt)).
(2) Net debt/(mutual funds + mutual fund equivalents).

During the financial year ended 31 December 2019, the Group continued to streamline its ownership structure by setting up additional hedges and various types of loans. Due to these efforts:

- loans other than bank loans accounted for 48% of net debt at 31 December 2019;
- the average maturity of net debt was 6.4 years at 31 December 2019;
- fixed rate net debt, by type or after hedging, accounts for nearly 100% of the total for the 2018-2024 period.

INTEREST RATE RISK

Description of risks

Most of the Group's debt consists of domestic debt carrying floating interest rates, and so it is also exposed to the risk of an increase in interest rates in the euro zone. After hedging, most of the debt became fixed-rate.

At 31 December 2019, the Group's debt net of cash breaks down by maturity as well as fixed and floating rate as follows:

(in thousands of euros)	31/12/2019	Fixed rate (after hedging)	Floating rate (after hedging)
Bond debt	1,273	1,273	0
Finance leases	928	928	0
Bridging loans	350	350	0
Other financial debt (Schuldschein)	4,173	3,138	1,034
Cash and cash equivalents	789		789
TOTAL NET DEBT*	**5,935**	**5,689**	**246**
Current lease liabilities IFRS 16	*240*		
Non-current lease liabilities IFRS 16	*2,260*		

* *Of which debt linked to assets held for sale.*

Risk management

The Group's strategy is to hedge almost all of its consolidated net debt against interest-rate risk. To do so, the Group uses a portfolio of financial instruments in the form of interest-rate swaps, under which it mainly receives 3-month Euribor and pays a fixed rate specific to each contract, and interest-rate options (caps etc.).

At 31 December 2019, the amount of hedges stood at €3,017 million.

The portfolio is comprised of fixed-for-floating (mainly 3-month Euribor) interest-rate swaps and interest-rate options.

ANALYSIS OF SENSITIVITY TO FLUCTUATIONS IN INTEREST RATES

The impact of a +/-1% shift in the yield curve on the Group's earnings derives from:

- the amount of floating-rate debt net of cash via fluctuations in interest rates;
- changes in the fair value of hedges.

The fair value of its hedging instruments is sensitive to changes in interest rates and volatility trends. Volatility is assumed to remain unchanged for the purposes of this analysis.

At 31 December 2019, ORPEA's net debt amounted to €5,935 million (excluding debt relating to assets held for sale), of which approximately 45% was arranged at fixed rates and the remainder at floating rates.

Including the impact of hedging arrangements:

- a 1% (100 basis point) rise in the yield curve would decrease the Group's financial expense by €2.9 million (before tax and capitalisation of financial expenses);
- a 0.1% decrease (10 basis points) would increase the Group's financial expense by €1.4 million.

4 STATEMENT OF NON-FINANCIAL PERFORMANCE

The Statement of non-financial performance presents the ORPEA Group's corporate social responsibility strategy in accordance with the new regulatory requirements (Article L. 225-102-1 of the French Commercial Code) on the publication of non-financial information.

This Statement outlines the Group's business model and principal non-financial risks and also the policies it has implemented to address them and the results obtained by each of these policies.

Since ORPEA has made corporate social responsibility commitments, this chapter also presents the Group's ambitious policies and action programmes, in addition to the principal risks identified.

4.1 BUSINESS MODEL

To meet the demographic and health-related challenges arising from the ageing of the population and shifting trends in pathologies, ORPEA aims to provide a full spectrum of suitable care solutions. They are tailored to meet the needs of populations in the areas in which ORPEA operates and uphold the essential values for providing this care — well-being, ethics and safety (see Chapter 1 Presentation of the ORPEA Group and its markets).

By harnessing the resources and working with the stakeholders participating in the Group's business model, ORPEA has always endeavoured to create value over the long term — for residents, patients and employees, as well as for society as a whole and for the environment.

The following diagram illustrates the ORPEA Group's business model.

RESOURCES AND STAKEHOLDERS

HUMAN CAPITAL AND STAKEHOLDERS

- **65,511 employees** in **19 countries**
- **83%** of employees **are women**
- **Regular dialogue** with employee partners, local authorities and communities
- **Suppliers** and medical and paramedical **partners**
- **Families** and **friends** of the residents and patients
- **Universities** and **training schools**

INTANGIBLE CAPITAL: KNOW-HOW

- **Over 30 years' experience** in providing long-term care
- **Quality procedures**: a minimum of 200 criteria constantly monitored
- **Substantial ability to innovate** via E-novea, the Management Committee for innovative projects

PHYSICAL CAPITAL: REAL ESTATE AND EQUIPMENT

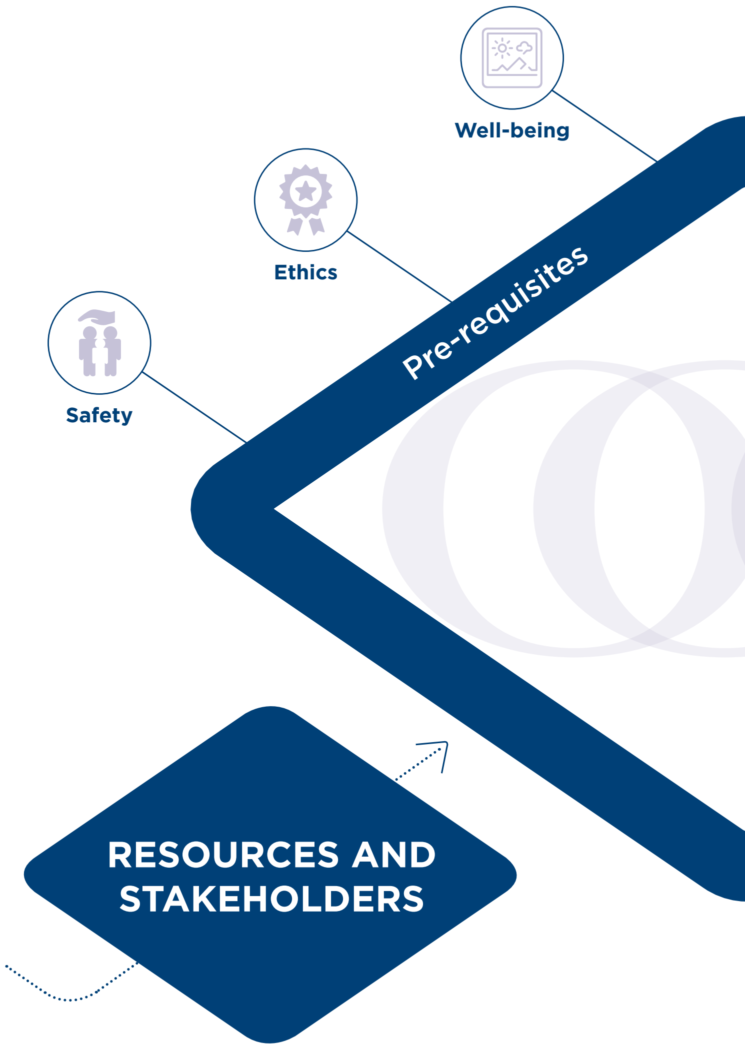
- **6 bn** real-estate portfolio
- **1,004 facilities** with a total of over **103,032 beds** at 31/12/2019
- **Advanced technology**, especially in psychiatric hospitals and post-acute and rehabilitation hospitals
- Building **architecture** and equipment **specifically designed** to provide care for neurodegenerative diseases

FINANCIAL CAPITAL

- **2/3 of earnings reinvested** in maintenance, refurbishment and development
- Long-term **shareholders**
- **Robust** and **flexible** balance sheet

ORPEA'S CORE BUSINESS

Looking after people with loss of independent living skills (physical or mental) by providing them with the essential care they require for their well-being and respecting their individuality



ORPEA currently offers an integrated range of services:

- nursing homes
- post-acute and rehabilitation hospitals, including both inpatient and outpatient care
- psychiatric hospitals
- home care and services
- senior assisted-living facilities

VALUE CREATION

WELL-BEING AND SAFETY OF RESIDENTS AND PATIENTS

- Support for **265,000 patients and residents** per year with various levels of long-term care requirements
- Resident satisfaction survey: **92% satisfaction rate** and **94% recommendation rate**
- Catering: **52 million meals served every year**

SOCIAL POLICY

- **18 training hours** per employee per year
- **65% of managerial positions held by women**
- Over **6,000 employees on apprenticeships and work/study programmes**
- Diverse age profile: **9% of employees are under 25 years old** and **19% are over 55 years old**

ENVIRONMENTAL POLICY

- **Actions to reduce energy consumption** and water consumption
- Development of **eco-friendly** purchasing
- **Reduction in CO_2 emissions**: 13% cut in CO_2 emitted per resident between 2011 and 2017
- **Action to combat food waste**

COMMUNITY-DRIVEN, OUTWARD-LOOKING FACILITIES

- Footprint in **20 countries,** firmly rooted in neighbourhood life
- **Outward-looking facilities:** open days, advice for carers, collaboration with local associations
- Recruitment and creation of local jobs that cannot be transferred abroad: around **14,000 new employees hired in 2019**

BUSINESS SUSTAINABILITY

- Revenue: **20% average annual growth** over the past 15 years
- Net profit attributable to ORPEA's shareholders: **18% average annual growth** over the past 15 years
- **Stable governance framework:** 2 Chief Executive Officers in the past 30 years and Executive Committee members with an average length of service of 15 years

4.2 STRENGTHENING THE GROUP'S CSR COMMITMENT

4.2.1 A COMMITMENT REAFFIRMED

ORPEA is a key player in the care of frail and vulnerable persons. As a result, the nature of the Group's services led it to place respect for human rights at the heart of its business from the very beginning. To achieve this goal, it put in place the requisite resources to ensure that the people accommodated in its facilities are cared for appropriately. It also introduced policies and procedures for employees and partners who work in its facilities on a daily basis.

It is also a leading player in real estate by virtue of the nature of its economic model. The environmental impact of the facilities built and/or operated by ORPEA is considered from the design stage or when a building or site is acquired. Likewise, strict procedures that require the regular monitoring of buildings are put in place concerning daily operations that could potentially have an impact on the environment.

ORPEA has therefore been committed to CSR (Corporate Social Responsibility) efforts for many years. And the inclusion of non-financial criteria in the calculation of the bonus payment of the executive management team and some of the management shows a willingness to make progress on issues that are central to ORPEA.

In 2019, the executive management team wanted to give a new impetus to the efforts by creating the position of full-time CSR manager within the communication, innovation and CSR department. The CSR department reports to executive management, and its mission is to pursue and amplify existing CSR policies.

To that end, an assessment of the current level of CSR maturity was conducted at the end of 2019 in collaboration with an independent firm. This assessment is based on interviews with internal stakeholders, a multi-sector benchmark and a documentary analysis, and uses an international reference, the SASB (Sustainability Accountancy Standards Board). Accordingly, the level of progress of ORPEA's CSR efforts throughout its value chain was assessed.

This maturity assessment made it possible to identify the first areas of work and share an approach to CSR. Convinced that the challenges of sustainable development can also be met locally, ORPEA has set itself the objective of deploying ambitious Group policies locally, taking into account the expectations of its stakeholders. CSR is therefore an element in the creation of shared value for all stakeholders as well as a tool for controlling its risks.

4.2.2 CSR ISSUES IDENTIFIED

Given the nature of its operations, the ORPEA Group follows an active risk prevention and management policy for the risks inherent to its business. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group.

Measures to strengthen the audit, risk and compliance department began in 2017 under the leadership of executive management. The momentum continued in 2018 with the recruitment of teams at Corporate level and, in 2019, with the recruitment of dedicated permanent control correspondents at Cluster level. This department reports to the executive management team and to the Audit Committee for day-to-day operations to safeguard its independence. It is built around two units:

- the permanent control unit, which endeavours to identify and prevent risks and to devise an appropriate internal control framework. It has four main areas of expertise:
  - risk management, which is in charge of preparing and coordinating various risk mapping exercises,
  - internal control, which has responsibility for establishing the internal control framework, including by introducing and monitoring Group-wide standards and by taking part in various Group projects to ensure that risk factors are handled properly,
  - compliance, which is tasked with ensuring that the Group complies with its obligations, with a particular focus on efforts to combat corruption and influence peddling,
  - data protection, which is tasked with ensuring that the Group complies with its obligations in relation to personal data,
- the periodic control unit, consisting solely of internal audit, which has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

In 2019, the ORPEA Group carried out a complete overhaul of its risk mapping to identify the main Group-wide risks. All subsidiaries and activities were included in the exercise to take into account changes within the company and the environment in which it develops. The risk mapping was presented and shared in full with the members of the Group's executive management and with the Audit Committee. The Group has a risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various Clusters and Business Units;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

The key social, environmental, societal and ethical business conduct priorities presented below are derived from the risk analysis methodology described earlier.

The various internal control participants and bodies (quality, human resources, audit, risk and internal control etc.), which now includes CSR, have drawn up definitions and rolled out policies to address them. The improvements made by these teams are measured using indicators so as to provide a regular update of the risk mapping and to focus efforts at all times on the key priorities.

These policies are presented in detail in Sections 2 to 7 of this Statement of non-financial performance.

Stakeholders	Main non-financial risks identified	Policies implemented(1)	Performance indicators (qualitative or quantitative)
Civil society/regulators	Risk of non-compliance with the Group's principles in terms of ethics, the fight against corruption and influence peddling	4.3. Acting within an ethical framework	Existence and roll-out of a Code of conduct
Residents/patients/ beneficiaries of home care services and their families	Risk arising from a failure to respect the rights and dignity of vulnerable persons	4.4.2. Respecting the rights and dignity of patients and residents	■ Number of quality procedures ■ Level of satisfaction of residents and families with the staff and food service ■ Number of control criteria for food service ■ Average number of internal and external audits conducted ■ Results of external assessments ■ Internal audits conducted and number of criteria audited ■ Number of adverse events
	Risk arising from medical care and quality of care	4.4.3. Ensuring the health of residents and patients and maintaining their autonomy	
	Risk arising from the security conditions of the premises	4.4.4. Keeping individuals cared for at facilities safe and secure	
	Risk of not engaging in a dialogue with patients/residents and their families	4.4.5. Maintaining a transparent dialogue with residents, patients and families to satisfy their expectations	■ Rate of complaints ■ Rate of satisfaction ■ Rate of referral
Employees	Risk arising from attractiveness, difficulty in recruiting and retaining employees, especially for in-demand jobs (medical and paramedical)	4.5.3. Increasing attractiveness 4.5.5. Supporting employee development	■ Staff turnover rate ■ % of women in management positions ■ Hours of training ■ Internal promotion rate (France)
	Risk of failure to maintain an employee dialogue conducive to stability	4.5.4.4. Maintaining a high-quality employee dialogue	Management of employee dialogue
	Risk arising from employee health and safety	4.5.4. Ensuring health and safety	■ Accident frequency and severity rate ■ Absenteeism rate
Environment	Risk of a failure to take environmental responsibility into account in construction projects and/or in the management of facilities	4.6. Limiting the environmental footprint	■ Number of cubic metres of water consumed ■ Waste management
	Risk arising from climate change	4.6. Limiting the environmental footprint	■ Energy consumption in MWh ■ CO_2 emissions
Suppliers	Risks related to purchasing, suppliers and subcontractors	4.7.1. Building a responsible purchasing policy	% of listed suppliers(2) participating in the ORPEA CSR self-assessment (France)

(1) Return to the parties involved.
(2) Supplier with which a master agreement has been signed.

ORPEA sees these challenges as opportunities for value creation. In addition to controlling the risks associated with its core business, ORPEA has a positive local footprint through its commitment to social issues (part 7).

4.2.3 THE VIGILANCE PLAN

The vigilance plan aims to detect and prevent serious breaches of human rights, fundamental freedoms and threats to the health and safety of people and to the environment. The ORPEA Group believes that given the implications of its operations for people and the environment, careful consideration is a crucial aspect of making its business sustainable. It has thus established its governance framework and development model around socially responsible values and principles covering all the countries in which it operates. In addition, ORPEA endeavours to rigorously uphold human rights and comply with the labour, personal health and safety, and environmental legislation in all the territories where it has a presence.

4.2.3.1 RISK MAPPING: IDENTIFICATION AND EVALUATION OF THE RISKS GENERATED BY THE ORPEA GROUP'S BUSINESS

Group risk mapping

In 2019, the Company carried out a complete overhaul of its risk mapping to identify the main risks throughout the Group. All subsidiaries and activities were included in the exercise to take into account changes within the company and the environment in which it develops. The risk mapping was presented and shared in full with the members of the Group's executive management and with the Audit Committee. The Group has a risk mapping programme, which rests on the following pillars:

- analysis and classification by area of the risks arising from the interviews conducted with the Group's key managers and the departments of the various Clusters and Business Units;
- a rating of each risk factor based on expected severity, its likelihood of occurrence and the extent to which it has been mitigated;
- oversight of action plans to mitigate risk factors constituting major challenges for the Group.

Special mapping

Core Business Risks arising from residents, patients

Given the nature of its operations, the ORPEA Group follows an active risk management policy for the risks inherent to its business. The risk prevention and management framework is predicated on a structured approach, which aims to identify, assess and control risk factors liable to adversely affect the smooth operation of the Group. As part of this approach, ORPEA has identified the risks that may adversely affect its patients and residents. The Group has been highly proactive in dealing with these risks and has developed recognised know-how in the area of long-term care, both in terms of medical care and in terms of the quality of services and facility safety.

Risks arising from personal data protection

Data security and confidentiality have always been a strategic priority for the Group. The risk factors that could potentially be harmful to personal data protection have been mapped. Risks arising from data collection, hosting and access represent clear priorities given the increasing trend towards the digitalisation of the data held on the Group's systems. The application of the General Data Protection Regulation (GDPR) in May 2018 made it possible to strengthen the Group's policy in this area, and as a result, it has appointed a Data Protection Officer (DPO) tasked with the deployment of GDPR-related obligations throughout the Group. The Group DPO can call on a network of internal and external correspondents in the Clusters/Business Units who put the Group policy into action.

Information System risks

The Information System Security governance framework is based on the ISO 27001-certified information security management standard. As part of this, information system and cybersecurity risks were mapped in 2019. In addition to the risks specific to information systems and cybersecurity, this exercise also allowed a review of the Group's strategic suppliers.

Non-compliance risks

ORPEA has demonstrated its determination to pursue a formal and structured approach to addressing non-compliance risks. It encompasses the risk of corruption and influence peddling, as recommended by the Sapin 2 law, as well as other non-compliance risk factors, such as failures to comply with competition law and fraud risk. The first non-compliance risk mapping exercise was presented by the audit, risk and compliance department in early 2018. It was supported by an external firm to ensure the consistency of the methodology used and completeness of the approach. Lastly, when the Compliance programme was presented to the Group's Clusters/Business Units in 2018 and 2019, special attention was drawn to the non-compliance risks present locally, and the risk mapping was updated.

Environmental risks

Environmental risks were identified by experts in connection with the ORPEA CSR department. They mainly correspond to the international challenges related to the consequences of climate change formalised in COP 21. These challenges correspond more broadly to a better control of resources and the fight against pollution.

Main risks

The main risks identified as part of the duty of vigilance are as follows:

Personal health and safety

- Risk arising from medical care and quality of care.
- Risk arising from facility safety conditions.
- Risk arising from employee health and safety.

Human rights and business ethics

- Risk arising from a failure to respect the rights and dignity of vulnerable persons.
- Third party/supplier risk.

Environment

- Risk arising from climate change.
- Risk of a failure to take environmental responsibility into account in construction projects or in the management of facilities.

4.2.3.2 PROCEDURES FOR ASSESSING AND MONITORING IMPLEMENTATION

Several departments of the ORPEA Group are involved in the regular assessment of risks and monitoring of mitigation measures.

Assessment and monitoring of the Group's facilities

Several types of assessments are regularly conducted within the Group's facilities to ensure the proper functioning of the quality systems in place. These assessments can be performed by internal teams or by external administrations or organisations. In addition to internal and external assessments, surveys are conducted among residents/patients/persons receiving home care to assess their level of satisfaction.

Internal assessments

Internal assessments are carried out by the regional departments, the quality department and the medical department; self-assessments are also carried out by the teams in the facilities. ORPEA has devised a stringent quality control process that applies to all its facilities in every Cluster and Business Unit. More than 400 criteria are tracked and controlled. They cover care and treatment, safety and security, meals, hygiene and monitoring of the Quality process. For more details on policies and indicators, please refer to Section 4.4.4.

In addition to the assessments carried out by ORPEA's internal teams, external audits are carried out by authorised bodies, such as a food analysis laboratory, or an external inspection office for building security.

External assessments

The activities of the ORPEA Group are subject to regular assessment, control and certification by the competent authorities and independent bodies. For more details on policies and indicators, please refer to Section 4.4.4.

Satisfaction surveys

Satisfaction surveys are organised through independent organisations at all Group sites. If necessary, improvement plans are defined at each site in order to maintain the Group's high quality standards (see Section 4.4.5. of this Statement of non-financial performance).

Assessment and monitoring of the situation of the Group's Clusters/Business Units

Operations Committee

Operations Committee meetings are held every month by each Cluster/Business Unit and meet with the executive management team of the relevant entity and the Chief Operating Officer and/or the Head of Operations responsible for oversight of the relevant entity. Various support services (local or Corporate) participate in these meetings from time to time.

These Committees consider any issues arising in relation to the activities of the Cluster/Business Unit. Their discussions include an update on action plans in progress and for implementation, budgets, Quality and the training plan. The decisions taken at these Operations Committee meetings are always passed on and explained to facilitate their implementation via monthly meetings with the Head of Operations of the relevant entity, Regional Managers and Facility Managers.

The decisions thus approved are set out in action plans to monitor the achievement of the targets set on a monthly basis. Reporting on achievement of these targets is prepared in advance of every Operations Committee meeting so that the concrete results obtained can be discussed and any other remedial action necessary taken.

Ethics Committee

To reinforce the attention it gives to the ethical aspects of care practices, the Group established an International Scientific and Ethics Council in 2015. Its work helps to nurture the practices of the various teams at ORPEA facilities in France and around the world. Each of the Group's facilities can refer matters to the Committee or raise questions concerning a resident's or patient's care, especially where this has implications for positive treatment.

Every year the International Scientific and Ethics Council (ISEC) organises the ORPEA Excellence Awards to promote a responsible professional and pragmatic culture of clinical ethics and to encourage teams to innovate, to question their approach and make constant improvements to the care they provide to residents and patients. The event aims to reward the Group's teams that have devised noteworthy clinical ethics programmes. In the past four years, 24 entries have been submitted in the clinical ethics category.

Audit, risk and compliance department

Measures to strengthen the audit, risk and compliance department began in 2017 under the leadership of executive management. The momentum continued in 2018 with the recruitment of teams at Corporate level and, in 2019, with the recruitment of dedicated permanent control correspondents at the Cluster/Business Unit level. This department reports to the executive management team and to the Audit Committee for day-to-day operations to safeguard its independence. It is built around two units:

- the permanent control unit endeavours to identify and prevent risk factors and to devise an appropriate internal control framework;
- the periodic control unit, consisting solely of internal audit, has responsibility for ensuring that the internal control framework is effective and that risks are mitigated at all Group entities. It may also recommend improvements to curb its risk exposure.

Sustainable Development Committee France

A Steering Committee made up of representatives from the purchasing, works-construction, quality and communication departments was set up in 2013 to oversee the action plan jointly; it meets every two months and monitors the main priorities set for the ORPEA Group's environmental protection initiatives in Europe:

- reducing energy use (chiefly gas and electricity) and water consumption;
- optimising the management of healthcare waste (PIMW) and food waste;
- cutting CO_2 emissions caused by travel;
- raising the awareness of employees, residents and patients.

Assessment and monitoring of the situation of subcontractors/suppliers

Responsible purchasing

ORPEA also intends to extend its social, societal and environmental commitments to its dealings with its suppliers. It regards them first and foremost as partners, with whom it is vital to build a trust-based relationship and to share common values, goals and objectives.

Always keen to improve its practices for the benefit of residents and patients, the Group purchasing department regularly assesses its strategic suppliers — once a year on average, but more often if an incident occurs. Should issues be encountered with a product, a problem report form is created by the relevant facility and sent to the purchasing department. This helps to keep track of any issues arising, and remedial action can be implemented if necessary.

Because the ORPEA Group wants to involve its partners and suppliers in its environmental strategy, it further tightened its eco-friendly purchasing policy in 2017 by adding an ORPEA Environmental responsibility charter, which now supplements the environmental criteria in its tender documentation and thus ensures that listed products are eco-friendly. (Refer to Section 4.7.1. of the Statement of non-financial performance for more information on this topic).

Third party assessment

Alongside the measures already implemented by the purchasing and legal departments, the compliance department, which became part of the audit, risk and compliance department in early 2018, also launched a process of identifying and evaluating significant existing third-party partners. The development, works, purchasing and IT departments have already undergone more in-depth analysis.

Suppliers were pre-classified on the basis of their business volumes with the Group or their strategic importance. Depending on the results of the evaluation, the compliance department then conducted Know Your Third Party procedures based on in-depth due diligence compliance questionnaires. Action plans were then implemented on the basis of the responses provided.

At the same time, the Code of conduct was sent to the Group's suppliers, and compliance clauses are now added to commercial agreements, where appropriate. For new third parties, the arrangements are predicated on internal control and strict approval procedures to avoid any risk of corruption and/or influence peddling. Accordingly, a formal due diligence process takes place before any new acquisition goes ahead. (Refer to Section 4.3. of the Statement of non-financial performance for more information on this topic).

4.2.3.3 RISK PREVENTION AND MITIGATION ACTIONS GUARDING AGAINST SERIOUS BREACHES OF HUMAN RIGHTS OR ENVIRONMENTAL DAMAGE

The Group has, with all of its teams, initiated actions to mitigate or prevent the risks of serious human rights and environmental violations.

Personal health and safety

Action plans to limit and reduce potential harm to personal health and safety are in place and focus mainly on the following:

Compliance with best practices

The Group's senior managers strive to create and maintain an environment conducive to buy-in to and respect for ethical principles and internal control. In the past the Group has drawn up ethical and quality charters setting out its values and best practices. In 2018, the Group continued this approach by introducing a Code of conduct. The values set out in the Code of conduct include universal respect for people, trust, a sense of responsibility and high standards of professional ethics as part of a broad-ranging care relationship and ethical commitments. The Group relies on three key documents:

- the Code of conduct;
- the Quality charter;
- the Staff commitments charter.

These principles are put into action through a robust training policy supporting employees with implementing the best practices contained in these documents.

Ensuring the health of residents, patients and beneficiaries

To handle the various risks that facilities may face (pandemics, infections, food safety, medical device safety etc.), the ORPEA Group has put in place preventive measures and corrective action plans in compliance with the legislation of various countries. As a result, the Group has deployed a policy of training teams on the best practices to be implemented. The Group has invested in computerised tools so that it can guarantee full traceability of healthcare procedures and medicines. The Group has also defined a food plan to guarantee food safety and provide healthy, high-quality food. In addition, a crisis management plan is in place to complete these measures.

Maintaining suitable working conditions

- Ensuring employee health, safety and well-being: establishing a climate of trust is essential to improving working conditions in the facilities. ORPEA has grown to become a well-known business with respected expertise in its field by protecting physical and mental health through managers' constant vigilance, training its employees to work safely and establishing and maintaining strong labour relations. In many countries, ambitious policies have been introduced in conjunction with the HR department and employee representatives to enhance employees' quality of life in the workplace. Measures taken in various countries include making a gym available to teams and help with reserving a place in a childcare facility.
- Promoting safety in the workplace: for the Group, taking steps to foster good working conditions helps to prevent health problems, reduce the risk of accidents and increase the quality of care provided to residents and patients. Priority is given to reducing workplace accidents and work-related musculo-skeletal disorders on the one hand and spreading the workload evenly on the other.

- Preventing psychosocial risks: facility managers and team leaders also receive training to optimise their management role. Communication, crisis management and team leadership training as well as training on preventing psychosocial risks is arranged every year. To support employees having to deal with great emotional distress by virtue of the very nature of the work they do, the Group established in 2009 a psychological unit known as the "Group emergency intervention unit" consisting of qualified psychologists with special training in facility trauma.
- Nurturing quality of life in the workplace: as well as protecting their health, ORPEA also wants to provide its employees with a working environment conducive to well-being; staff rooms are more spacious, comfortable and well equipped; buildings are designed to let in as much light as possible with windows at eye level and wherever possible in front of work stations, in each work area and in break rooms etc.

Keeping individuals cared for at facilities safe and secure

Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home. ORPEA has identified all the health and safety risks that could occur in its facilities. Over a period of many years, it has introduced appropriate tools and systems (procedures, training, check lists and verifications) to prevent and manage these risks. They principally include the quality and temperature of water (prevention of the risk of legionella, control of potability of water and water temperature with mixer taps etc.), and more generally the risks associated with building security (fire safety, asbestos-related risks, radon etc.). As such, a works budget is allocated each year by the Group works department and executive management to fully comply with regulatory standards. A works department established in each Business Unit is responsible for building safety and maintenance. At the same time, the ORPEA Group has established a network of specialist independent contractors that can audit the safety of its installations and buildings to check their compliance with the regulations in force. (For more details on policies implemented and monitoring indicators, please refer to Section 4.4. of the Statement of non-financial performance).

Human rights and business ethics

Action plans to respect the rights of residents and patients and ensure quality care. They focus mainly on the following points:

Respecting the rights and dignity of vulnerable people

The Group has put in place a preventive and curative protocol for mistreatment in all of its facilities, making it possible to prevent any act of mistreatment (recruitment procedures, employee integration, support and training).

Business ethics

The purchasing, legal and compliance departments work together on a case-by-case basis to define, in collaboration with third parties, the actions to be implemented based on the results of the assessments. The deployment of the Code of conduct also contributes to the development of a culture of ethics within ORPEA.

(For more details on policies implemented and monitoring indicators, please refer to Section 4.3. of the Statement of non-financial performance).

Environment

Action plans to limit pollution and respond to climate challenges are in place at the Group level and focus mainly on the following points:

- improvement of the energy performance of sites and limiting of energy and water consumption and greenhouse gas emissions;
- optimising waste management;
- management of hazardous clinical waste;
- action to combat food waste;
- responsible policy in the construction of its Buildings.

For more details on policies implemented and monitoring indicators, please refer to section 4.6. of the Statement of non-financial performance.

4.2.3.4 INTRODUCTION OF FEEDBACK SYSTEMS

Taking on board complaints received from residents and patients

The main concern of facility managers is to maintain an ongoing dialogue with and to meet the expectations of residents/patients and their families. This dialogue and transparency give residents/ patients a say in shaping their care plan and arrangements so that they take the lead in decisions related to their health and maintain their independence as far as possible.

Various measures have been introduced Group-wide to make sure they are listened to attentively and compassionately. Accordingly, special attention is paid to complaints made by patients/residents and their families, to the handling of those complaints, and to their follow-up. At the same time, a constructive dialogue is established in all facilities and all Clusters/Business Units:

- on committees (menus, activities etc.);
- Residents' Councils (known in France as "*Conseils de la Vie Sociale*");
- with user representatives in hospitals from accredited healthcare associations who sit on the Users Committee.

Employee representative bodies responsible for safety and working conditions

The Group fully involves any local employee representative bodies in its development. In addition to the mandatory consultations, ORPEA maintains an ongoing dialogue with employees throughout the year, both via trade unions and with all staff in the field.

Introduction of a new whistleblowing system

In June 2018, a general whistleblowing framework for (internal and external) employees and third parties was introduced, providing them with a mechanism for sounding a warning about breaches of the Code of conduct, especially those concerning fraud, corruption and conflicts of interest. (For more information on whistleblowing, refer to Section 4.3. of the Statement of non-financial performance).

Deployment of environmental measurement tools

The implementation of the Deepki platform enables the Group to detect abnormal energy or water consumption as quickly as possible. Corrective action plans are determined to remedy these malfunctions.

Topics related to the duty of vigilance	Section of this Registration Document
Personal health and safety	4.4.3. Ensuring the health of residents and patients and maintaining their autonomy 4.4.4. Keeping individuals cared for at facilities safe and secure 4.5.4. Monitoring employee health and safety
Human rights	4.4.2. Respecting the rights and dignity of patients and residents 4.5.6. Promoting diversity and inclusion 4.5.6.4. Complying with ILO conventions
Environment	4.6.2. General environmental policy 4.7.1. Responsible purchasing policy

4.3 ACTING WITHIN AN ETHICAL FRAMEWORK

4.3.1 PRINCIPAL RISK FACTORS IDENTIFIED

The ORPEA Group is a leading provider of long-term care for vulnerable persons. It has achieved this position through active, sustainable and responsible development founded on values and business ethics, plus the utmost respect for the law and regulations.

Even so, like other industry operators, the ORPEA Group may be exposed to the risk of corruption or influence peddling arising from its interactions with third parties (including public authorities). If this risk were to materialise, the Company, its employees and/or senior executives could face civil and criminal action, damaging the Group's global reputation.

To address this risk, the executive management team has always voiced its "Zero Tolerance Approach" towards corruption and influence peddling. This vision has given rise to a compliance programme, with various components incorporated in the internal control framework and implemented by a dedicated unit. Through these efforts, ORPEA has cultivated a strong culture of ethical conduct at all its entities, building on the principles set out below.

This desire has also led to the strengthening of teams, both at the Corporate level and through the creation of a network of compliance officers within Clusters/Business Units, which is also meant to support the Group's international development. These local officers assigned to oversight activities ensure the dissemination and application of the Group's best practices. They are also in charge of adapting the Group principles to fit the local environment. Coordination between the Corporate headquarters and the Cluster/Business Unit teams is achieved through communication and regular interactions to foster transparency on issues met at Corporate and at local level. The Group's rigorous compliance with the law and regulations extends to its tax affairs. ORPEA applies strict policies in that area, as outlined below.

4.3.2 ESTABLISHING, ROLLING OUT AND APPLYING EXACTING ANTI-CORRUPTION AND ANTI-FRAUD PRINCIPLES

4.3.2.1 THE GROUP'S ETHICAL PRINCIPLES AND CODE OF CONDUCT

The Group's senior managers strive to create and maintain an environment conducive to buy-in to and respect for ethical principles and internal control.

Respect for ethical and quality standards provides the cornerstone of ORPEA's control environment. These values are closely associated with its core business, which is primarily based on interpersonal relationships. Not only does this core business rely on the trust built up by ORPEA and its employees, on the one hand, and with patients/residents and their family, on the other hand, but also on fully transparent relationships with third parties, suppliers and the public authorities.

In the past the Group has drawn up ethical and quality charters setting out its values and best practices. In 2018, the Group continued this approach by introducing a Code of conduct. The values set out in the Code of conduct include universal respect for people, trust, a sense of responsibility and high standards of professional ethics as part of a broad-ranging care relationship and ethical commitments.

The Group relies on three key documents:

- the Code of conduct;
- the Quality charter;
- the Staff commitments charter.

These documents are also accompanied by a gifts policy that has been harmonised and adapted by each Cluster/Business Unit.

These ethical principles and the Code of conduct are put into action through a robust training policy supporting employees with implementing the best practices contained in these documents.

In 2019, the ORPEA Group was acknowledged for its level of excellence in this area and was awarded the "Coup de Cœur" prize at the 2019 Trophées d'Excellence of the Master of Law and Business Ethics Chair of the Cergy Pontoise Faculty of Law.

Code of conduct

The Code of conduct sets out ORPEA's business ethics commitments to all its stakeholders — employees, patients, residents and those benefiting from home care services, the public authorities and third parties, investors and lenders.

The Code of conduct of the ORPEA Group is founded on principles hard-wired into its make-up and on those laid down in the following international and/or national agreements:

- the 1948 Universal Declaration of Human Rights;
- the International Labour Organization's Fundamental Conventions;
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Global Compact;
- the United Nations Convention against Corruption;
- WHO Principles;
- the HAS (French health authority) reference framework;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Code of conduct has already been made available in French and English on the Group's corporate website to facilitate its distribution in a fully transparent manner[1]. It was also presented to the management of all Clusters/Business Units for adaptation to local regulations and translated into all languages in which the Group operates. In the short term, the Code will be available on the corporate website in all of the Group's languages. The objective is to roll it out to all Group employees, starting with the executive management team, the managers of each Business Unit/Cluster and the central functions. Regional managers and facility managers are also targeted; the latter are responsible for promoting it within their facilities. To that end, face-to-face training sessions have been set up and several communication tools have been designed and adapted to each audience. An e-learning module is also being developed for all employees of the Clusters/Business Units to provide a complete training experience around the various principles of the Code and to optimise its dissemination.

The presentation of the Code of conduct is also part of the integration process for new employees (head office and facilities), and it is appended to their employment contracts. In addition, the Code of Conduct is displayed in staff rooms at the facilities so all employees are aware of its existence and how important it is to be familiar with it.

Other workstreams, such as increasing the penalties for breaches of the Code of conduct and introducing a reporting and whistleblowing process (presented below in Section 4.3.2.5), have also been deployed to flesh out the arrangements backing up the Code.

Beginning in 2018, face-to-face training sessions (with signature of attendance sheets) have been provided to the executive management team, Corporate functions and the France Business Unit, including the facilities. These training courses covered the topics of corruption and influence peddling through practical case studies. Groups identified as being the most critical (Development, Works, Purchasing, IT, Quality & Accounting) have been given priority in training by the compliance department. As a result, in 2018, at the France Business Unit level, 100% of the management team, department heads and facility managers were trained.

In 2019, the training programme continued to be rolled out in all Group Clusters/Business Units. All Cluster/Business Unit senior managers were trained in real time on the Group Code of conduct in Q1 2019. Training modules supported by appropriate materials were then provided to local compliance officers to facilitate the training of employees throughout their career with the Group. At the end of 2019, a total of more than 14,400 people were trained since the Code of conduct roll-out began in 2018.

The Code of conduct may be reviewed and adjusted in 2020 before a more in-depth content update in 2021, to continue to maintain momentum around its principles and examples.

Other workstreams, such as increasing the penalties for breaches of the Code of conduct and introducing a reporting and whistleblowing process have also been launched to flesh out the arrangements backing up the Code.

Quality charter

Each of the Group's Clusters/Business Units has introduced a quality system in the form of a charter. These quality charters set out the common basis of the ORPEA Group's commitments based on both the Group's ethical values and the areas of attention that each facility must have for the management of its activities. To be as aware as possible of the expectations of residents, patients and their families, these charters include the local specificities of each core business, Business Unit and Cluster.

Like all the Group's other quality charters, the quality charter for the France Cluster's nursing homes outlines ORPEA's commitments to its residents and their families. The best practices it presents cover accommodation, care, meals, bedrooms, accessibility, information, activities and employee training for the benefit of its residents. The charter is displayed in each facility, presented upon admission to new residents and their family. Employees are regularly reminded of the importance of honouring the commitments laid down in the charter.

The Business Units/Clusters also adopt national charters, as is the case for the France Cluster, which applies the Hospitalised persons charter in force in all its health facilities, as well as the Charter for the respect of the rights of the elderly requiring long-term care for its nursing homes.

Lastly, dedicated quality charters for home care services have also been introduced and published on the corporate sites.

(1) *https://www.orpea-groupe.com/actualites-et-publications/code-de-conduite-du-groupe-orpea*

Staff commitments charter

The Group has always considered the sharing of common values within its teams important. It is on this basis that a discussion was held starting in 1998 to enable each facility to reflect on the values on which the professional practice of the staff is based. Out of this discussion, the Staff commitments charter was born.

This charter is prepared by the staff of each facility. Each team is helped to draft their charter by an expert facilitator trained in leading ethical discussions. The teams meet regularly over a period of close to 6 months to discuss their ideas and their views about the core values underpinning best professional practice. Every staff member (regardless of their rank or job within the facility) attends these discussions to help shape a commitments charter. Once the process has been completed, the entire staff formally mark its introduction, and the charter is displayed throughout the facility.

The commitments made by the team carry more weight and command more respect because employees themselves have chosen and formally undertaken to uphold the ethical values. These commitments are then maintained thanks to the Group's training policy and in particular the mini-training courses that cover each of these values throughout the year.

To date, the charter has been introduced in France and Belgium.

Gifts and hospitality policy

The Group's revised gifts and hospitality policy was circulated to all Clusters and Business Units in late 2018. The policy was harmonised and adapted at each Cluster/Business Unit in 2019.

In concrete terms, the policy aims to provide a framework for relationships between the Group's employees and third parties, such as business partners, authorities (civil servants, government representatives) and healthcare professionals.

The gifts and hospitality policy lays down the rules to be applied by the Group's staff in their interactions with civil servants, government representatives, third parties, healthcare professionals and suppliers. It also sets the thresholds for gifts and hospitality, which are adapted in each Cluster/Business Unit according to applicable practices and regulations.

All employees of the Clusters/Business Units are regularly made aware of the policy, whether at specific meetings dealing with compliance issues, or at festive events such as Christmas, for example, which are conducive to the presentation and/or receipt of gifts and hospitality. A communication is sent to them in various forms that contains an overview of the applicable rules.

4.3.2.2 NON-COMPLIANCE RISK MAPPING

In early 2018, the Group conducted an initial mapping that addressed a certain number of risks including corruption and influence peddling recommended by the Sapin 2 law. It was carried out with the support of an external firm to ensure consistency of methodology and completeness of approach. This mapping also contained a number of other risks that could result in non-compliance, such as non-compliance with competition law, or the risk of fraud. This initial mapping was presented in early 2018 by the audit, risks and compliance department.

The Group's key risks as well as aggravating factors were identified through an initial series of interviews with internal stakeholders responsible for operations. The criticality and gross risk associated with each factor was computed based on a combination of the likelihood and severity of its impact. The Group's stakeholders provided input into the review of the principal risk factors based on their area of expertise.

The level of control provided by the existing arrangements was determined through a second series of interviews, to calculate the net or residual risk. This score reflects the combination of the criticality and level of control. Each source of non-compliance risk was analysed meticulously by means of scenarios, aggravating factors, control arrangements and areas for improvement.

Lastly, when the Compliance programme was presented to the Group's Clusters/Business Units during 2018 and 2019, special attention was drawn to the non-compliance risks present locally, and the risk mapping was updated.

A complete overhaul of the Group's non-compliance mapping is scheduled for 2020 to take into account changes in the recommendations on this topic by the AFA (French Anti-Corruption Agency) and the recent decisions handed down by its Enforcement Committee.

4.3.2.3 A RESPONSIBLE AND CLOSELY CONTROLLED PURCHASING POLICY

ORPEA has a Group purchasing department backed up by purchasing services in the various countries in which it operates. Under its purchasing policy, ORPEA is particularly concerned with the societal, environmental and Sapin 2 law-related aspects of its supplier relationships.

The purchasing policy is presented in detail in Section 4.7.1 of this Statement of non-financial performance.

4.3.2.4 OVERSIGHT OF THIRD PARTIES

The ORPEA Group has introduced reputational surveys of the third parties as part of its development and a policy of listing its main suppliers. The top priority is to avoid any risk of corruption and/or influence peddling in any of the Group's areas of activity.

Alongside the measures already implemented by the purchasing and legal departments, the compliance department, which became part of the audit, risk and compliance department in early 2018, also launched a process of identifying and evaluating significant existing third-party partners. The development, works, purchasing and IT departments have already undergone more in-depth analysis.

Suppliers were pre-classified on the basis of their business volumes with the Group or their strategic importance. Depending on the results of the evaluation, the compliance department then conducted Know Your Third Party procedures based on in-depth due diligence compliance questionnaires. Action plans were then implemented based on the responses provided.

At the same time, the Code of conduct was sent to the Group's suppliers, and compliance clauses are now added to commercial agreements, where appropriate. For new third parties, the arrangements are predicated on internal control and strict approval procedures before each Cluster/Business Unit enters into a relationship. Accordingly, an integrity verification process is conducted using dedicated tools such as Lexis Nexis and Dow Jones to avoid any risk of corruption and/or influence peddling. This is supplemented, if necessary, by in-depth investigations (depending on the nature of the third party, the nature of the services provided, potential interactions with public officials and the risks identified). For example, a formal due diligence process takes place before any new acquisition goes ahead.

In 2019, more than 800 due diligence processes were carried out with the support of local compliance officers covering, for the most part, the verification of the integrity of strategic third parties (such as first-tier suppliers and general contractors) and third parties related to development operations (intermediaries, vendors).

4.3.2.5 INTRODUCTION OF A WHISTLEBLOWING SYSTEM

In June 2018, in accordance with the Sapin 2 law, a general whistleblowing framework for (internal and external) employees and third parties was introduced, providing them with a mechanism for sounding a warning about breaches of the Code of conduct, especially those concerning fraud, corruption and conflicts of interest.

Confidentiality of the information disclosed is guaranteed at every stage of the whistleblowing process, which extends to the identity of the whistle-blower. No action may be taken against an employee who reports in good faith a breach of the principles laid down in the Group's Code of conduct via the whistleblowing platform, which is available at www.orpea.signalement.net.

The Group has also established a procedure for compiling reports accessible on the whistleblowing site. The procedure sets out the rights and obligations of whistle-blowers and those referred to in a whistleblowing report. It also stipulates the scope of the protection provided to the whistle-blower making a report in good faith.

An investigation charter has also been drafted to guide the course of investigations launched following a whistle-blower's report.

To broaden awareness of the tool, the site was presented in greater detail in the face-to-face training concerning the Code of conduct. The audit, risk and compliance department has established arrangements to facilitate the data reporting. At year-end 2019, only three cases were reported and did not concern any corruption.

The low number of cases reported through the reporting site can be explained in part by the coexistence of other channels for reporting employee concerns. Very often, employees still turn to their hierarchical superior, human resources or Corporate compliance, to discuss matters more freely in person, thus encouraging informal interactions.

4.3.2.6 STRICT POLICIES ON TAX RULE COMPLIANCE

The ORPEA Group is a responsible taxpayer, and it strives to abide by the tax rules in every country in which it operates.

The tax function is organised so as to achieve full compliance with the tax laws and regulations of the countries in which it operates. The finance department of each Business Unit or Cluster verifies that changes in the tax regulations are taken into account and correctly applied by entities in the relevant geographical region. The Group may bring in specialised tax law firms, where appropriate, to make certain that new or unusual operations are compliant.

The role of the tax function is to:

- abide by all the local tax rules and settle all its tax liabilities in a timely manner in the countries in which the Group operates;
- plan ahead for and limit tax risks and disputes;
- maintain good relations with the various tax authorities.

ORPEA has no economic or financial interests in the countries on the EU's list of non-cooperative countries and territories.

4.4 CAREGIVING IN AN ADAPTED SETTING

4.4.1 PRINCIPAL RISK FACTORS IDENTIFIED

The primary mission of the ORPEA Group in all of its activities is to care for and support vulnerable persons with loss of independent living skills. This mission, which is tightly governed by a set of specific regulations, requires ORPEA to have absolute respect for the following priorities:

- Respecting the rights and dignity of patients and residents as a matter of priority at every moment of its daily practice.
- Ensuring the health of residents and patients is at the very heart of ORPEA's activity and is a priority for all staff within the Group's facilities.
- Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home.

4.4.2 RESPECTING THE RIGHTS AND DIGNITY OF RESIDENTS AND PATIENTS

ORPEA's mission is to provide a high quality of life and compassionate care for residents and patients who have chosen to live in one of the Group's facilities and for users of its home care services. It aims to fulfil its mission in keeping with the basic principles of human rights, and the hospitalised persons' charter and/or the charter on elderly people living in care homes.

Respecting all individuals and preserving their dignity is one of the Group's key ethical principles enacted by the Group in its Code of conduct.

A feeling of belonging, a person's culture, traditions and religious identity are strictly respected and staff are required to show a benevolent, impartial attitude in these areas.

Furthermore, the resident/patient/beneficiary has the right to refuse any treatment and may express their end-of-life wishes by providing guidelines in advance. ORPEA's teams are trained in end-of-life care. They can manage pain and discomfort, and provide psychological support, not only for the resident/patient, but also for friends and family. This training, which is included in facility training plans and mainly intended for the staff affected (doctors, nurses and carers), is based on the attentiveness, kindness and availability that the staff must have, in order to maintain the resident's/patient's sense of dignity and avoid a feeling of abandonment while creating a reassuring climate.

In addition, the Group's facilities obviously comply with the laws in force in this regard.

As well as respecting the rights of residents and patients, every facility operated by the ORPEA Group is committed to providing positive treatment, which is founded on respect for individuals, their dignity and their uniqueness.

Positive treatment also requires collective analysis of working practices with professionals regularly reflecting on what they do, and rigorously applying the measures decided on to improve practices.

To some extent, it is part of a culture that involves continuous self-reflection and analysis of the latest advances in knowledge and findings in the human, social and medical sciences. Striving to provide positive treatment entails continuous reflection and analysis and cooperation among professionals, users and friends and family, as well as other stakeholders, to identify the best possible way of meeting a given need at any particular time.

Appropriate organisation and management, both centrally and at the level of each facility, have been put in place to maintain this ongoing discussion, which is essential to a proactive approach to positive treatment. Difficulties identified while caring for a resident/patient are discussed at the weekly briefing meetings held in each Group facility. The best solutions for respecting the freedom, rights, individuality and dignity of the resident or patient are identified by participants working as a team. In addition, the Group's organisation facilitates closer monitoring of the quality of care provided, as well as oversight of staff's handling of everyday problems, as facility managers are relieved of the majority of support functions. The management of the facility is available to support the teams on a daily basis (mini-training sessions, weekly staff meetings etc.), and the regional support teams (quality, food service, construction etc.) can also provide support, if necessary.

The ORPEA Group continually educates staff about the values and best practices that are essential to maintain respect for the dignity and individuality of its residents and patients. These values are enshrined in the Group's Code of conduct and in ORPEA's quality charters and in charters setting out values that matter most to teams.

To reinforce the attention it gives to the ethical aspects of care practices, the Group established an International Scientific and Ethics Council in 2015. Its work helps to nurture the practices of the various teams at ORPEA facilities in France and around the world. Each of the Group's facilities can refer matters to the Committee or raise questions concerning a resident's or patient's care, especially where this has implications for positive treatment. This Committee is made up of 16 people, doctors and/or healthcare professionals, both internal and external to the Group, from the five different countries in which ORPEA operates.

Every year the International Scientific and Ethics Council (ISEC) organises the ORPEA Excellence Awards to promote a responsible professional and pragmatic culture of clinical ethics and to encourage teams to innovate, to question their approach and make constant improvements to the care they provide to residents and patients. The event aims to reward the Group's teams that have devised noteworthy clinical ethics programmes. In the past four years, 24 entries have been submitted in the "Clinical Ethics" category (see 4.4.6.).

Lastly, the Group has drawn up a preventive and remedial protocol for mistreatment and abuse covering all of its facilities. Not only is this designed to help prevent such behaviour—through appropriate recruitment, staff integration, support and training—but it also calls for any person suspected of mistreatment or abuse to be suspended in compliance with personnel management rules for as long as it takes to conduct an internal investigation.

Throughout the year, the ORPEA Group's employees receive training on how to detect and prevent mistreatment and abuse. The training includes discussions of personal experiences, role-playing activities, and individual and collective action plans. Mini-training courses are also provided regularly in each facility (for more details on the mini-training courses, see 4.5.5.2.).

4.4.3 ENSURING THE HEALTH OF RESIDENTS AND PATIENTS AND MAINTAINING THEIR AUTONOMY

The ORPEA Group has implemented appropriate preventative measures and curative action plans to address the various health-related risk factors that its facilities may encounter (pandemic risk, infection risk, food safety risk etc.), while taking into account the regulations in force in the various countries in which it operates.

THE DEFINITION OF QUALITY PROCEDURES AT ALL STAGES OF CARE

Each country has a quality department responsible for drafting and coordinating with experts the procedures that provide a framework for best practices in the care and quality of life of residents/patients/beneficiaries in all facilities, both for initial implementation and for updating as necessary. The existence of these procedures and their regular updating are monitored by the Group's quality department at least quarterly and reported at the time of the annual review.

In each of the countries where the Group operates, there are at least 400 "major" procedures in place that provide a framework for staff practices in the areas of healthcare, food services, management, activities, maintenance and safety etc. Each of these procedures is then broken down into application protocols and traceability and training tools.

STAFF SUPPORT AND TRAINING

In particular, this involves training staff in good hygiene practices, the prevention and control of infection risks, treatment protocols, medicinal safety mechanisms, a HACCP programme to control food safety in its kitchens etc.

This staff training, which has always been one of the pillars of the Group, is acknowledged by residents and families who, in the 2019 satisfaction survey, expressed a satisfaction rate of more than 91% regarding the quality, availability and competence of staff.

ROLL-OUT OF IT TOOLS PROVIDING FULL TRACEABILITY

The systems track all medical procedures and care, as well as the prescription, dispensing and administration of medication and the food product cycle. Combined with the medical and paramedical monitoring protocols and operating procedures devised by the medical department and Group quality department, the IT systems and the robust traceability serve to:

- enhance the safety of the care provided in all Group facilities, ensuring compliance with best clinical practice and all health and safety requirements;
- harmonise the organisation of work with specific materials prepared to facilitate internal control of the care provided in the Group's facilities.

THE DEFINITION OF A FOOD PLAN THAT ENSURES NUTRITIONAL INTAKE, GUEST SATISFACTION AND FOOD SAFETY

52
million meals
served in 2019

Diet and nutrition are crucial factors for the elderly and the frail, and the ORPEA Group, which serves 52 million meals per year to its residents and patients, pays special attention to these areas. ORPEA has put in place all the requisite resources to guarantee food safety and serve healthy, high-quality meals accessible to all with high animal welfare standards:

- Food hygiene and safety: ORPEA's food safety control plan forms one of the main pillars of its chemical, physical and biological risk prevention programme. It covers all the requisite points for ORPEA's facilities to fully honour their responsibilities: best practices in food hygiene, compliance with the HACCP method, management of remedial actions and warnings, introduction of a traceability system. Assessments are conducted on a regular basis, both internally and by independent organisations. The Group catering department works with its suppliers to offer high-quality, healthy and safe products in the restaurants of its facilities and to safeguard the traceability of products and their origins. Every month, teams verify close to 250 compliance and food safety control points.

  In addition, in all countries where regulations require it (France, Spain, Portugal, Belgium, Italy and China), ORPEA has set up external controls with approved laboratories. As a result, both the quality and cleanliness of the kitchen premises and the bacteriological conformity of the prepared products are inspected at least quarterly. Starting in 2020, the Group has decided to extend these controls in all countries where it operates beyond regulatory requirements.
- Nutritional quality: menus are devised with the medical department, with input from dieticians, factoring in recommendations made by ANSES (French food, environmental and occupational health and safety agency), PNNS (French national nutrition and

health programme) and GEMRCN (research body monitoring contract catering and nutrition markets) to make sure the meals served meet the appropriate nutritional standards. Each menu is then adapted, if necessary, by the country's medical or healthcare department in conjunction with the Group medical department to take into account local needs and arrangements as closely as possible. The catering plan offered provides variety and a balanced diet throughout the seasonal menu cycles. In addition, a personalised nutritional programme is drawn up by the care team for each resident/patient taking into account their needs and their tastes. Risks of undernutrition are monitored, and textures and diets can be tailored accordingly. Diet and hydration are monitored on a daily basis at each mealtime.

- Food quality and animal welfare standards: the Group's catering department considers quality as a purchasing criterion in its own right for food products. Accordingly, it prioritises companies with their own (ISO-type) quality programmes, products with quality labels (MSC, Bleu Blanc Cœur, Label Rouge, AOC, AOP etc.). It also takes into account the origin of products. Also, in the context of respect for animal welfare, we ask our suppliers to guarantee that the 5 fundamental freedoms laid down by the World Organisation for Animal Health are fully respected and set out in their CSR policy:
  - freedom from hunger, thirst and malnutrition;
  - freedom from fear and distress;
  - freedom from physical or thermal discomfort;
  - freedom from pain, injury and disease;
  - freedom to express normal patterns of behaviour.

  In parallel, the risk arising from the presence of allergens (INCO standard) in preparations and/or products from listed suppliers is identified, and an information sheet is made available to keep consumers fully informed.

Because nutrition is an integral part of care and quality of life, ORPEA has always been committed to ensuring that special attention is paid to the quality of the meals served, regardless of when or where they are served. Each year, the satisfaction barometer precisely measures the level of satisfaction of our customers with the quality of our meals. In 2019, 88% of customers expressed satisfaction with the quality of the meals served in ORPEA facilities.

THE IMPLEMENTATION OF EDUCATION AND PREVENTION PROGRAMMES TO MAINTAIN THE AUTONOMY OF RESIDENTS AND PATIENTS

Health education or psychological education programmes have been developed for patients (and sometimes also opened to their friends and family) by all the Group's clinics in France, both in Psychiatry and in Long-Term and Rehabilitation Care, in all specialities covered.

These programmes allow patients to improve their knowledge of their pathology and help them prevent health risk factors to live better, better control their treatment and consolidate their recovery, thus prolonging the benefits of hospitalisation once they return home.

To promote the well-being of patients and give them the keys to taking care of themselves, partnerships can also be set up to offer alternative, non-drug, supplemental treatments, such as yoga therapy in post-acute and rehabilitative care for patients suffering from chronic pain or cancerous conditions.

Certain hospitals have gained patient therapeutic education accreditation from the French regional health authority for their prevention programmes. A total of 30 programmes have been accredited in France.

In addition, the Group's psychiatric hospitals have enriched this programme by engaging in an innovative approach to transferring skills to patients so that they are able to become autonomous in the management of their illness and treatment. For example, in France, clinics have an active approach to recruiting "peer-helper" patients. These are former patients who have recovered and received university training to acquire theoretical and practical knowledge about their illness, which enables them to participate in the construction and delivery of care programmes (bipolar disorders, schizophrenia etc.).

Building on these experiences, ORPEA now intends to expand these prevention pathways to all countries, as the numerous initiatives already established in Austria, Germany and Spain attest.

SHARING OF BEST PRACTICES WITHIN THE GROUP

At the same time, ORPEA has always endeavoured to promote the sharing of best practices Group-wide. Its aim is for its entire network to reap the benefits of original or innovative care and treatment approaches, and also of initiatives successfully implemented at a facility that promote the well-being of residents and patients or improve the quality of life in a facility.

As part of this approach, every BU publishes an internal magazine for its teams to get the message across and share these insights. In France, "Ensemble" (Together) is published every quarter; in Switzerland, "SENEVITA Post"; in Belgium, "ORPEA Magazine"; in Austria, "SENECURA Inform"; and in Italy "Con Noi" (With Us).

Naturally, the Quality programme and the tools rolled out Group-wide contribute to these efforts. The regional Quality officers also help to pass on best practices and interesting initiatives and to adapt them to a greater extent.

Likewise, internal competitions, such as the Quality Award (in France, Belgium and Spain), the ORPEA Excellence Awards for ethics, caring innovation and research, and the Cookery Contest (France and Spain), also contribute to this mutually beneficial exchange, which leads to healthy competition, positive emulation and stimulating creativity.

Lastly, for several years now, ORPEA has set up scientific discussion groups and associations to address best professional practices (the psychologists association, the association of long-term care physiotherapists, the association of clinical coordinators). These associations allow professionals to meet, exchange ideas, compare practices, draw inspiration from one another, support clinical reflection, discover new therapeutic approaches and sometimes pool their resources. The ultimate aim of these associations is to improve the care given to residents and patients at facilities within the Group. They also help to create a sense of belonging among professionals:

4.4.4 KEEPING INDIVIDUALS CARED FOR AT FACILITIES SAFE AND SECURE

Keeping the people it looks after physically safe is a pre-requisite for any medical facility or nursing home. Failure by the Group's facilities to abide by the applicable regulations, which are constantly growing in number and stringency, could result in civil and/or criminal action against the ORPEA Group or lead to the withdrawal of operating licences.

AN ONGOING PROGRAMME OF FACILITY MAINTENANCE

ORPEA has identified all the health and safety risks that could occur in its facilities. Over a period of many years, it has introduced appropriate tools and systems (procedures, training, check lists and verifications) to prevent and manage these risks. They principally include the quality and temperature of water (prevention of the risk of legionella, control of potability of water and water temperature with mixer taps etc.), and more generally the risks associated with building security (fire safety, asbestos-related risks, radon etc.).

A group of ORPEA's size, which manages nearly 1,000 facilities, has to devote very considerable financial and human resources to rolling out these tools and systems and to ensuring that it maintains them and conforms to the standards at all times.

ORPEA has risen to this challenge by opting to invest heavily each year to ensure that its facilities, in all the territories in which it operates, provide high-quality, safe and comfortable accommodation and comply with government health, safety and fire directives. This investment also serves to maintain the appeal of the Group's facilities and meet the comfort and safety expectations of residents/patients.

As such, a works budget is allocated each year by the Group works department and executive management to fully comply with regulatory standards while prioritising the quality of the living and care environment. A works department established in each Business Unit is responsible for building safety and maintenance. This involves:

- a prevention policy implemented through training provided to all the facilities' employees (annually or semi-annually depending on the country). This policy is implemented by either an accredited external firm or a specially trained in-house officer in compliance with the legal requirements in each country;
- preventative quarterly, semi-annual or annual maintenance work (fire safety system, smoke extraction system, fire doors, fire extinguishers, installation of domestic hot water and maintenance of the water network etc.);
- remedial measures as part of a system assuring full traceability to identify the issue that has arisen, the action taken to mitigate it, the person responsible, and the date on which the action was completed.

At the same time, the ORPEA Group has established a network of specialist independent contractors that can audit the safety of its installations and buildings to check their compliance with the regulations in force. Fire safety checks are also carried out on the fire safety of installations by the relevant bodies. Legionella analyses are conducted on the basis of a schedule set annually, as are potability analyses (bacteriological and physico-chemical analysis) to check the quality of drinking water in all the countries where the ORPEA Group operates.

With its recently built or redeveloped real estate portfolio, ORPEA possesses a consistent, homogeneous portfolio of facilities that meet the most stringent regulatory standards and provide a level of comfort few in the sector can match.

THE IMPLEMENTATION OF A PLAN FOR THE PREVENTION AND MANAGEMENT OF ADVERSE EVENTS

Keeping people safe and secure in the Group's facilities also means preventing the risk of wandering and suicide among residents and patients.

Teams assess the potential risks when residents and patients are first admitted. For individuals at risk, in addition to the requisite close monitoring, the care team (doctor, nurses, care workers, psychologist) introduces protective measures, devises an appropriate care plan and makes sure the resident's/patient's environment is secure.

These measures are always discussed with the doctor, staff and the resident's legal guardian, safeguarding the resident's and patient's well-being, rights and freedoms. To bolster prevention in our facilities, training and awareness-raising initiatives for staff are also carried out (to spot behaviours that may point to a risk of wandering, prevention of suicide risk, recommended actions in exceptional events etc.).

In order to guarantee this programme, a procedure for reporting and processing adverse events is in place in all countries where the Group operates.

An adverse event is considered to be any accident, incident, risk of incident or malfunction, epidemic episode that occurs in the facility that causes or may cause harmful consequences to residents/patients, visitors, staff or property of the facility.

All serious adverse events are subject to special treatment (internal and external reporting to supervisory authorities, analysis of causes and corrective actions to be taken, both locally and at country and Group level).

In a facility that is open 24 hours a day, 7 days a week, there is no such thing as zero risk. In 2019, as a result of the quality and safety policy implemented by the Group for many years, the adverse event rate was 0.2% (number of adverse events relative to the number of residents and patients admitted in 2019). Each adverse event was the subject of detailed analysis and specific monitoring; corrective actions were systematically carried out with staff, always with the aim of reducing this type of adverse event as much as possible and preventing it from reoccurring at other facilities.

DEFINITION OF A BUSINESS CONTINUITY AND CRISIS MANAGEMENT PLAN

Every facility has a business continuity plan covering every situation, with different levels of response. The business continuity plan also includes an inventory and orders for the relevant equipment (masks, protective glasses, alcohol-based solution, to cope with an epidemic, plus air conditioners and ventilation equipment for heatwaves etc.) to help protect residents/patients and Group employees. The facility's crisis unit communicates with the national crisis unit (consisting of the operations department, the medical department and the quality department), which coordinates measures Group-wide and compiles the information provided by local crisis units.

In 2019, for example, during the transport strike in France, the activation of these plans made it possible to maintain quality care for residents in all facilities.

IMPLEMENTATION OF A PERMANENT CONTROL PLAN FOR THE GROUP'S OPERATIONAL ACTIVITIES

Lastly, for the smooth operation of the arrangements put in place to protect the health of residents, assessments and controls are conducted on a regular basis across all Business Units to make sure the procedures and regulations are followed properly and that training has been taken on board by employees.

Internal audits

100% of facilities audited internally on a quarterly basis

a minimum of 200 criteria constantly monitored

ORPEA has devised a stringent Quality control process that applies to all its facilities in every BU. More than 200 criteria are tracked and controlled every quarter. They cover care and treatment, safety and security, meals, hygiene and monitoring of the Quality process. Internally, these criteria are monitored using daily management charts, as well as internal audits and evaluations:

- throughout the month, self-assessments are conducted by facility managers and their management team (including the coordinating doctor and nurse for the "care" aspect, as well as the chef for food service and maintenance staff for security); and
- every six months, a control audit is performed by regional managers to monitor compliance with all Group procedures (care, food, administrative and hygiene procedures) and as such to ensure the health and safety of residents and patients.

External audits

In addition, audits carried out both by the quality departments of the Business Unit and by authorised external companies (e.g. food analysis laboratories, external inspection offices for building safety) are also carried out. Thus, in total, in all countries, at least **20 internal and/or external controls** are carried out each year **on average** within an ORPEA facility that cover all management activities and the care of residents and patients.

In addition, the facilities are subject to external controls by independent bodies that guarantee the quality of the care provided by the facilities. The objective for ORPEA is for each facility to be able to receive external certification, accreditation and labelling.

Countries	Independent body	External audit findings
France ■ Clinics ■ Nursing homes	Haute Autorité de Santé (HAS)	100% of certified clinics of which 75% level A (best level), 25% level B and 0% levels C and D 100% of nursing homes complied with the external assessment procedure
Italy (clinics)	Regional Health Agency	100% of accredited clinics
Austria	Business certification	20% of certified facilities, voluntary and progressive procedures
Czech Republic	Business certification	1 certified facility, voluntary and progressive procedures
Spain	ISO Certification	100% of certified facilities
Switzerland (clinics)	ISO Certification	100% of certified clinics
Germany ■ Clinics ■ Nursing homes	 ISO Certification MDK*	**All rehabilitation centres certified** according to the sector-specific, ISO-based "DEGEMED" standard. 1.2 (highest score = 1; lowest score = 5)
Poland	ISO Certification	100% of certified facilities
The Netherlands	ISO Certification	100% of certified facilities
Portugal	No certification at this time	

* *MDK = Medizinische Dienste der Krankenversicherung — Health Insurance Medical Services.*

4.4.5 MAINTAINING A TRANSPARENT DIALOGUE WITH RESIDENTS, PATIENTS AND FAMILIES TO SATISFY THEIR EXPECTATIONS

265,000
patients & residents
looked after in 2019

Building a relationship of trust with the 265,000 patients/residents cared for every year in the Group's facilities and their families is essential to deliver high-quality care.

Compassion is one of ORPEA's core values, with listening a crucial element of this, as it represents a way to provide residents and patients with personalised care plans, customised treatments and solutions adapted to their specific needs, which evolve throughout their stay.

The main concern of facility managers is to maintain an ongoing dialogue with and to meet the expectations of residents/patients and their families.

This dialogue and transparency give residents/patients a say in shaping their care plan and arrangements so that they take the lead in decisions related to their health and maintain their independence as far as possible. This is a crucial aspect of giving prevention pride of place over the long term and also of respecting the choices made by residents/patients. As part of this approach, ORPEA's teams always take the time to explain the care and treatment they are giving to residents/patients so that they can freely make their own decisions. Their consent is systematically requested for all courses of treatment.

At the same time, various measures have been introduced Group-wide to make sure they are listened to attentively and compassionately:

- facility management teams are always on hand thanks to the Group's centralised organisation. They also make sure their staff are attentive to every individual's needs and expectations;
- special attention paid to complaints expressed by patients/residents and their families, their treatment and monitoring over time; in each country, a procedure has been established for the treatment and monitoring of customer complaints. All complaints, regardless of their level of importance, are systematically discussed with the resident/patient or his/her family and answered in writing. Major complaints are reported to the Group's management. The continuous quality improvement process is effective, with a low rate of complaints in 2019 (0.4%: number of complaints in relation to the number of residents and patients admitted in 2019);
- a constructive dialogue is maintained in all facilities and all BUs through:
  - committees (menus, events and entertainment etc.) and residents' councils (known in France as "Conseils de la Vie Sociale"), which are composed of representatives of the management, residents and families to discuss various themes such as organisation and daily life within the facilities, socio-cultural activities and therapeutic activities, plus construction work and new equipment planned, and maintenance aspects,
  - user representatives in hospitals from accredited healthcare associations, who sit on the Users Committee, and whose role is to ensure the rights of users are respected and to contribute to the improvement of the accommodation and care policy by reviewing complaints made by patients and user satisfaction indicators;
- independent satisfaction surveys, organised site by site, in all countries, in post-acute, rehabilitation and psychiatric hospitals, nursing homes and DOMIDOM, ADHAP and Spitex home care units alike. In hospitals, these surveys are conducted when patients are discharged; in nursing homes, they are conducted annually, and the results and improvement plans drawn up within each facility are presented to residents and their families.

  In 2019, the satisfaction survey was given out to over 52,500 Group nursing home residents and their families, with more than 57% of residents and their families responding. Over 92% of respondents said they were satisfied or very satisfied, and nearly 94% would recommend an ORPEA facility to family or friends.

SATISFACTION BAROMETER

Residents and Families 2019

- 52,500 questionnaire sent out
- 57% response rate
- 92% of customers are satisfied
- 94% of customers would recommend ORPEA

4.4.6 CONTRIBUTING TO IMPROVING THE QUALITY OF LIFE AND CARE THROUGH INNOVATION AND RESEARCH

Research and Innovation are at the heart of the Group's strategy to improve the quality of services and care offered to residents, patients and beneficiaries of home care and also anticipate future needs.

To foster research and innovation and to support all these projects effectively, the Group has established various steering bodies:

- **e-NOVEA, the Management Committee for Innovative Projects – France:** created in 2016, this multidisciplinary unit is responsible for monitoring all core businesses and for identifying needs, analysing, prioritising and testing innovations with the participation of pilot facilities. e-NOVEA manages the shared qualitative and quantitative feedback (monitoring indicators defined upstream) to judge the relevance or irrelevance of more widespread deployment and thus assist executive management in its decisions.
- **The International Scientific and Ethics Council:** created in 2015, the mission of the Group's International Scientific and Ethics Council (ISEC) is to address issues of clinical and relational ethics and analyse and evaluate the opportunities for clinical research and healthcare innovation to be developed within the Group. The ISEC also oversees the consistency of educational and training initiatives[1].

Determined to continue and expand its actions in the area of innovation, in 2019, ORPEA created the position of Head of Innovation at the Corporate level. This position reports to the communication, innovation and CSR department and is responsible for structuring the entire Innovation process at Group level.

INNOVATION

ORPEA wants to promote evidence-based innovation for the benefit of its stakeholders. This requires a rigorous on-the-ground assessment of projects prior to their roll-out across the Group's facilities. In 2019, the Group set itself three objectives to guide its innovation process and prioritise the systems studied:

- the safety and well-being of patients and residents;
- the safety and well-being of employees;
- the development of artificial intelligence.

Over the past three years, 98 projects have been studied by e-Novea, 17 of which are currently being tested in pilot facilities and five of which are being deployed:

- telemedicine;
- space and time disorientation (anti-wandering system and anti-intrusion handles, both currently being rolled out in France and even internationally);
- prevention of the risk of falling (optical detector, intelligent sensors);
- rehabilitation systems (adapted treadmills, digital assessment applications);
- post-hospitalisation follow-up;
- virtual reality;
- hygiene (connected protections);
- nutritional monitoring;
- pharmacy and preparation of pill dispensers.

ORPEA actively collaborates with a growing network of start-ups to implement promising technologies or even jointly develop new uses adapted to the needs of its core businesses, such as the development of alternative therapies assisted by virtual reality or the adjustment of rehabilitation equipment to the needs on the field.

In 2019, after the study of several programmes and a successful experiment, ORPEA chose the Nomadeec telemedicine solution to equip its facilities in France. In fact, Nomadeec is the only telemedicine solution to ensure comprehensive care of residents and patients as well as continuity of care, through three uses:

- teleregulation to decongest emergency rooms: Nomadeec has the major characteristic of partnering for emergency medicine (emergency centres are already equipped with it as well as several teaching hospitals). Each health professional can carry out a check-up adapted to his or her skills that can be transmitted in real time to be shared in complete security with an expert doctor remotely;
- teleconsultation to streamline the care pathway: for certain prescription renewals, for example, which can be carried out remotely by the treating doctor connected remotely with the patient's file;
- tele-expertise to bring expertise to the patient's bedside in a short period of time: to benefit from rapid access to specialist advice (from a cardiologist or dermatologist, for example).

And to continue the development of this solution, ORPEA decided to support the growth of the Bordeaux e-health start-up Exelus by purchasing 25% of its capital. This partnership project will make it possible to adapt telemedicine to the specific needs of care facilities, nursing homes, post-acute and psychiatric hospitals. ORPEA intends to remain in the minority to allow the deployment of this solution to all players in the sector.

This solution will be deployed in all of the Group's facilities in France over three years.

RESEARCH

The ORPEA Group supports or promotes research projects aimed at improving the care provided by facilities. The research programmes mainly cover the following areas:

- prevention of fall and wandering risks;
- drug-free treatment;
- nutrition and diet in the elderly;
- quality of life of the resident, patient or elderly person being cared for at home, and compassion;
- employees' quality of work life;
- professionalism, improvement in professional practices and clinical ethics.

In 2019, ORPEA initiated and continued several research actions in academic research by supporting research projects and funding doctorates. ORPEA contributes to the training effort through in-company research with four doctoral theses in France[2].

(1) Under the chairmanship of Prof. Alain Franco, the ISEC receives analyses and reflections from eminent personalities in international geriatrics, such as Prof. Liu Xiao Hong (Beijing Union Medical College Hospital), Prof. José Manuel Ribera Casado (Emeritus Professor of Geriatrics at the Complutense University of Madrid, and member of the Spanish Royal Academy of Medicine), and Prof. Manuel Teixeira Verissimo (Professor at the Faculty of Medicine of Coimbra, Portugal).

(2) See section 4.7.4. for more details.

As part of the work of the Group's ISEC, 2019 was marked by the strengthening of its actions with the launch of a survey to map the players, practices (formal or informal) and needs of all of the Group's French nursing homes in light of situations experienced as ethically sensitive. The results will be known in H1 2020, and will allow the ISEC to better adjust its actions to the needs of residents and staff.

In 2019, the ISEC also organised the 5th ORPEA Excellence Awards to promote the most deserving projects in clinical ethics, scientific research, or health care innovation. Three of the 30 entries received from eight countries (see inset) won awards:

"Clinical Ethics" category	"Caring Innovation" category	"Research" category
The ORPEA Excellence Award 2019 went to the Madrid-Estremera Residence (ORPEA Ibérica, Spain), for its programme "Hands that Break the Silence".	This year, the jury awarded the prize to ORPEA Polska (Poland), for its initiative "SOS for a family carer".	The SENEVITA Group (Switzerland) was rewarded for its research programme entitled "ProQuas – Identification and development of interfaces and processes for the quality of life of Residents".

ORPEA EXCELLENCE AWARDS 2019: 30 ENTRIES FROM 8 COUNTRIES

Clinical Ethics category

1. Respect my autonomy! (Château d'Or residence, Uccle, Belgium)
2. Recycle, share, empower (Works department IDF, France)
3. *Hands that Break the Silence* (ORPEA Madrid-Estremera, Spain)

Research category

4. ProQAS — *Identification and Development of Interfaces and Processes to improve Quality of Life of Residents* (SENEVITA, Muri bei Bern, Switzerland)
5. SiMbA — *Safe drug therapy for residents* (SENECURA, Vienna, Austria)
6. The work of third parties in institutions (Clinique psychiatrique de L'Alliance, Villepinte, France)

Caring Innovation category

7. *Reduction of Neuroleptics* (ORPEA Deutschland, Germany)
8. *Ride a bike safely even in old age* (Residenz-Gruppe, Glandorf, Germany)
9. *Less medication brings more quality of life* (Residenz-Gruppe Am Sodenmattsee 1, Germany)
10. "Love has no age" (Résidence Sud-Saintonge, Saujon, France)
11. SENECURA Campus (SENECURA, Vienna, Austria)
12. *Vocational Trainings in Austria — Counter the National Lack of Specialists* (SENECURA, Vienna, Austria)
13. *Leefplezier: Enjoyment at life at living at September* (September Woerden, the Netherlands)
14. Creation of a medicinal and therapeutic garden (Jeanne d'Arc Residence, Soissons, France)
15. Institutional Intervention Unit (Psychology department, Puteaux, France)
16. *SOS for a Family Caregiver* (ORPEA Polska, Warsaw, Poland)
17. *WE Volunteer* (ORPEA Polska, Warsaw, Poland)
18. *The World At Your Doorstep* (ORPEA Polska, Warsaw, Poland)
19. Back school (Clinique SSR La Lovière, Louviers, France)
20. Adapted water activities in the Baie de Douarnenez (CLINEA SSR Treboul, Douarnenez, France)
21. Therapeutic agendas, a full and peaceful life through community living activities (Résidence de l'Orme, St-Maur-des-Fossés, France)
22. *Activity Bracelets* (ORPEA Benalmádena, Malaga, Spain)
23. *Programme for the Prevention of Falls and the Use of Technical Aids* (ORPEA Ciutat Diagonal, Barcelona, Spain)
24. *Abdominal Hypopressive Gymnastics in Geriatrics. Clinical Case* (ORPEA León, León, Spain)
25. *Three-part Methodology: Plan, Go In Depth, and Publish* (ORPEA Madrid Loreto, Madrid, Spain)
26. *Modern Dance Therapy* (ORPEA Punta Galea, Madrid, Spain)
27. Non-drug treatment of major depression on an outpatient basis (Château de Seysses psychiatric hospital, Seysses, France)
28. Launch of a metabolic and nutritional psychiatry unit (Castelviel psychiatric hospital, Castelmaurou, France)
29. Support trolley (Résidence L'Oustau de Léo, St-Saturnin-lès-Avignon, France)

Lastly, this dynamic of monitoring, research and innovation, which involves all employees at all levels of the company, makes it possible to see innovative projects emerge, whether in terms of care or management approaches.

4.5 HUMAN RESOURCES, A KEY DRIVER OF THE GROUP'S PERFORMANCE

4.5.1 PRINCIPAL RISK FACTORS IDENTIFIED

In light of current and future demographic and social challenges, the quality, availability and commitment of employees play a key role in the Group's success. ORPEA builds its development and reputation on the excellence of the services offered within its facilities. Thus, ORPEA is developing an ambitious internal policy for the purposes of:

- mitigating recruitment difficulties and curbing staff turnover, especially among medical and paramedical professionals, guaranteeing coverage of a full spectrum of care requirements for residents and patients, putting the business on a sustainable footing and fuelling the Group's expansion;
- safeguarding the well-being, health and safety of employees in the context of working conditions that respect a work/life balance;
- strengthening career development within the Group to promote talent retention;
- maintaining an employee dialogue that is as conducive as possible to the stability of staff and facilities, in compliance with local regulations and procedures in force;
- making diversity and inclusion a factor of ORPEA performance by giving everyone—with their own individual skills and values—a chance to shine, irrespective of gender, age, origins and initial level of training.

And to address these priorities, the Group is actively strengthening its human resources department's teams. More specifically, since 2018, the Group human resources (or Corporate) department, which reports directly to executive management, was reorganised into three departments. As a result, it now has an HR development department, a data and processes department and a social affairs department. The Group human resources department works closely with the HR managers in the countries where the Group operates to be as close as possible to local realities.

4.5.2 GROUP PROFILE

ORPEA has adopted a largely people-centred policy based on forging local connections where managerial excellence remains a key focus. Well-being at work is another priority under the Group's HR policy, as it aims to provide all its employees with working environments in which they can all thrive, grow and reach their full potential.

4.5.2.1 ITS VALUES

ORPEA's values are first and foremost a reflection of our senior managers' vision of how to move the business forward towards a common goal. On a daily basis, these values inform all employees' decisions and help to establish trust among all the stakeholders, including residents and patients, those looked after in their homes, suppliers, service providers, partners and public authorities, shareholders, investors, lenders, civil society and the environment.

Today, against a backdrop of strong international growth, ORPEA, through the Code of conduct distributed in 2018, reaffirms the values and principles that must continue to guide all employees in their daily relationships with all stakeholders in the Group's activities.

Professionalism For all teams, displaying a professional approach means combining solid professional skills with an acute sense of responsibility and an unwavering commitment to quality of service. Every individual is required to meet this standard by demonstrating a rigorous approach and commitment in their work, and it also applies collectively to all employees — a requirement met through effective procedures, quality policies and training policies.	**Loyalty** The Group firmly believes that loyalty is essential for maintaining healthy and sustained relationships built on trust with all the stakeholders, which is an essential element of the Group's long-term success. This loyalty fosters a high level of integrity and exemplary behaviour, honest and open discussions, and respect for the commitments given to partners, who are expected to uphold the same standards.
Compassion The well-being of all patients and residents looked after in the Group's facilities and all those supported in their homes by the home care services is a top priority. This well-being is predicated on high-quality treatment and accommodation, and on building trust with the frail individuals and their families that the Group cares for on a daily basis. This relationship is based on a daily commitment to positive treatment i.e., treatment that is respectful, empathetic and always compassionate.	**Humility** *"Humans are imperfect, and dependent beings, who unceasingly aspire to something better and greater".* This quote by philosopher René Descartes resonates with the Group's approach to its business. People are at the very centre of its business, and so it is essential to address their imperfections. That is the insight that guides the Group's employees' pursuit of continuous improvement and their responsive and creative solutions to the challenges they encounter in their daily tasks.

4.5.2.2 ITS MODEL

ORPEA possesses highly renowned know-how and expertise, upholds the highest quality standards and aims to recruit talented individuals and experts in its field of activity, who are loyal and responsible. Thanks to its resilient human capital, ORPEA has always maintained a unique identity of a hands-on management able to harness the benefits of cooperation and nimble working practices. The Group trains managers to listen to their employees and to build trust through dialogue. They all seek to reward achievements, and failures are analysed to encourage employees to succeed on a daily basis. As actors in the development of their employees, managers are also present to help them gain autonomy and take on responsibilities by trusting them with clear, achievable and motivating challenges.

In 2019, the Group wanted to go further in building this culture and shared values with the aim of enhancing "behavioural skills". These skills, which can be observed on a daily basis, are key, especially in the exercise of a care and service profession for and by people. This is because technical know-how is a necessary but not sufficient condition to ensure the best possible care of residents and patients. It is ORPEA's ambition to put these "behavioural skills" on the same level of importance as the technical skills required for each function.

A "Skills Model" was therefore constructed jointly with the operational teams under the responsibility of the Group's human resources department. This is a cross-functional reference framework that applies to all functions within the company and to all countries. A true cornerstone of the HR policy for the continuous development of all employees, this "Skills Model" is also a strategic tool for the success of the ORPEA Group. It fully boosts collective performance over the long term by being a force for excellence and the capacity for transformation.

The Group's skills model is based on six key skills, each of which is linked to the values embodied in the daily actions of employees.

1. **Demonstrate agility and boldness**

   Manage complexity by adapting, taking initiative and emphasising rapid decision-making and experiential learning.

2. **Commit to and achieve excellence**

   Be involved in the success of ORPEA by respecting procedures and values and demonstrating ambition, determination and humility.

3. **Succeed through collaboration and mutual aid**

   Perform through effective interaction between employees, develop team spirit and exchange best practices to achieve sustainable results.

4. **Care for customers and employees**

   Demonstrate care and empathy for residents, patients, families and employees, act according to everyone's needs to ensure a consistently high quality of service.

5. **Be an actor in the development of oneself and others**

   Leverage one's skills and those of others to improve individual, collective and organisational performance.

6. **Innovate and embody change**

   Be an actor of change by questioning working methods and exploring new avenues.

Each skill is clearly defined and includes a series of behaviours that can be observed as part of an employee's career path. This model provides added value to:

- managers to communicate more clearly about what they expect from their staff and identify levers for their development;
- employees themselves to enable them to position themselves more easily in relation to their functions and be assessed more objectively.

It is applicable to everyone without exception. It is a unique systemic model. These behavioural principles apply to everyone, from employees in the field to the CEO and the support functions in all business lines. The objective is to bring this model that was already built and shared in 2019 to life so that it can be used **for…**

…the objective of Quality optimisation

In a 24/7 service business that takes care of vulnerable people, Quality consists, in part, of managing imperfection and must be constantly adapted, optimised and questioned. This skills model fully participates in the continuous improvement of practices.

…an ethical concern

On the basis of strong human values, the constant concern for ethics requires respect for intangible principles. It also invites us to take a step back, to distance ourselves from complex situations and to define solutions collectively. This skills model sets out attitudes and behaviours to achieve this.

…a proactive social policy

Identifying talented employees, retaining them and offering them qualifying training are the cornerstones of the social policy to enhance skills. This skills model makes it possible to go even further in the support and personalised monitoring of employees.

4.5.2.3 KEY FIGURES

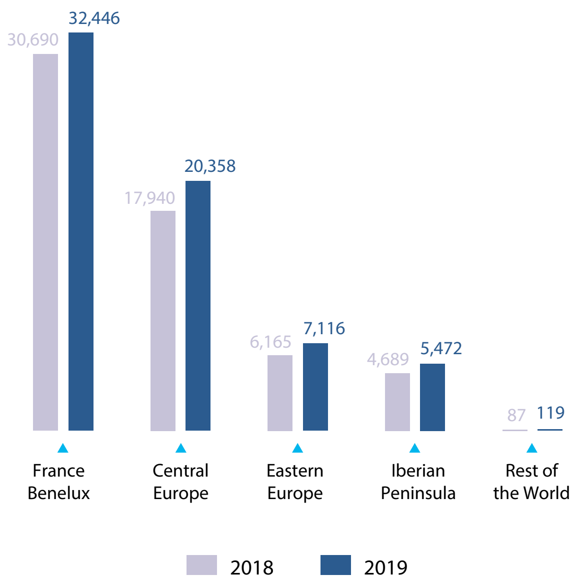
Workforce and working hours

The Group's total workforce, including employees working at its headquarters, in its care facilities, nursing homes, hospitals and home care services, stood at 65,511 at year-end 2019, or 5,940 employees more than at year-end 2018. This increase is partly attributable to the opening of new facilities and partly to the acquisitions made by the Group in 2019. For two years now, more of ORPEA's employees have worked abroad than in France, following its major international expansion drive.

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
Indicator	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Workforce*	65,511	59,571	32,446	30,690	20,358	17,940	7,116	6,165	5,472	4,689	119	87
Permanent contracts	79%	82%	82%	81%	75%	84%	85%	89%	77%	72%	7%	11%
Fixed-term contracts	21%	18%	18%	19%	25%	16%	15%	11%	23%	28%	93%	89%
Full-time	60%	62%	72%	73%	37%	39%	48%	53%	86%	85%	100%	100%
Part-time	40%	38%	28%	27%	63%	61%	52%	47%	14%	15%	0%	0%

* *Individuals employed at 31 December with all types of contracts.*
The concept of manager/non-manager exists only in France and represents 12% and 88% respectively.

Change in the breakdown of employees by geographical regions between 2018 and 2019



ORPEA pursues a consistent policy that aims to give all its staff job stability and security in all the countries in which it operates. The prime objective is always to have a stable workforce that enjoys job stability. This policy encourages sustainable (generally permanent) contracts in countries where this is the norm, such as France and Spain.

As a result, the percentage of employees working full-time and on a permanent contract is 60% and 79% respectively. Those figures were relatively stable compared to the previous year. The principle of using open-ended contracts is sometimes more difficult to follow in view of the Group's strong growth.

Fixed-term and other types of employment contracts are also used but are restricted in law to specific situations. This type of contract is more prevalent in the healthcare and people-based services sector, which requires 24/7 availability, than in other business sectors. Fixed-term contracts are invariably used to replace employees on leave of absence, in particular maternity leave (83% of the Group's employees are women), or to cope with unexpected absences. Moreover, part-time work is also very often used for greater support at the peak times of the day (care, meals). These fixed-term replacements are therefore essential in order to maintain the high quality of care provided to residents and patients. Although fixed-term contracts are essential, permanent contracts are still the priority.

Furthermore, in some countries and in some professions where there are staff shortages, ORPEA also has to adapt to the very specific demands of some categories of staff who may prefer fixed-term contracts.

Use of temporary employees is marginal and confined to exceptional one-off needs, mainly due to emergencies, to ensure the continuity of care provided by nursing staff, for instance.

Turnover rate

In 2019, the Group's turnover rate remained under control at 22.8%, against a backdrop of strong Group growth. The turnover rate includes both the number of departures and the number of new hires. The rate can therefore be high due to the very fact that large numbers of employees are being recruited, as is the case for the opening of facilities, for example. It is therefore higher in geographical regions where ORPEA is experiencing strong growth. Disparities are also noted depending on the economic dynamism of the regions where the Group's facilities are located.

Absenteeism rate

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
Indicator	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Absenteeism rate	8.0%	7.6%	8.7%	9.1%	7.1%	5.6%	6.7%	7.4%	9.4%	7.3%	1.0%	0.5%

Managers are constantly on the look-out for ways of making improvements, and they leave no stone unturned in their efforts to lower these rates by investing in their teams and combating psychosocial and occupational hazards (for more details, see Section 4.5.4).

Remuneration

ORPEA's remuneration policy aims to spur employees on to meet their objectives and to foster a culture of high performance and nurture the skills needed for the Group's development.

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Remuneration *(in millions of euros)*	1,978	1,802	1,222	1,166	594	576	212	189	113	93	2.2	1.6

4.5.3 INCREASING THE GROUP'S ATTRACTIVENESS

The issue of attractiveness is a major challenge for ORPEA that is shared by the whole sector. For greater efficiency, this issue is addressed both by the Group human resources department and at the Cluster level.

4.5.3.1 AN ACTIVE RECRUITMENT POLICY

With its policy of development and opening new facilities, ORPEA is a major contributor to the local economy, creating many sustainable jobs each year which, by definition, cannot be transferred abroad. Every year, new talent join its existing teams and help to continue fulfilling its mission each and every day of caring for and looking after residents, patients and beneficiaries of home care services and also of enabling the Group to keep growing and developing in existing and/or new countries.

The vast majority of the ORPEA Group's vacant positions are for permanent jobs in medical, nursing care, residential and catering services or administrative departments. To meet its recruitment needs, ORPEA concentrated its efforts mainly in two areas in 2019:

- **The establishment of partnerships** at all levels, local, national and international. As a result, a systematic approach of mapping potential partners such as training institutions (mainly for healthcare), associations or recruitment agencies has been adopted to "source" potential candidates. The Group also orients its HR policy towards identifying potential high-flyers and/or rare talent, by forging partnerships with renowned training schools and universities such as HEC (*École des Hautes Études Commerciales*). This partnership also enables ORPEA to present and promote its business and career prospects to final year undergraduates or students preparing professional master's degrees, at conferences, business forums and recruitment fairs. Such events are organised by the HR department of all the Group's various Clusters in response to local needs and realities.
- **The improvement of recruitment processes** with the aim of shortening recruitment times by harmonising procedures and ensuring that job offers are disseminated in the best formats or with the best service providers. These improvements also help to sustain awareness of the ORPEA brand and its image.

With respect to recruitment processes, in 2019, ORPEA deployed a digitised solution for managing applications through a Group-wide Human Resources Information System (HRIS). This system was first tested at headquarters level in Austria and France, and on 60 pilot sites, and is intended to be deployed in these two countries in 2020 and in other countries in the coming months. All users have been trained to offer managers and recruitment teams the opportunity to greatly improve the candidate experience and thus the attractiveness of the Group.

Beyond the responsiveness necessary for today's recruitment, the implementation of this tool will also make it much easier to promote offers internally to develop mobility within the Group while fully respecting the processing of personal data.

In the same vein, some countries are using digital solutions to assist with specific replacements, such as with the implementation of a MEDGO application in France aimed at simplifying and streamlining the management of physician replacements through a Web and Smartphone interface that facilitates the publication of replacement offers and the assignment of replacements. Facilities regularly signal their needs; doctors share their availability, receive available assignments and choose their replacements (places, days, times etc.) with a few clicks.

Other initiatives are being carried out, such as in Italy, where a specific agreement has been entered into with universities to facilitate the circulation of advertisements and the extraction of *curriculum vitae* between recruitment portals.

In Poland, in addition to an ORPEA Group Facebook page, a dedicated site[1] has been created.

This digitisation will make it possible to handle the ever-increasing number of recruitments made by the Group.

14,292
employees
hired on permanent contracts in 2019

Together, job creation and renewal related to attrition allowed the Group to recruit a total of 14,292 permanent staff in 2019, compared with 11,693 in 2018 and 9,775 in 2017.

ORPEA's expansion into new countries continued in 2019. In Portugal, for example, it recruited over 280 employees on permanent contracts, versus 90 in 2018, contributing to the development of local employment in the territories it serves.

(1) *"Orpea vlog https://www.youtube.com/channel/UCTX0m_8Txje_geBRHOXxygA".*

Change in permanent contract recruitments by geographical region between 2018 and 2019

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Staff hires (on permanent contracts)	14,292	11,693	6,822	5,612	4,557	3,461	1,721	1,989	1,192	630	0	1

4.5.3.2 EMPLOYER BRAND

Attractiveness and image are important factors for the Group, as they are for the sector as a whole. The HR departments of the various countries are thus encouraged to take initiatives, which are then shared by all Clusters at meetings of the Group HR departments held several times a year by the Corporate HR department.

In 2019, the Corporate HR department launched a communication campaign designed to promote ORPEA's core businesses internally (commitment, loyalty) and externally (recruitment, attractiveness) and foster pride in being on the ORPEA team. Based on the principle of a Group campaign, 74 people from 21 different core businesses in six facilities (in Spain, Germany, Austria and France) were interviewed. This campaign made it possible to put in place communication tools (videos, photos, testimonials from all of the employees encountered, a hundred or so verbatim statements by theme about ORPEA values and the quest for meaning, materials for events). All of these communication media can be adapted in each Cluster and will enable appealing communication of the Group's values.

Also, the Clusters deploy numerous actions in connection with their local stakeholders that aim to position ORPEA as an expert in the care of vulnerable persons through participation in symposiums and conferences reserved for the medical profession. In Austria and China, the Group took part in several symposia on such subjects as child psychiatry and chronic diseases among seniors.

THE ORPEA FOUNDATION: CREATION OF A NETWORK OF EMPLOYEE AMBASSADORS

The ORPEA Foundation in France was launched in 2019. The goal is to support projects carried out by associations in the field of education and health. To ensure outreach on a national scale, a community of employee ambassadors has been created who support and are fully committed to the Foundation. The Group's desire to strengthen and create ties is thus shared both internally and externally.

The Group has set itself the objective of continuing and amplifying these actions over the coming years to enhance and strengthen the Group's image through reaffirmation of its identity and commitments, especially in terms of CSR.

4.5.4 MONITORING THE HEALTH, SAFETY AND WELL-BEING OF OUR EMPLOYEES

To provide a unique and bespoke service for every patient and resident, while maintaining its leadership in a constantly changing market, the ORPEA Group has developed an ambitious strategy to enhance working conditions and make quality of life in the workplace a strategic priority.

4.5.4.1 PROMOTING SAFETY IN THE WORKPLACE

For the Group, taking steps to foster good working conditions helps to prevent health problems, reduce the risk of accidents and increase the quality of care provided to residents and patients.

Employee representative bodies and employees themselves are consulted on a regular basis concerning policies being drafted to reduce workplace risks and accidents in order to help improve working conditions in practical ways.

Priority is given to reducing workplace accidents and work-related musculo-skeletal disorders on the one hand and spreading the workload evenly on the other.

Either at its own initiative or in cooperation with the employee representative bodies, the Group's actions include:

- identifying risk factors in order to design an overarching risk prevention plan and action plan;
- analysing locally the causes of workplace accidents and occupational diseases;
- raising awareness and making managers accountable for employees' induction and training;
- providing facilities with suitable equipment to avoid the need to carry heavy loads (e.g., ceiling rails).

In keeping with its values, the Group also reaffirms its commitment to preventing harassment and violence in the workplace by repeatedly making employees aware of these issues.

As part of the Group's continuous efforts to prevent occupational hazards, the common objective shared by everyone is to monitor workplace accidents and occupational diseases in line with local laws in order to anticipate and reduce the severity of the hazards to which employees are exposed in their work.

Risk detection and analysis, and the resulting action plans, aim to bring facilities, tools (protective equipment, training) and working methods into line so as to reduce occupational hazards while meeting regulatory health and safety requirements.

The Group is also committed to maintaining and improving the working conditions of its employees through the optimisation of architecture and materials of its buildings. Steps are taken to systematically prevent occupational hazards when new structures are built and during renovation or extension projects. For several years now, ORPEA has endeavoured to build occupational hazard prevention into its projects at the earliest possible stage.

In addition, ORPEA strives to provide training courses, whether in care practice or in well-being in the workplace, that will lead to continuous progress in working conditions for everyone and at all levels. Lifting, ergonomics, hygiene rules and dealing with pain are all subjects covered by the training policy in all countries. They enable all employees to learn best practices in their profession and environment in the best possible conditions.

Secondly, from an organisational point of view, the Group informs, trains and makes employees aware of "risky" positions and their potential effects, and makes sure that shifts are organised in such a way as to ensure a proper balance between work and break time, because these disorders are linked to repetitive strain, among other things. Employees are made aware of the need to limit repetitive tasks as much as possible and the correct handling of heavy loads, through both training and the provision of suitable equipment such as bathtubs, beds and ceiling rails.

Countries may also take additional measures to prevent musculo-skeletal disorders. ORPEA Deutschland, for example, arranges courses in conjunction with the health insurance authorities (fitness, swimming, gradual muscular relaxation etc.), which contributes financially to the external classes held in sport facilities. In Spain, all employees are informed and given training about general and specific workstation risks through a training session updated every two years that specifically addresses the prevention of musculo-skeletal disorders. Every year, a special training session is organised and delivered by a physiotherapist.

In Switzerland, team leaders have developed a connected management style, listening carefully to employees to help prevent the risks of occupational illness and workplace accidents.

Every year, the care teams have to attend mini-training sessions reiterating the rules and requisite behaviours for working safely.

In Italy, employees working in nursing homes attend training as a matter of course about lifting so they are informed about the right movements to make when providing treatment and care. The aim is to reduce the accidents caused by these movements, thereby reducing absenteeism.

Also in 2019, Italy decided to carry out a specific analysis of workplace stress with the health and safety department and facility psychologists in a pilot facility (VILLE TURINA). In another facility, a project was carried out with a working group and Pilates classes to combat burn-out (VILLA CENACOLO).

In Spain, a specific external audit was successfully carried out for prevention measures and plans were put in place to deal with risks at work.

These approaches are taken in all countries where ORPEA operates, in cooperation with the workplace clinic doctor where there is one, and guidelines are made available to the employee representative bodies, as well as the prevention advisers, doctors and training departments.

In this area, the Group strives to take a responsible approach and remain attentive to everyone's needs. Here, too, the important thing is to create a dialogue with employees to identify areas for improvement.

The Group is continuing its efforts to improve the working conditions of its employees and is constantly on the lookout for best practices to support ORPEA's commitment to reduce the risks inherent in its sector.

Workplace accidents (frequency and severity) between 2018 and 2019

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Frequency rate	33.9	36.2	50.6	58.1	11.4	8.6	8.5	9.5	49.9	49.8	4.5	0
Severity rate	1.2	1.4	2.0	2.5	0.3	0.3	0.3	0.3	1.3	1.4	0.3	0

The very definition of a workplace accident, its reporting and the conditions for it to be recognised as such depend on national legislation.

However, the first changes towards a general decline at Group level testify to the positive results of the policies pursued in this area.

Finally, France technically cannot adapt to the definition used by the Group. As in previous years, therefore, the calculation is based on hours worked, not hours paid as is the case in other countries. These factors also have the effect of artificially inflating workplace accident frequency and severity rates.

Consequently, the headline frequency and severity rates reported for the France Benelux countries are higher but are not comparable with the data for other Clusters.

With regard to occupational diseases, an overall indicator at Group level is not possible at this time. Establishing such an indicator requires a common basis for recognition if effective and consistent monitoring is to take place. But local legislation on the recognition of occupational diseases and conditions varies significantly from country to country. Each country therefore has its own definition of the various conditions (whether or not listed) and its own rules for establishing cause and effect and for determining whether the conditions should be recognised as an illness or a workplace accident.

However, musculo-skeletal disorders, which are now considered to be the most prevalent form of occupational diseases in developed countries, are given particular attention in the prevention policies implemented by the ORPEA Group. In fact, in addition to being disabling or painful for the employee who is affected, they are also a source of dysfunction for the company that is detrimental to the quality of care for residents and patients.

4.5.4.2 PREVENTING PSYCHOSOCIAL RISKS

Facility managers and team leaders also receive training to optimise their management role. Communication, crisis management and team leadership training as well as training on preventing psychosocial risks is arranged every year.

For example, a specific module on "Understanding and managing a facility by forward planning to prevent psychosocial risks" was developed and delivered very successfully in France during 2018. Designed by the psychology department, the objective of this module is to give managers the tools they need for the proper management of the staff under their oversight (performance review meetings, stress management, delegation of skills, meeting facilitation, risk prevention, and conflict management). In 2019, several sessions of this 3-day training course were held, to provide integrated and extensive training for 145 managers.

The Group has also been able to measure the "employee experience" experienced by facility managers in their relationship with their own managers. For example, a "PULSE CHECK" commitment survey was carried out in France in 2019 among facility managers. The primary purpose of this survey is to adapt the development and training plan to meet the expectations of employees and new generations. It is also an opportunity to find out the level of commitment of employees and their vision of their management. With a participation rate of 85% and a very good perception by management, the results of this 2019 survey are superior to the most demanding external national benchmarks (HP standard).

To support employees having to deal with emotional distress by virtue of the very nature of the work they do, for over 10 years, the Group has had a psychological unit known as the "Group Emergency Intervention Unit" consisting of qualified psychologists with special training in facility trauma. The unit's operational scope has historically been limited to France, but has expanded in recent years to include Belgium and Switzerland.

The conditions under which the psychologists are called in are set out in a Group procedure. The unit can help to contain crises and adapt interventions on a case-by-case basis. The unit is completely independent of the client facility, and intervenes as a third party.

The main objectives of this unit (achieved by means of working groups and/or discussion groups) are:

- to support and help a facility in an emergency situation linked to a violent and potentially traumatic event that disrupts facility life and threatens the emotional and/or physical well-being of members of the facility;
- to contain and deal with the anxiety and resistance among teams;
- to help care teams cope with events by restoring their collective care capacity;
- to identify people at risk, who are emotionally fragile and unduly affected by the event.

In 2019, 32 interventions and 25 missions (Note: one mission may involve several interventions) took place, restoring a feeling of security or peace of mind among staff, and 212 people sought to benefit from the support (individual and group) of the psychological unit.

Since 2014, the psychological unit has expanded its scope of intervention by offering institutional mediation to staff facing a potentially disruptive event. The aim of these interventions is to:

- take time to talk and share feelings about the situation employees are going through;
- take time to reflect on employees' work, on the meaning of "working together" and on possible new opportunities for improved well-being at work.

4.5.4.3 NURTURING QUALITY OF LIFE IN THE WORKPLACE

Since its inception, ORPEA has always endeavoured to provide secure environments that also offer a high quality of life in the workplace.

As well as protecting their health, ORPEA also wants to provide its employees with a working environment conducive to well-being; staff rooms are more spacious, comfortable and well equipped; buildings are designed to let in as much light as possible with windows at eye level and wherever possible in front of work stations, in each work area and in break rooms etc.

This also translates into different actions, depending on the country, such as organising sophrology sessions, relaxation, muscle stimulation, breakfast, gym facilities for staff and help with reserving a place in a childcare facility.

In France, a national partnership with Babilou and its "1001 crèches" network has been signed to make childcare places available through the reservation of cribs for Group employees (reservation price paid by the Group), and special privileged access to the Babirelais service as an occasional short-term crèche solution for children from four months to three years of age, in case of an emergency.

Other occasional local initiatives are carried out spontaneously depending on the circumstances, such as taking care of employees' children during a heatwave, which gives staff a sense of calm and saves them the trouble of having to suddenly look for childcare for days when schools are closed. Quality of life in the workplace is also a factor that can help employees achieve a better work/life balance.

In addition, because rewarding and recognising achievements also helps to enhance teams' quality of life in the workplace, every country in ORPEA's network holds internal and/or external competitions, events and staff parties. Each country implements its own actions in line with its culture to improve the working life of its employees. This also involves the organisation of team-building exercises, as in Poland, to develop team spirit and a culture of mutual assistance within facilities.

More specifically, some countries have set up surveys for these aspects. In Austria, for example, employee satisfaction is 7.9 out of 10, while in Switzerland the satisfaction rate is 77%. In the Netherlands, Wonzgornet has set up a system where staff choose the themes they wish to survey several times a year. The Group launched an analysis in 2019 to be able to implement a more global system for monitoring employee satisfaction.

4.5.4.4 FOSTERING AND/OR MAINTAINING A HIGH-QUALITY DIALOGUE WITH EMPLOYEE REPRESENTATIVE BODIES

For the Group, effective and constructive labour relations are one of the pillars of the smooth running of the company. The Group's desire has therefore always been to strengthen the quality of employee dialogue by reconciling the interests of employees and social progress with the company's economic constraints. In this way, the Group fully involves any local employee representative bodies (works councils, trade union representatives) in its development. In addition to the mandatory consultations, ORPEA maintains an ongoing dialogue with employees throughout the year, via employee representatives and trade unions, and with all staff in the field.

Employee dialogue is established and operates within the Group through the employee representative bodies set up by local legislation. The Group therefore favours a local approach to best respond to the specific characteristics and needs of its employees as well as its activity. Accordingly, depending on the legislation, employee dialogue can take place at different levels, from the national level to the facility level. In this respect, the choice of themes is made independently in strict compliance with local regulations. The bodies meet at the initiative of the company at a frequency determined by local law. In both France and Germany, meetings are held at least once a month. Similarly, the rules for the renewal of employee representative bodies are scrupulously followed. In France, for example, in accordance with regulatory changes, a Social and Economic Committee, whose members were elected by employees, has been put in place.

In this way, through regular negotiations with these bodies or with trade union representatives, collective agreements are signed each year. These agreements vary in scope, both in terms of social consultation and the local regulations in force, and in particular in the following areas:

- quality of life at work, including the promotion of a work-life balance;
- leave and taking time off work in lieu;
- reducing difficult working conditions;
- incentives, bonuses and profit-sharing;
- health, life and disability insurance;
- promoting the inclusion of target groups such as people with disabilities and older workers.

In 2019, for example, in Austria, 12 agreements were signed relating mainly to the organisation of working time, and three agreements relating to working conditions in the Czech Republic. In Italy, a specific agreement related to work in the kitchen has been put in place.

The various themes of these agreements are naturally adapted across the European operations in line with each country's own legislative framework and specific priorities. In all countries, the agreements reached incorporate the legal situation and promote fairness and respect for employees. In France, for example, within each legal entity, regardless of its size, a representative has been appointed to combat sexual harassment and sexist behaviour.

However, the quality of labour relations in companies is not limited to the relationship between employers and employee representative bodies. It is also necessary for the relationships between the different actors to be balanced, that the other elements of social regulation function properly, such as direct communication between employees and management. Accordingly, plenary or interdisciplinary meetings between employees and management are held on a very regular basis to circulate information on themes freely chosen by the parties.

In this regard, the Group has been actively working for several years to promote respectful and caring management, in particular through the implementation of training to understand and manage an institution by developing a strategy to anticipate psychosocial risks and promote quality of life.

As a result, the challenge of employee dialogue involves not only compliance with legal and regulatory obligations towards employee representative bodies. It first and foremost involves consideration of employees and their active participation in the life of the company.

In short, employee dialogue is all the more important since it helps to develop a sense of belonging and, consequently, employee loyalty. It is an indispensable means for the effective resolution of major economic and labour problems, the promotion of good governance, social stabilisation and the economic development of the company.

4.5.5 SUPPORTING THE DEVELOPMENT OF ITS EMPLOYEES

In addition to recruitment, against a backdrop of strong pressure on the availability of qualified personnel, employee loyalty is a key issue. This loyalty requires proactive support for employees in order to integrate them, increase their skills and respond to their desire for development. ORPEA is involved throughout the employee's work life through the deployment of integration, training and inter-professional or geographical mobility schemes.

4.5.5.1 INTEGRATION OF NEW EMPLOYEES

The integration of new employees has become a strategic issue for companies, which must not only recruit new talent, but also retain it. To respond to this challenge, ORPEA developed new initiatives in 2019.

Within this framework, a specific "Welcome to ORPEA" programme has been deployed at the Group's headquarters and is scheduled to be rolled out to all Clusters. This programme allows new employees to have three half-days dedicated to an introduction to the Group and facility visits in the first few weeks of their arrival.

The first sessions organised were a great success, with 95% good and excellent impressions of the training, which met 100% of the expectations of the employees who attended it.

Also, to facilitate the integration of employees, a Digital Mentoring tool called "MYMENTOR" has been deployed. The objective is to make mentoring accessible to all via a dedicated platform, and to:

1. develop all talent, at all times and places;
2. facilitate the integration of new employees during their induction;
3. provide skills and expertise;
4. promote the sharing of experience and best practices;

5. help employees develop networks;
6. develop a culture of learning
7. strengthen the sense of belonging within the Group.

This tool was deployed first and foremost among facility managers in view of the complexity, demands and rapid development of that function, and then among regional managers, physicians and experts, and headquarters directors, for a total of 400 employees. France was the pilot country for this project in 2019, but it is also scheduled to be rolled out internationally.

4.5.5.2 TRAINING, A CORE ELEMENT OF THE GROUP'S BUSINESS

846,108
hours of training
provided in 2019

Developing, acquiring and consolidating professional skills helps to lay the foundations for ORPEA's future success. The range of training courses accessible to all employees continues to expand every year to help meet the challenges ORPEA faces in its various sectors of activity and as it moves forward with its international expansion.

ORPEA's training policy is implemented at several levels in a complementary manner:

- **A training offer, integrated into the training plan, corresponding to the fundamentals of ORPEA's core businesses:**
  - training courses relating to the Group's quality standards, given in-house. The content of these guidelines is prepared by the department with expertise in the relevant subject matter, in accordance with the Group's values, practices, policies and procedures. With this in mind, the trainer is a Group employee who is in the best position to lead the sessions and answer the trainees' questions since he or she knows the field inside out. For many years, the Group medical department has been developing one-day training modules on topics considered essential such as "promoting proper treatment", "Alzheimer's disease", "the end of life" and "gestures and postures". These modules have been adapted for each country to respond to their unique situations, and each ORPEA employee is invited to attend these training sessions on a regular basis. The strength of this policy lies in its ability to adapt to the needs that have arisen in the field, enabling the harmonised deployment of best practices at Group level;
  - additional training provided by external service providers to supplement the general offerings. This programme allows the creation of a training plan that takes the wishes of employees and the needs of the company into account as much as possible. Special approvals of certain training courses may also be required, so that, in a fairly uniform manner, "fire" or "food hygiene" training courses can be generally provided by external organisations.

    On the basis of these different types of training, the human resources department of each Business Unit prepares a training plan which, in addition to complying with legal obligations in this area, will make it possible to maintain and develop employee skills. These sessions are often accessible via a catalogue that is made available to employees. It thus offers the broadest possible range of training (e-learning, videos, on-site etc.), delivered by both external trainers and internal experts keen to share their knowledge.
- **A base of mini-training sessions** lasting 30 to 40 minutes on average on around fifty themes, the choice of which is left to the discretion of the facility manager according to the events that punctuate the life of the facility. These mini-training sessions, designed by the Group quality department or any other expert support department (food services, works etc.), provide an opportunity to review current procedures, ensure that residents and patients are fully aware of the rules for optimal care, and provide opportunities for discussion to strengthen team spirit. Each facility manager aims to carry out 6 mini-training sessions per month with his or her staff. This programme is regularly monitored as part of internal audits.

The Group is taking a growing number of initiatives across its various countries to meet employee expectations as best it can. In Woonzorgnet in the Netherlands, for example, all employees (care personnel and support functions) have access to the GGZ E-academy, which offers around 200 e-learning courses covering a wide array of areas (care practices and personal development).

18
hours of training
per employee provided in 2019

Change in the number of training hours by geographical region between 2018 and 2019

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Training *(number of hours)*	846,108	732,609	373,676	387,700	320,627	223,857	111,232	90,671	37,529	29,592	3,046	791

At the same time, the Group is developing partnerships to support its training plans with certifications. DOMEA, the carer training institute set up by the Group in 2005 (IFAS approved by prefectural order), reflects the ORPEA Group's commitment to help its employees gain qualifications and provide lifelong learning opportunities. In addition to individual support, DOMEA can accommodate young apprentices in classes of 15 people per year from February to June. DOMEA endeavours to train employees, students and interns using practical, interactive teaching methods, as well as through individual support from employers, tutors and apprenticeship leaders.

In 2019, a vast internal VAE Aides-Soignants (validation of acquired experience for care workers) campaign was launched in partnership with the Group's school for carers (DOMEA), and 300 employees entered this process.

In Italy, a partnership is underway with the LIUC business school in Milan to create a specific Master's degree in Management for the selection of new managers and the implementation of internal training plans.

In general, a very large number of partnerships have been established with universities or schools: 5 in Poland, 25 in Spain and 6 in China.

The ORPEA Group has therefore developed university diplomas in partnership with higher education institutes in various countries to enrich the skills of its employees.

The university diploma in care facility management awarded by the University of Nice is designed to improve the managerial skills of its facility managers and is a good example of the ORPEA Group's ambition of implementing an integrated, international approach to training.

For more than a year, the Group has endeavoured to give all countries the chance to benefit from this partnership, which gives them access to a recognised syllabus that can be tailored to their own specific local requirements.

ESCP Europe continues to run the Cadrélan Stratégique programme, which enables Group employees who are interested to hone their managerial skills in a privileged environment.

The programme caters for employees with management and/or team leadership roles who want to advance to senior management level or perform cross-functional roles within the Group, irrespective of where they work. An additional module on intercultural management has been incorporated to reflect the Group's development internationally.

In Austria, the SENECURA Academy, which officially opened in 2016, now offers the Group's employees recognised training courses. The aim is for each employee to benefit from an individual lifelong learning programme and training leading to recognised qualifications.

Likewise, in Switzerland, SENEVITA set up its own Academy in 2017, and the first classes began in 2018.

In Spain, ORPEA Iberica has funded a master's course in geriatric care management that was needed to support the development of employees keen to secure a management role. As in many countries, a university qualification is a pre-requisite for those seeking a facility management role. The diploma and course that are required are stated in regional rules in Spain. ORPEA Iberica thus enables deputy facility managers, and those with senior management ambitions to obtain the qualification they need to develop their skills and enhance their career without having to pay for it.

Beyond seeking to motivate employees and develop their skills, these initiatives aim to streamline and standardise teaching while guaranteeing a high level of quality. Not only do these projects form part of the Business Unit's Quality programme, they also reflect the Group's relentless quest to differentiate itself — in the minds of current and prospective residents and patients and of current and future employees.

4.5.5.3 PROFESSIONAL MOBILITY TO MEET EMPLOYEES' EXPECTATIONS AND THE GROUP'S NEEDS

Identifying talented individuals, retaining them and offering them specific training are the cornerstones of a proactive employee policy introduced very early on by the ORPEA Group to capitalise on and promote professional expertise and human qualities. ORPEA is committed to making the most of individual strengths and energising the careers of each employee to improve the quality of patient and resident care and to boost staff motivation and satisfaction.

In all the countries where it operates, many of its managers have been promoted from within the Company: care workers, nurses, health supervisors and administrative staff advance to positions of responsibility, thanks to their motivation, their commitment and their potential.

In France, 46% of facility managers on staff at year-end 2019 were internal promotions, as were 87% of regional managers. Elsewhere, the vast majority of regional managers have followed the same type of career path. In Spain, in 2019, 18 internal promotion processes were launched.

This bold approach reflects the support provided to employees by the Group with their efforts to build a rewarding career plan, plus the emphasis placed on internal recruitment when filling vacancies.

At any time, or by means of the regular one-to-one assessments, employees have the opportunity to express their goals and ambitions in terms of training, development or geographical relocation.

There are also opportunities to transfer between the Group's business lines or between countries for employees wishing to gain experience in or move more permanently to a specialised geriatric facility, a post-acute and rehabilitation, or psychiatric hospital, or simply to get a taste of another culture.

International transfers are also gaining momentum, with employees from France now working in Spain, Portugal, Belgium, China and Latin America.

All of these initiatives have always existed, and in 2019, the Group wanted to ensure that the demand for professional mobility, be it geographic or functional, could be made even easier for employees and instantly visible to HR staff.

So, as explained above, a Corporate HRIS has begun to be deployed via a "recruitment" module. In 2019, the Group also wanted to deploy a "performance and talent management" module that will enable the demand expressed during the annual review meeting to be followed up by the HR staff and allow for fast, efficient and fair management of the desires expressed. The Corporate HRIS is meant to be deployed in waves in all countries over the next few years and become a global support for the Group's HR policy.

Career mobility also involves talent management and development.

In this regard, in 2019, the Group established a development centre whose drivers were to identify a talent pool for key positions, map the strengths and opportunities of the population assessed and provide individual feedback for the creation of a personal development plan.

This programme was specially designed to take into account the Group's environment, its values and the new Skills Model. For example, all HR departments underwent a certification process developed by an external firm in two sessions in 2019, enabling them to assess 95% of the Group's regional managers in their own language. The managers were thus able to experience a real opportunity for development.

In addition, exchanges between professionals and between countries are also very popular among the staff. Be they doctors or head chefs, all employees are afforded opportunities to share their know-how in other countries, and this trend towards sharing and building bridges helps to make teams feel valued and bolsters the pride they take in working for the Group.

4.5.6 PROMOTING DIVERSITY AND INCLUSIVENESS WITHIN THE ORGANISATION

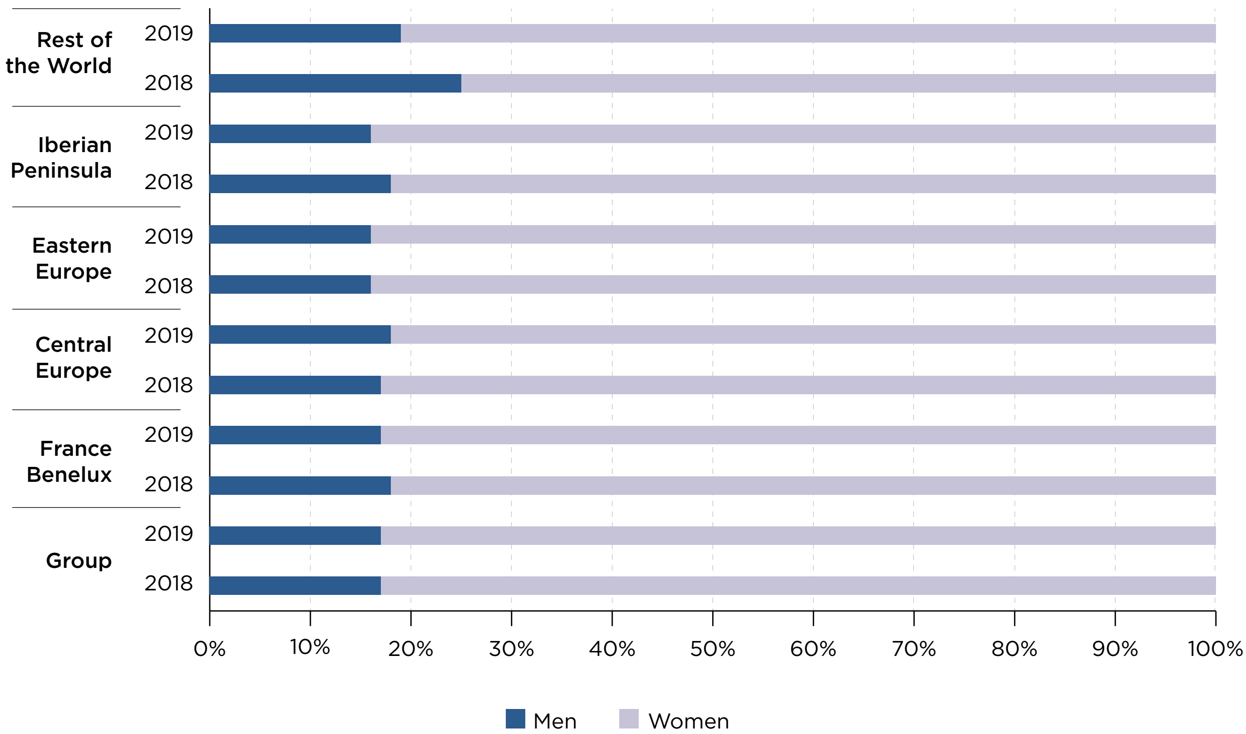
ORPEA has always considered diversity to be an opportunity to achieve greater success and, as such, put it at the heart of its strategy. Every employee within the Group, irrespective of their qualifications, origin, gender, religion, age etc., is afforded the same professional development opportunities. This mindset extends to the very top ranks of the organisation and across the entire management structure.

4.5.6.1 GENDER EQUALITY

Since its inception, ORPEA's teams have always had a large number of women, and the same trend has been seen in every country. In 2019, 83% of ORPEA's employees were women.

The Group has always made sure that all jobs and all positions of responsibility are open to both women and men, through both external recruitment and internal promotion.

Breakdown of employees by gender and by geographical regions in 2018 and 2019



For over 20 years now, the Group has pursued a broad diversity and gender balance policy on a daily basis that gives everyone—with their own individual skills and values—a chance to shine, irrespective of their gender, their age, their origins and their initial level of training.

That achievement is the product of an unwavering commitment to a diversity policy that forms an integral part of the Group's values.

Because of its culture, Germany has gone even further, establishing internal and external gender-neutral communication through newsletters, announcements and calls for tender.

Male-female professional equality index	**2018 Diversity Award**
Equality between men and women is an unwavering point of focus for the organisation, especially in a sector in which women account for the majority of the workforce. In financial year 2019, the male-female professional equality index applied in France, as defined in Decree No. 2019-15 of 8 January 2019, illustrates the success of this policy and was unchanged from 2018: ■ 84 out of 100 for the ORPEA economic and social unit; ■ 79 out of 100 for CLINEA SAS.	At the 15th edition of AGEFI's Corporate Governance Awards held in October 2018, ORPEA received the Diversity in Senior Management Award in the SBF 80 category. The award reflects not only the diversity of its Board of Directors but also of all ORPEA's senior management teams.

Positions of responsibility held by a woman*

	Group	France Benelux	Central Europe	Eastern Europe	Iberian Peninsula	Rest of the World
Positions of responsibility held by a woman (in 2019)	65%	69%	59%	61%	72%	20%

* *"Management positions" refers to the site management, regional management, and general management of each country and of the Group.*

65%
of **senior management**-jobs are occupied by **women**

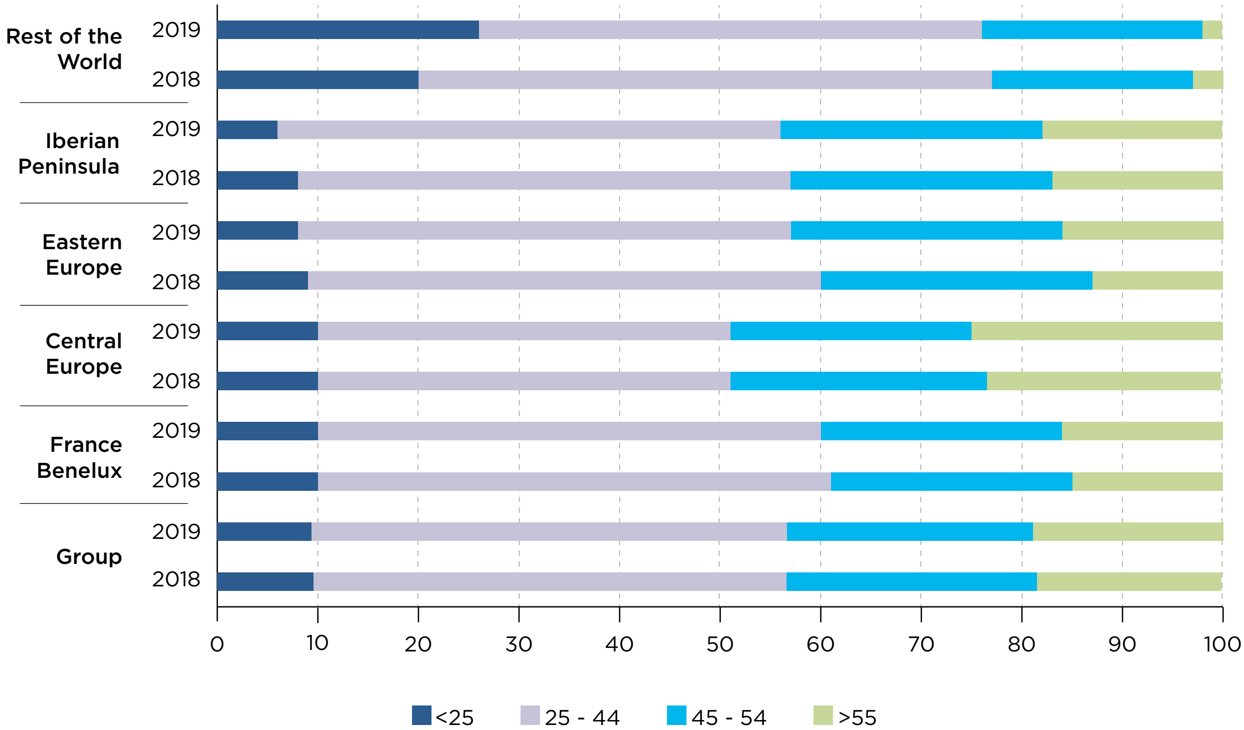
Moreover, in 2019, 45% of the members of the ORPEA Group's Board of Directors were women. In this area, ORPEA exceeds the regulations in force, which set a minimum threshold of 40%.

4.5.6.2 ACCESS TO LONG-TERM EMPLOYMENT OPPORTUNITIES FOR THE YOUNG AND NOT-SO-YOUNG

As part of its recruitment policy, ORPEA places great importance on interpersonal skills, as well as the diversity of its teams.

As such, the Group promotes the employment of young people and the retention of older workers to ensure knowledge and skills are passed on to the next generation.

Breakdown of employees by age bracket



A breakdown of the workforce by age bracket reflects this policy. Employees aged under 25 represented 9.35% of the total workforce in 2019. Employees aged 25 to 44 generally represent about 47%. That said, there may be some variation in certain countries, but the statistics should be interpreted in view of the actual employee numbers they cover, so the percentages may therefore be less representative.

Employees aged over 55 account for almost 19% of the total.

Employees from all age brackets are represented in fairly similar patterns in every country in which the Group operates. This ensures diversity of profiles and promotes the sharing of experiences, two priorities for the Group.

4.5.6.3 DISABILITY AND EMPLOYMENT

For over 20 years, ORPEA has taken steps to find jobs for and retain people with disabilities through efforts including:

- training managers in how to accommodate people with disabilities and, more broadly, educating all employees about disabilities;
- adapting workstations and equipment to fit the needs of employees with disabilities;
- helping employees to report their disabilities so that working conditions can be adapted appropriately;
- entering into partnerships and agreements to facilitate the integration of people with disabilities within the organisation.

The ORPEA Group had more than 1,000 employees with disabilities as at 31 December 2019, of which 621 are in France, 131 at CELENUS, 96 in Austria and, in Italy and Spain, the number of employees with disabilities is higher than the number required by local legislation.

In Spain, various partnerships have been established and ramped up with the Randstad Foundation and the Caixa Foundation to help people with disabilities access employment. In 2018, it set up another with Once Foundation, Spain's largest not-for-profit organisation promoting opportunities to hire people with disabilities. The management team in Spain also made a film to raise awareness among teams.

Equal opportunities

Over **6,000**
employees hosted on
apprenticeships and/or
work-study programmes

In addition to disability, the Group has endeavoured to develop partnerships to encourage the integration of apprenticeship/work-study employees and interns into its facilities, whether they are undergoing initial training, are in difficult situations and/or are undergoing retraining.

In 2019, over 6,000 apprenticeships and/or interns were hosted by the Group (3,660 in France, 1,405 in Germany, 168 in Switzerland, 568 in Austria and 267 in the Czech Republic). These figures testify to:

- the quality of care for residents and patients, who make ORPEA facilities places for formative internships;
- the quality of supervision in place for interns, with the existence of ad hoc procedures;
- the quality of the good relationships maintained with the schools;
- the varying expertise and specialities of the facilities that attract interns.

Lastly, other initiatives were also taken under the equal opportunities policy. In Spain, partnerships were forged with various associations (La Caixa Foundation, Juan Castilla Foundation, Randstad Foundation, APROCOR Foundation, Cooperation agreement with Fremap) to encourage the recruitment and continued employment of people in difficulties Moreover, in 2019, ORPEA Ibérica won the Spanish Red Cross award for the company that has shown sensitivity towards particularly vulnerable groups.

4.5.6.4 PROMOTING AND ADHERING TO THE ILO FUNDAMENTAL CONVENTIONS

Respect for freedom of association and the right to collective bargaining

For years now, the ORPEA Group has focused on achieving a high-quality employee dialogue to balance employee interests and social progress against the Company's business imperatives.

Effective and constructive labour relations for all are crucial for the Company to operate effectively, and the freedom of association, freedom of expression, freedom of assembly and the right to information are essential components of social stability and economic development.

Accordingly, employees may freely serve as representatives and voice their opinions, with mutual respect for the provisions of law, the regulations and employees' fundamental rights.

The Group remains committed to harmonious employee dialogue, which entails the negotiation of various aspects of labour relations to promote and defend employee interests.

Elimination of employment-related and professional discrimination

Through its recruitment, training and promotion policy, the ORPEA Group has always demonstrated its commitment to non-discriminatory practices. It believes that equality at work means everybody having the same chances to develop the knowledge, abilities and skills necessary for the business. Discrimination prevents the victims of prejudice from achieving their full potential and thus deprives the Group of the contribution they could make.

The diversity of cultures, languages, family situations, educational backgrounds, racial and social origins, religions and opinions today make ORPEA a Group in which everyone can find their place and thrive, while respecting others, making for a tight-knit workforce underpinning effective performance.

Elimination of forced and compulsory labour and the effective abolition of child labour

Owing to the nature of business it is involved in and the direct link its staff have with residents, families and patients, ORPEA has naturally always adhered to the main conventions of the International Labour Organisation.

4.6 LIMITING THE GROUP'S ENVIRONMENTAL FOOTPRINT

4.6.1 PRINCIPAL RISK FACTORS IDENTIFIED

Controlling the impact of ORPEA's operations on the climate and natural habitats is a top priority for the Group, and relevant measures are taken at the building design, construction and operation stage.

In this context, taking an eco-friendly framework into account is a major challenge for the Group, as it is with regard to 24/7 operations. For the Group, this framework includes actions aimed primarily at energy efficiency. In fact, the Bilan Carbone® France assessment showed that the first scope of greenhouse gas emissions corresponds to emissions linked to the energy consumption of its facilities[1]. Given the similarity of activities within the Clusters, this finding can be extrapolated to the Group level. In addition, better waste management (reduction and recycling) is a factor in limiting the Group's environmental footprint.

For ORPEA, the challenges related to climate change are preventing climate change by limiting greenhouse gas emissions caused by the management of its buildings and adapting to climate change to ensure that residents and patients are cared for in complete safety whatever the climatic conditions.

(1) 31% of the total emissions measured on Scopes 1, 2 and 3. (see graph below).

4.6.2 GENERAL ENVIRONMENTAL POLICY OF THE GROUP

As part of its global environmental policy, the ORPEA Group is speeding up the incorporation into its processes of eco-friendly procedures that significantly reduce its CO_2 emissions and its environmental footprint more generally.

A Steering Committee made up of representatives from the purchasing, works-construction, quality and communication services was set up in 2013 to oversee these goals; it meets every two months and monitors the 4 main priorities set for the ORPEA Group's environmental protection initiatives in Europe:

- reducing energy use (chiefly gas and electricity) and water consumption;
- optimising the management of healthcare waste (PIMW)[1] and food waste;
- cutting CO_2 emissions caused by travel;
- the implementation of prevention and awareness-raising initiatives aimed at its employees, residents, patients and visitors, with the aim of providing general information on sustainable development and disseminating best practices and eco-gestures.

In addition, ORPEA has an in-house design and engineering service within the Corporate construction and maintenance department dedicated to the ongoing search for solutions aimed at making the energy consumption of its facilities more efficient and for high-performance construction methods that can reduce its carbon footprint.

The ORPEA Group aims to build facilities that are more energy efficient, and which blend in better with the environment (accessibility, landscaping, urban integration) while offering optimal quality of life for residents, patients and staff. Building architecture prioritises a pleasant visual and acoustic environment, as well as natural light. The Group is particularly cognisant and innovative when it comes to designing living spaces geared towards the autonomy and well-being of residents.

So, at all stages of a construction project, especially close attention is paid to the following:

1. **The building and its environment:**
    - choice of land or building close to public transport;
    - respect for the orientation of the land/building (in particular with regard to the course of the sun, thus prioritising optimal light penetration at any time of the day and in all seasons);
    - location of the building to respect the land's natural topography;
    - principal well-lit façades facing southeast and west;
    - acoustician's assistance concerning road classifications and treatment of façades;
    - conducting impact studies of future installations on the environment (neighbours etc.).
2. **Building design:**
    - accessibility of the facility to persons with reduced mobility: all of the Group's buildings are designed and built in strict compliance with disabled accessibility standards;
    - natural lighting for premises and for workstations in particular;
    - independent storage for everyday waste and special storage arrangements for food waste;
    - passive design features preferred to keep buildings cool in the summer and warm in the winter.
3. **Technical and technological choices:**
    - obligation of results required for designated consulting firms and contractors;
    - rainwater treatment (retention basins for watering green spaces), solar panels for the production of domestic hot water, photovoltaic panels depending on the environment;
    - thermal modelling;
    - choice of energy-saving technologies (systematic use of LED lighting, installation of presence detectors, installation of window contact sensors to cut off heating when windows are opened);
    - double-flow ventilation with energy recovery for high-volume rooms.

Lastly, before purchasing land, ORPEA ensures that the soil is not contaminated and, if necessary, carries out soil remediation.

This policy is applied locally according to specific national requirement.

In Germany, for the Bad Herrenalb Clinic construction project, the use of approximately 1,500 cubic metres of wood saved 2,900 tonnes of CO_2 compared to construction using concrete and/or masonry materials. Rooms are composed of wooden modules. Panels made of wood provide excellent sound insulation. The Business Unit also takes into account aspects of sustainability through the installation of a wood pellet heating system.

All new facilities in Switzerland have been awarded the Minergie label[2]. A 2,000-watt[3] certification project in Münsingen will make it possible to exceed that standard even more.

In Poland, the Business Unit systematically uses gas or district heating for new projects for heating and the production of domestic hot water as well as AHUs (Air Handling Units) with heat recovery.

In Austria, the Business Unit is using the "Klimaaktiv"[4] certification, for its future Rehab Wiesing project.

(1) PIMW: potentially infectious medical waste (PIMW) is waste generated in connection with the diagnostic, follow-up and preventive, curative or palliative treatment in the fields of human and veterinary medicine.

(2) Minergie buildings are characterised by very low energy requirements and the highest possible use of renewable energies.

(3) The "2,000 Watt Site" certificate is awarded to urban areas that are committed to climate protection and demonstrate sustainable use of resources.

(4) "Klimaaktiv": Austrian climate protection initiative that is part of the Austrian climate strategy. Its main objective is to launch and promote climate-friendly technologies and services. By doing this, Klimaaktiv focuses on high quality standards, provides education and training for professionals, gives advice and cooperates with a wide network of partners.

Within the context of renovation projects for existing buildings, the ORPEA Group also takes into consideration energy performance issues through the implementation of an audit tool called "Real Estate". These audits make it possible to:

- establish an annual budget for the maintenance and renovation of sites over a period of five years and, for each operation to replace technical equipment, implement the most innovative energy efficiency techniques that are systematically eligible for energy efficiency certificates (CEE — *Certificat d'économie d'énergie*);
- identify buildings that require major renovation/restructuring. These audits serve as a support for the annual review that decides these renovations/restructuring projects with a real consideration of the energy aspect (change of external joinery, double-flow CMV, LED lighting fixtures, room thermostats etc.).

All of these audits are compiled and available on the Group's IT application portal. This allows immediate access and easy modification for the continuous updating of the database of ORPEA Group facilities.

4.6.2.1 LIMITING ENERGY AND WATER CONSUMPTION

As part of a multi-year action plan, the ORPEA Group is committed to reducing the energy and water consumption of its facilities by optimising the use of resources. The Group's action is deployed in three areas:

- **measuring:** the analysis of consumption data from facilities makes it possible to make the right diagnosis and determine relevant and effective actions;
- **reducing:** action plans aimed at improving energy efficiency are deployed in the Business Units;
- **informing:** the aim is to teach everyone to respect the environment through simple everyday gestures, and to adopt eco-friendly behaviour.

Measuring energy and water consumption

ORPEA requires all of its Business Units to accurately monitor water and energy consumption and implement a policy to reduce their environmental impact. A dedicated platform called Deepki was set up in 2019. It enables the automatic transfer of electricity and gas consumption data (directly from the supplier's customer platform to the Deepki tool). As regards water, each facility indicates the consumption indexes in the tool. Deepki can also be used for performance analysis, detection and monitoring of energy and water savings. This tool has been deployed in nearly 350 facilities in France and is currently being rolled out internationally. In the other Business Units where the monitoring platform has not yet been installed, insofar as possible, weekly readings are taken and reporting is consolidated at Group level.

Reducing energy and water consumption

Energy

Checking and analysing energy consumption identifies problems (such as excessively high consumption, and benchmarking between sites) and energy-intensive facilities. Training courses are arranged to give the facilities all the tools they need to make their buildings energy-efficient (centralised technical management etc.).

Everywhere the Group operates, ORPEA aims to reduce the energy consumption of its buildings as far as possible, by gradually installing energy-efficient equipment, including:

- fitting low-consumption lighting (all new buildings are equipped with LED lighting) as and when existing light bulbs and lamps are replaced;
- fitting sensors to reduce electricity consumption in all service areas (storage rooms etc.);
- insulating loft spaces and water networks to help combat energy losses;
- consideration of renewable energy sources in building management;
- optimising procurement contracts with energy suppliers for the entire European network.

In addition, in each of the countries where regulations require it, energy audits are carried out, which result in action plans.

The action plans are implemented locally according to specific national conditions and the profiles of the sites.

In France, during its last call for tenders for the supply of natural gas, the France Business Unit chose to select a bid that included biomethane. In 2019, this share of biomethane represented 8% of the total volume of natural gas consumed. A study will be carried out each year to promote and increase this share of biomethane or another "green" gas if the supply meets all of the criteria.

In Germany, cogeneration plants are in place at eight sites and heating with pellets or wood chips at three sites. Seven facilities are equipped with solar panels on the roof, and in Austria and the Netherlands, several installations of photovoltaic panels are already in place or being planned.

In Switzerland, half of the Business Unit sites meet the Minergie standard. Six sites are already equipped with solar panels and photovoltaic panels. Underfloor heating has been installed. On some sites, through a simple technical inversion manoeuvre, these same floors are cooled in the summer, which is much appreciated by residents in periods of high heat. In Switzerland, air conditioning requires exceptional authorisation or is even prohibited.

Water

As is the case with energy consumption, water consumption is monitored and analysed to identify problems, such as leaks and benchmarking between sites.

The ORPEA Group's works and maintenance department ensures that the hot water systems of all facilities are compliant and present no risk of legionella. It also verifies that water systems are maintained regularly and properly by the maintenance firm in charge and by the maintenance officer in each facility.

In addition, green spaces, which are essential for the living environment and the well-being of residents and patients, increase the need for water. The ORPEA Group is installing rainwater retention basins to be used for watering; bringing this action into general use is being studied for all new construction projects. In Switzerland, for example, rainwater harvesting basins have been installed.

Insofar as possible, staff as well as residents and patients are educated about the need to use water wisely, and regular training sessions or information/awareness meetings are held.

Informing employees and residents/patients

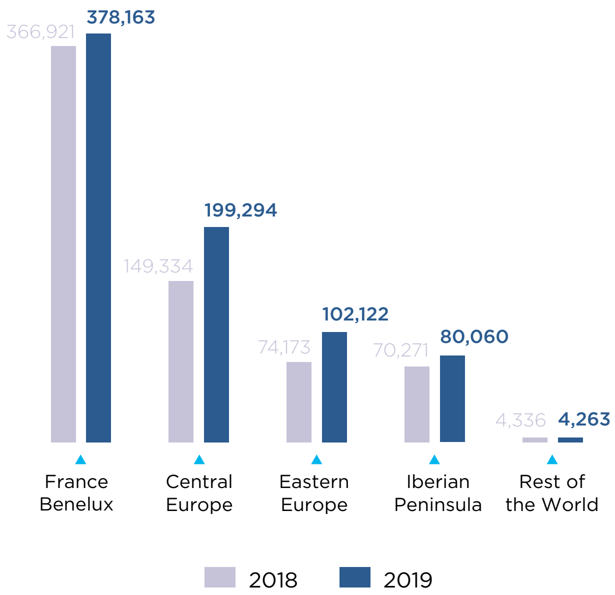
To maximise technical and maintenance actions, eco-gesture campaigns are regularly carried out among employees as well as residents/patients. Most of the time, they take the form of the distribution of posters, leaflets and stickers within the facilities. The objective is to remind everyone of the right gestures that limit the environmental consequences of each of the actions performed in daily life and consequently to change bad habits.

In France, for example, an internal newsletter called "Watt's News" is regularly sent to facility management teams. An information leaflet for residents, patients, families and employees on "eco-gestures to adopt" was designed around themes of electricity, heating, water, waste, paper and transport.

The tables below show the data obtained. The increases reflect the growth in the Group's activity.

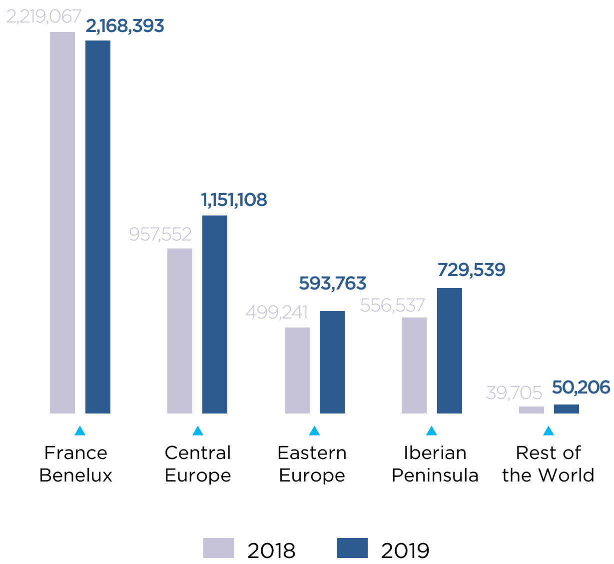
Electricity and heating consumption Group-wide and by Cluster

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in MWh)	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Electricity	283,165	296,098	169,747	163,592	51,129	60,209	28,314	32,117	31,592	37,627	2,383	2,553
Heating	381,870	467,804	197,175	214,571	98,204	139,086	45,859	70,005	38,679	42,433	1,953	1,710
TOTAL	**665,035**	**763,903**	**366,921**	**378,163**	**149,334**	**199,294**	**74,173**	**102,122**	**70,271**	**80,060**	**4,336**	**4,263**



Water consumption Group-wide and by Cluster

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in m^3)	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Water	4,272,102	4,693,009	2,219,067	2,168,393	957,552	1,151,108	499,241	593,763	556,537	729,539	39,705	50,206



Group CO_2 emissions generated by energy consumption

	Group		France Benelux		Central Europe		Eastern Europe		Iberian Peninsula		Rest of the World	
(in tonnes of CO_2)	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Scope 1[(1)]	70,288	89,415	42,826	46,544	15,246	24,995	3,501	8,408	8,629	9,380	87	87
Scope 2[(2)]	63,565	70,033	12,603	12,937	26,448	29,418	13,984	15,716	7,519	9,009	3,011	2,953
TOTAL	**133,853**	**159,448**	**55,428**	**59,482**	**41,694**	**54,413**	**17,486**	**24,124**	**16,148**	**18,389**	**3,097**	**3,040**

(1) Scope 1: direct emissions (fuels).
(2) Scope 2: indirect emissions (electricity and other energy).
All the conversion factors used to calculate emissions based on the electricity and heating consumption are shown in the methodological note at the end of this chapter. The coefficients are from ADEME (French Environment and Energy Management Agency).

Bilan Carbone® France

As part of its ambitious drive to cut its CO_2 emissions and to better understand and curb the largest sources of greenhouse gases, the Group publishes an updated version of the Bilan Carbone®, the carbon footprint report for all its operations in France in Scopes 1, 2 and 3[(1)] every four years. Given the similarity of activities with other countries, the breakdown of greenhouse gas emissions by type of item can be considered representative of the Group's activity.

The results of this carbon footprint report confirm that facilities' energy consumption (electricity and heating) is the largest source of emissions (31%). Reflecting its service and accommodation activities, the next two largest sources are:

- catering (19%), which includes production of foodstuffs;
- travel (15%) by employees (commuting), patients and/or visitors.

This footprint includes all of the facilities controlled by ORPEA in France. 100% of emissions from assets and activities over which ORPEA exercises operational control have been taken into account. At comparable scope and methodology, greenhouse gas emissions declined by 13% owing to the following combined effects:

- reduction in the energy consumption of buildings, for both electricity and gas;
- steep decline in greenhouse gas emissions for vehicles, owing partly to the improvement in emissions measurements (CO_2 data provided);
- reduction in the relative amount of red meat served at mealtimes and in food waste.

The most recent carbon footprint report dates back to late 2017 and was published in Q1 2018. The carbon footprint report was produced with the assistance of a specialist carbon consulting firm which is a member of the APCC (ECO 2 initiative) and presents all the greenhouse gas emissions generated by the activities of the facilities in France.

The greenhouse gas footprint presented is representative of France and cannot be extrapolated to its operations in other countries.

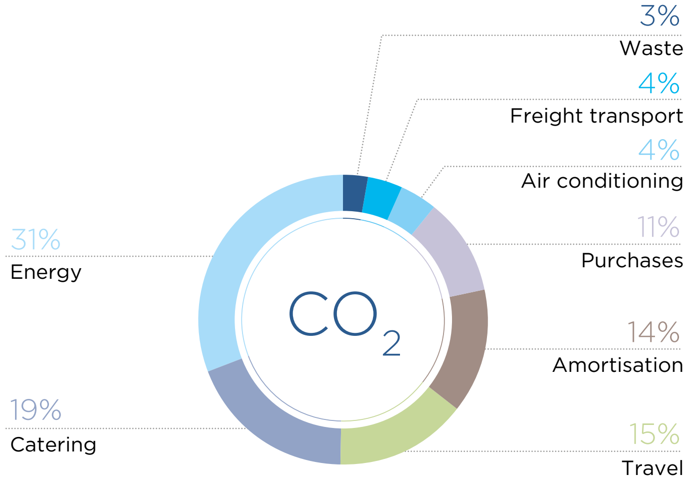
(1) Details of the carbon footprint for France are available at the following address: https://www.orpea-corp.com/images/orpeafinance/pdf/Documentation/FR/2018/Orpea_-_Rapport_Bilan_GES_GROUPE_2017_2.pdf

Bilan Carbone® France 2017 results

207,712
tonnes of CO_2 equivalent were emitted, or **580 tonnes** per facility

358
facilities covered

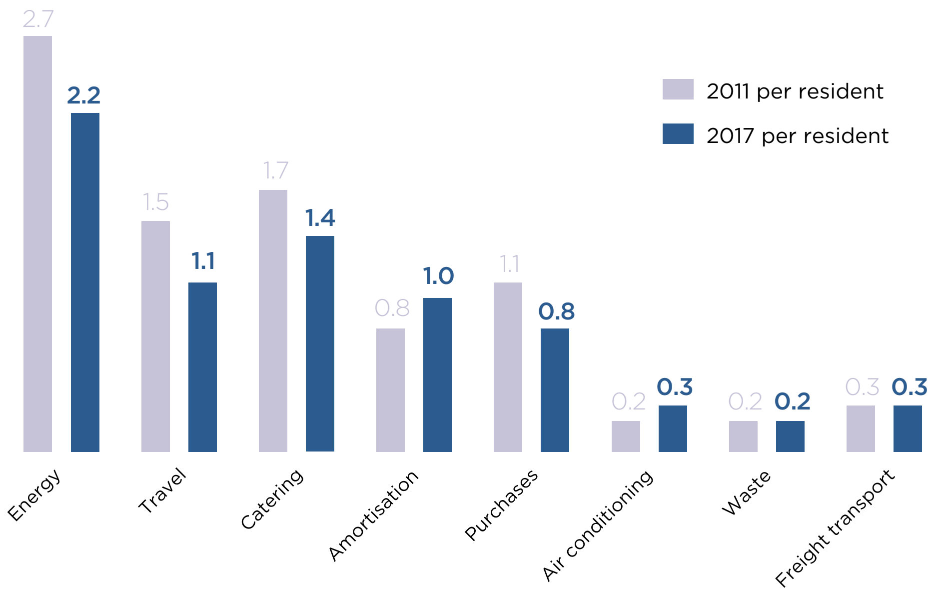
7.2
tonnes of CO_2 per resident/patient



2011
8.3 tonnes CO_2e per resident/patient

-13%

2017
7.2 tonnes CO_2e per resident/patient



4.6.2.2 OPTIMISING WASTE MANAGEMENT

Sorting waste

At present, it is not possible to systematically quantify the volume of waste produced as waste is collected primarily by public operators. However, in 2019, a waste audit[1] was carried out by an external body on approximately one third of the sites located in France with the goal of:

- giving an account of waste streams and management practices;
- detecting areas for internal and external optimisation;
- estimating potential economic and environmental gains;
- planning resources to be put in place for better management.

Following this audit, an action plan is in the process of being defined.

Depending on the local policy where a facility is located, waste may be sorted (into separate processing chains for plastic, glass, deposit, cardboard, packaging, food waste methanisation, coffee pods etc.). Operations in every country comply with the waste sorting regulations in force.

Training and awareness-raising initiatives have been implemented with teams and suppliers to remind them of best practice when compacting waste (for example, cardboard boxes and bottles) and sorting rubbish, as well as to combat waste.

Managing PIMW

In 2019, 490 tonnes of potentially infectious medical waste was produced in France. The calculation of production is based on quarterly production tables supplied by the service provider in charge of recycling this waste. To calculate the weight of PIMW produced, a volume/weight conversion table is applied. In Belgium, the total weight of PIMW was 8.8 tonnes in 2019.

As the definition of PIMW and the level of medical care required by residents vary from one country to the next, it is not possible to compare data from different countries.

(1) *Exclusive of PIMW, expired medication and food waste.*

In addition, in other countries where ORPEA operates, the method of collecting PIMW is currently different (collected by a local service provider) and so the total volume cannot be computed.

All of the Group's facilities comply with local regulations concerning the management of PIMW.

All facilities are equipped with special receptacles for collecting these types of waste: containers for needles and other sharps, and CliniBox-type containers for other infectious waste.

Medical waste is removed and disposed of by an authorised company under a service agreement. This company is also committed to providing care workers with training at each facility.

These agreements and traceability records are kept available for the relevant authorities.

Action to combat food waste

Given the nature of ORPEA's business activities and the number of meals served each year at its facilities (52 million meals), the Group attaches great importance to combating food waste.

ORPEA has already taken concrete measures:

- raising the awareness of kitchen employees about eco-gestures through training and posters to combat food waste;
- adapting orders and production on a daily basis to facilities' operations. As part of this process, every Group kitchen is informed of the number of meals it needs to prepare and their type;
- analysing kitchen waste through weighing returned food and/or meal production.

These analyses, which began in late 2018, will enable the Group to pinpoint the products and recipes that are not very popular among residents and patients and take them into account when the next menus are designed and to work on changing certain production practices in the kitchen and/or in the restaurant service area. Under the food safety procedures, any food that "leaves the kitchen" has to be thrown away if it has not been eaten.

Efforts to combat food waste have been incorporated into efforts by the Group's Sustainable Development Steering Committee. Every month, a milestone review is conducted to determine the effectiveness of the measures implemented and to identify outlier facilities.

4.6.2.3 KEEPING TRAVEL UNDER CONTROL

ORPEA continues to pursue its policy of minimising the impact of its business travel, by travelling only when necessary and only flying when absolutely imperative.

All Business Units have used videoconferencing as much as they can, which has contributed significantly to reducing staff travel. However, given the Group's growth and its business activity, there will always be a certain number of journeys that cannot be avoided (visits to facilities in connection with field audits, development etc.).

The vehicle fleet was optimised in all countries by preferring models with lower CO_2 emissions and through a policy to promote low CO_2 emission and electric vehicles. In parallel, fuel consumption monitoring was introduced to develop responsible driving behaviour, as this brings benefits for both employee safety and for the environment.

In addition, to combat greenhouse gas emissions caused by food production, the Group has introduced a food purchasing policy, continued to take measures reducing the number of deliveries by food suppliers (for example, once a week for groceries) and to encourage the use of dual-temperature trucks that can carry both frozen and fresh produce.

4.6.2.4 ADAPTING TO CLIMATE CHANGE

The ORPEA Group's facilities, wherever they are located, are equipped to cope with heat or cold fronts that could potentially endanger the health of residents and patients.

The medical department has drawn up procedures and protocols (mobilising staff, hydrating residents, adapting diets etc.) that are applied across the Group's facilities, and staff training has been organised to guarantee the safety of ongoing care and well-being of residents.

All countries comply with the national and regional regulations in force.

All facilities have signed an agreement with a nearby hospital or clinic setting out arrangements for cooperating and in particular for caring for residents who are vulnerable in the event of a heatwave.

Temperatures are checked daily in every facility; cooled rooms have been installed (and are regularly serviced) in all of the Group's facilities in France, Italy, Poland, Germany, the Czech Republic and Belgium in addition to blackout blinds for the most exposed façades; some facilities situated in the hottest areas or where there is a regulatory requirement are fully air conditioned (Spain, Portugal and Brazil). All new buildings are built in non-flood-prone areas.

Each of the Group's facilities has drafted a *Plan Bleu/Blanc*, or Crisis Management Plan, which is activated to reduce the health consequences of a risk event as soon as weather alerts are issued.

4.7 RESPONDING TO SOCIETAL CHALLENGES

4.7.1 BUILDING A SUSTAINABLE AND RESPONSIBLE PURCHASING POLICY

ORPEA also intends to extend its social, societal and environmental commitments to its dealings with its suppliers. It regards them first and foremost as partners, with whom it is vital to build a trust-based relationship and to share common values, goals and objectives.

The Group strives to forge a balanced relationship with its suppliers and subcontractors based on the observance of reciprocal commitments. ORPEA thus intends to build a shared vision with each of its partners covering its projects and priorities. The goal is to plan ahead more effectively for risks and to innovate to meet needs.

Dialogue and face-to-face meetings lie at the cornerstone of supplier relationships, but tools and systems, such as management charts, also need to be established in advance to provide traceability and track progress towards the objectives set.

Reporting and regular discussions are thus important elements of the management of supplier relationships. In addition, always keen to improve its practices for the benefit of residents and patients, the Group purchasing department regularly assesses its strategic suppliers — once a year on average, but more often if an incident occurs. Should issues be encountered with a product, a problem report form is created by the relevant facility and sent to the purchasing department. This helps to keep track of any issues arising, and remedial action can be implemented if necessary.

This policy and these guidelines prepared by the Group purchasing department are naturally adapted and applied by the Business Unit purchasing services in each of the territories where ORPEA has a presence.

ECO-FRIENDLY CRITERIA INCORPORATED IN CALLS FOR TENDER

Suppliers must be selected on the basis of objective criteria (quality, cost, fit with the Group's ethical principles etc.) through a process of open and fair competition.

Aside from purely business and financial aspects, a number of other criteria are required in the competitive tenders held by the Group and are taken into account when selecting the Group's partners:

- needless to say, the qualitative aspects: product quality is taken into account, as is the quality of follow-up and services offered (e.g., support with roll-out, training provided to the Group's teams in how a product is used, relationship tracking etc.);
- the partner's social and environmental credentials may also be taken into account.

In its national and international listings, the Group gives preference to companies with an environment charter or which are developing environmentally friendly procedures or solutions.

Fair trade is also a priority for the ORPEA Group, and so it prefers to work with suppliers and subcontractors abiding by ethical and social rules.

In 2019, the purchasing department launched a questionnaire among its suppliers to assess the level of CSR commitment of its listed suppliers in France. 60% of the suppliers surveyed responded to the CSR questionnaire developed by ORPEA. Based on its assessment grid, ORPEA believes that 76% of respondents have a satisfactory or even very satisfactory level of commitment because they have implemented a CSR approach, combined with social and environmental indicators.

Because the ORPEA Group wants to involve its partners and suppliers in its environmental strategy, it further tightened its eco-friendly purchasing policy in 2017 by adding an ORPEA Environmental responsibility charter, which now supplements the environmental criteria in its tender documentation and thus ensures that listed products are eco-friendly.

Starting in 2020, an "e-purchasing" application will centralise all calls for tender, Group contracts, listed products and suppliers, orders and deliveries for all facilities in France and abroad. This centralised system will serve the entire Group and provide accurate, harmonised monitoring of the purchasing policy (through reporting tools) in all countries where the Group operates, while ensuring it abides by its social and environmental commitments.

4.7.2 PROMOTING HEALTH EDUCATION AND PARTICIPATING IN PREVENTION POLICIES

Acting responsibly vis-à-vis society also means playing a part in promoting health, especially through prevention initiatives, by educating people about the best ways of staying healthy and leading independent lives. The aim of these information and prevention initiatives is to play a part in meeting public health challenges and to reduce social and geographical inequalities in terms of access to healthcare.

In a number of countries, the national health strategies devised by the public authorities have made prevention a top priority since it helps to reduce the factors that put health at risk, leading to vast public health expenditure (in France, for example: €20 billion for obesity, €15 billion for alcohol, and €26 billion for tobacco).

For more than 15 years now, ORPEA has been involved in local information, education and prevention initiatives in its facilities. Its aim is to help as many people as possible to look after their own health and learn to age well without loss of independent living skills. ORPEA firmly believes that these awareness-raising and prevention programmes contribute to improving the health and quality of life of patients/residents and their family and friends, and may also be of use for a large number of others.

INFORMATION AND AWARENESS-RAISING ACTIONS

All the Group's facilities arrange meetings from time to time with the local population in the form of open days, conferences and café debates. These meetings are an opportunity for the local population to obtain information and advice via practical seminars and workshops, to meet health professionals, and to share experiences with other families.

They frequently present an opportunity to forge or strengthen partnerships with local organisations or authorities. They can also help to get messages across more effectively to the local media about public health issues and the challenges of ageing.

Generally, these information days cover the following topics:

- help for carers;
- legal protections for adults;
- balance and fall prevention;
- suitable physical activity;
- food and nutrition;
- sleep;
- range of treatment for pain;
- Alzheimer's disease (in Spain, monthly meetings are even offered covering this topic for professionals, neighbours, families etc., in all ORPEA Iberica's facilities via "Alzheimer cafés").

Occasional or even seasonal topics are also offered in many countries, such as information campaigns for influenza vaccination (in France, Spain, Switzerland and Austria) or what to do if you have elderly relatives in the event of a heatwave.

In addition, the Group's facilities actively participate in raising the awareness of the local population on world or national days such as World Alzheimer's Day (in all countries), World Diabetes Day (in Austria and France), national days for carers (Switzerland, Italy), breast cancer (Italy, France), Tobacco-Free Month (France), Mental Health Information Weeks (France) or Patient Safety Week (France).

To make the benefits of these meetings last, ORPEA has published advice booklets for carers. Various themes are covered: helping a loved one with Alzheimer's, grants and subsidies, respite stays and home-care solutions, choosing a nursing home, guide for carers. "Ageing well" information sheets about sleep, balance, diet and how to maintain your memory are also made available.

4.7.3 PARTICIPATING IN THE CONSTRUCTION OF ADAPTED CARE PATHWAYS

The public authorities expect healthcare providers to cooperate closely with each other to signpost the healthcare available in any given area clearly and make it as accessible as possible. This applies equally to education, prevention, diagnostics and treatment. The increased prevalence of chronic conditions and more complex care arrangements invariably require patients to visit various types of facilities (medical, surgical, in-home hospitalisation, post-acute and rehabilitation, nursing home), while establishing a high level of coordination with ambulatory care. Today, a treatment pathway has to provide an integrated, structured and continuous care plan for patients, as close as possible to their homes (ambulatory and hospital care – medical, rehabilitation etc. – nursing care etc.).

Mindful of these challenges, the ORPEA Group's facilities in all countries establish cooperation agreements and/or work closely with hospitals, clinics, home care and in-home hospitalisation services. This dynamic approach helps to build effective relationships facilitating resident/patient admissions for medical or geriatric care check-ups, reduce hospitalisation and the use of emergency services and make it easier for patients/residents to return to their nursing home or hospital once their condition has stabilised.

Accordingly, these partnerships help to:

- provide continuity of care for patients/residents, by offering them a whole range of treatment options, with a coordinated life and treatment pathway for every stage in the long-term care process;
- build a care network that is capable of covering the full spectrum of healthcare needs of the population living in the local area.

This trend towards operating as part of a network is also essential for maintaining local relationships with the institutions and facilities recommending and sending patients/residents to the Group.

For example, the ORPEA Group's nursing homes have begun cooperating closely with in-home hospitalisation services and with mobile palliative care teams (especially in France, Germany and Switzerland). The aim is to support the provision of complex care and to reduce resident hospitalisation. Close links are also established with geriatric psychiatry units to reap the benefit of expertise in caring for behavioural disorders and psychiatric symptoms in the elderly.

In post-acute and rehabilitation hospitals, the Group's facilities have begun to formalise networks and pathways within their territory, structured by speciality and pathology. Within this framework, clinics belong to the networks in their territory according to their speciality (geriatrics, addiction treatment, oncology etc.).

In this context, the Group's clinics are committed to being partners or members of local hospital groups (whose objective is to define and implement a joint medical and care strategy at the regional level to guarantee patients a comprehensive, coordinated and local healthcare offer as part of a total care approach), as well as local healthcare professional communities (encourage healthcare professionals to organise themselves to meet the health needs of the population and cooperate in a spirit of collective responsibility). Likewise, all psychiatric hospitals participate in local mental health projects.

Finally, in view of the fact that 60% of the patients seen in the post-acute and rehabilitation hospital sector come from the hospital sector, clinics also strive to develop public-private partnerships, some of which include integrated cooperation, as is the case in the post-acute and rehabilitation hospitals in Charleville-Mézières, or psychiatry, as in the Île-de-France region with two cooperation units with the Argenteuil and Villepinte hospital centres, which make it possible to receive patients without consent under a public service delegation agreement.

CONTRIBUTING TO THE GROWING MOMENTUM OF OUTPATIENT CARE

Building on the approach of opening up and cooperating with others to a greater extent, the ORPEA Group's health facilities are well placed to benefit from the trend towards more outpatient care sought by the public authorities and over the past few years they have begun to develop outpatient and night hospitalisation services.

With the funding shortage affecting many countries and the advance in medical techniques, the public authorities have been seeking to develop alternatives to inpatient care for three reasons:

- reducing inpatient stays and switching more to outpatient and night hospitals and external consultations;
- making healthcare more efficient, which requires greater coordination between all the participants in the chain and helps to break down the barriers between ambulatory and hospital care;
- meeting demand in society to facilitate the return of patients to their socioprofessional environment or to enable them to remain in their normal living environment (patients want to lead independent lives wherever possible and get back to ordinary life as rapidly as they can).

In France, many facilities operate an outpatient hospital service, including both post-acute and rehabilitation hospitals and psychiatric hospitals. Several psychiatric hospitals also offer night hospital places and therapeutic apartments.

4.7.4 ENRICHING AND TRANSMITTING KNOWLEDGE

Being a responsible corporate citizen also requires ORPEA to pass on and share knowledge and best practices so it can help to respond to public health challenges and contribute to the improvement in care for vulnerable persons with loss of independent living skills.

RESEARCH

ORPEA initiated and pursued several research actions in 2019, the main ones being:

1. **In the field of academic research**: ORPEA supports research projects, funds doctorates and contributes to the training effort through corporate research with four doctoral theses in France:
   - the first one in the field of neuroscience concerns the development and validation of a system for measuring balance in the elderly and the prediction of the risk of falls (Armed Forces Health Department/Pierre & Marie Curie University). It will be supported in the first half of 2020;
   - the second, supervised by the Pierre & Marie Curie University and the nursing sciences research chair at Paris-13 University, is a public health thesis focusing on improving the quality of support in care homes for the elderly and their families;
   - lastly, at the initiative of the Group's psychology department the psychiatry division, two clinical psychology and psychopathological theses are currently being worked on at Paris-Descartes University — one devoted to the use of storytelling as a therapy for adolescents, and the other on the use of projection methods in the study of the relationship between narcissism and object relations in patients with Alzheimer's.

   In Italy, the Group is involved in a partnership with the University of Turin in a linguistic research programme about individuals suffering from dementia, with the aim of improving interactions with caregivers.
2. **Within the Association for the Promotion of Mental Health Care in Institutions (APSPI):** created in 2014 by ORPEA and managed by the psychology department, this association aims to promote better knowledge and improvement of therapeutic programmes for mental health care in institutions. The association conducts theoretical and clinical research and may write and publish journals, collaborate in publications, and provide training. In 2019, the association published two issues of its journal "Cliniques", which is published by Erès, and organised its annual scientific conference themed "Intimacy under the test of institutional life" (*L'intime à l'épreuve de la vie institutionnelle*), which was open to professionals from all lines of work (public, private or associations, health or nursing home entities, in France or abroad) representing a multitude of therapeutic approaches.

In addition, the Group is a partner of the Regional Federation for Research in Psychiatry and Mental Health and of four regional research and training programmes in the Île-de-France region run by medicine professors, and as such actively participates in research and teaching protocols.

TEACHING

ORPEA takes part in and designs vocational training programmes in areas related to its core business to spread the knowledge it has gained more widely. Examples include the creation and/or coordination of:

- a joint diploma from ORPEA and Beijing Union Medical College Hospital (PUMCH) for training in geriatric care, the PUMCH-ORPEA Joint Training Program in Elderly Care, which ran for the 7th time in 2019;
- two training sessions in geriatric care organised, at the request of the Moscow municipal government, for nurses and doctors from care homes for the elderly and Moscow public health authorities (July 2019);
- an induction course and educational programme leading to a university diploma in nursing home management with the University of Nice;
- a University Diploma in Geriatric Rehabilitation in conjunction with the University of Nice, now available via e-learning, in collaboration with the Faculty of Medicine of the University of Liège;
- a University Diploma in Hospital Hygiene via e-learning, in conjunction with the University of Montpellier-Nîmes;
- a University Diploma in Psychiatry Nursing, which each year trains 25 to 30 nurses in the specificities of the nursing practice in Psychiatry; under the direction of the Lille Faculty of Medicine, this diploma was created and is coordinated by the Group.

Moreover, in France, 15 hospitals are authorised to host medical interns just like teaching hospitals, such as Meyzieu, Argenteuil, Crosne and Andilly for psychiatry, Fréjus and Marseille for medicine, and Saint-Raphaël for cardiology. The Group is also a partner of the national union of medical interns.

MEDICAL AND SCIENTIFIC PUBLICATIONS

The Group hopes to intensify its publication policy; various articles were published in 2019 in international peer-reviewed scientific journals:

- Brunkert T, Ruppen W, Simon M, Zúñiga F. A theory-based hybrid II implementation intervention to improve pain management in Swiss nursing homes: A mixed-methods study protocol. *Journal of Advanced Nursing*. 2019;75(2):432-442. doi: 10.1111/jan.13817.
- Brunkert T, Simon M, Haslbeck J, Zúñiga F. Who to Talk to About my Pain? A Brief Qualitative Study on Perception of Pain and its Management in Swiss Nursing Home Residents. *Pain Management Nursing*. 2019. pii: S1524-9042(18)30432-6. doi: 10.1016/j.pmn.2019.06.003.
- Brunkert T, Simon M, Ruppen W, Zúñiga F. A contextual analysis to explore barriers and facilitators of pain management in Swiss nursing homes. *Journal of Nursing Scholarship*. 2020;52(1):14-22. doi: 10.1111/jnu.12508.
- Brunkert T, Simon M, Ruppen W, Zúñiga F. Pain management in nursing home residents: findings from a pilot effectiveness-implementation study. *Journal of the American Geriatric Society*. 2019; 67(12):2574-2580. doi: 10.1111/jgs.16148.
- Quijoux F, Vienne-Jumeau A, Bertin-Hugault F, Lefèvre M, Zawieja P, Vidal PP, Ricard R. Center of pressure characteristics from quiet standing measures to predict the risk of falling in older adults: a protocol for a systematic review and meta-analysis. *Systematic Reviews*. 8, 232 (2019) doi: 10.1186/s13643-019-1147-9.
- Zawieja P, Benattar L. Burnout des soignants en gériatrie : prévalence et déterminants dans 185 établissements français. *NPG Neurologie — Psychiatrie — Gériatrie*. 2019; 13 (113): 286-293. doi.org/10.1016/j.npg.2019.06.003.
- Van der Putten GJ. The relationship between oral health and general health in the elderly. *Nederlands Tijdschrift voor Tandheelkunde*. 2019. 126(12): 653-565.
- Visser A, van der Maarel-Wierink CD, Janssens B, Niesten D, Jerkovic-Cosic K, Duyck J, Gerritsen A, Hollaar V, Krausch-Hofmann S, van der Putten GJ, Weijenberg RAF, Listl S, Lobbezoo F, Schols JMGA, Bruers JJM. Research agenda oral care for older people in the Netherlands and Flanders (Belgium). *Nederlands Tijdschrift voor Tandheelkunde*. 126(12), 637-645.
- Ho BV, Weijenberg RAF, van der Maarel-Wierink CD, Visscher CM, van der Putten GJ, Scherder EJA, Lobbezoo F. Effectiveness of the implementation project 'Don't forget the mouth!' of community dwelling older people with dementia: a prospective longitudinal single-blind multicentre study protocol (DFTM!). *BMC Oral Health*. 2019;19(1):91. doi: 10.1186/s12903-019-0786-5.

And two others were submitted:

- Havreng-Thery C, Giner-Pérot J, Zawieja P, Bertin-Hugault F, Belmin J, Rothan-Tondeur M. Expectations and needs of families in nursing homes: an integrative review. *Medical Care Research and Review.*
- Quijoux F, Vienne-Jumeau A, Bertin-Hugault F, Zawieja P, Lefèvre M, Vidal PP, Ricard R. Center of pressure characteristics predict fall risk in older people: a systematic review with meta-analysis. *Ageing Research Reviews.*

In addition, an article appeared in a professional nursing journal:

- David M, Benattar L, Balard P. Réduction de la contention, un programme innovant. *Soins Gérontologie*. 2019; 24(136): 37-41.

SHARING EXPERIENCES WITH LOCAL ACTORS

As part of its drive to open up and to cooperate with other local healthcare providers, ORPEA also encourages the sharing of knowledge and best practices with health professionals from all lines of work for the common good.

Accordingly, the Group's facilities have regularly held seminars, conferences and symposia. In 2019, the following topics in particular were addressed: "Non-verbal communication in nursing homes, for support beyond words", "Care plan interaction between home and nursing home", "New therapeutic approaches in the treatment of depression and addictions", "Introduction to neurological care", "Multidisciplinary management of spasticity", "Resilience", "Adolescent psychoanalysis" and "Sport by prescription".

In Italy, ten conferences were open to the public on topics such as the use of medication, anxiety and depression in the elderly, early detection of cognitive disorders, introduction to Snoezelen therapy.

In addition, ORPEA Group professionals also take part in local, national and international medical and scientific conferences, with papers or poster presentations on projects and initiatives. Noteworthy presentations in 2019 included:

- the participation of the international medical department in the "Mieux vivre France/Brazil" symposium of the Brazilian Academy of Medicine and the Foundation of the French Academy of Medicine in Rio de Janeiro on 7 November 2019, within the broader framework of the support granted by the ORPEA Group to the Foundation of the Academy of Medicine;
- participation in the first France-Rio de la Plata Meeting of the Academies of Medicine, on 11 and 12 November 2019 in Montevideo, which brought together the French, Argentinian and Uruguayan Academies of Medicine;
- the participation, at the initiative of the international medical department, in the 15th Congress of the European Geriatric Medicine Society (EuGMS), in Krakow, from 25 to 27 September 2019, in the form of a stand and the presentation of 12 scientific papers on various themes;
- participation in the 39th annual Days of the French Society of Geriatrics and Gerontology, in Paris, from 25 to 27 November 2019.

In France, the Group participates in and is a partner of the main national congresses of Psychiatry and Addiction Treatment such as the Encéphale, Albatros, CFP and CPLNF.

In Austria, a second forum called OPTIMAMED was held on the topic of pain management in Vienna on 19 September with 70 participants. ORPEA participated in the Child Health Symposium in Vienna on 11 November and the Child Psychiatry Symposium in Pollau in May.

4.7.5 CONTRIBUTING TO THE MOMENTUM IN THE REGIONS

ORPEA is committed to supporting the regional economies:

- first, in terms of employment: to support its development and continuous organisational improvements, it creates sustainable jobs across its entire geographical footprint and the full range of its professional activities. What's more, these jobs cannot be transferred abroad;
- moreover, the Group is playing its part in regional development with over 20,000 beds under construction and redevelopment in Europe and in Latin America. In fact, through its own development projects, ORPEA contributes to creating new and redeveloping existing neighbourhoods;
- lastly, the Group is keen to build sustainable relationships with local businesses, for certain types of purchases, such as from bakeries, flower shops and pharmacies, providing a real boost to the local economy.

FOSTERING COMMUNITY LIFE AND BUILDING INTERGENERATIONAL TIES IN LOCAL AREAS

ORPEA believes that building tight-knit communities starts with the fight against social isolation. This is why ORPEA encourages the opening of its facilities to the outside world, in all countries where the Group is located, to make them places for meetings and discussion so that they can contribute, at their own level, to the development of social ties within their communities.

Whether it is within the framework of open door days, on the occasion of calendar holidays and other neighbourhood celebrations, a number of facilities regularly welcome neighbours, associations and residents of the community for fun, relaxation and good conversation.

More specifically, outreach programmes have been set up, including solely within facilities, to promote more vibrant communities and build closer intergenerational ties:

- in the summer, during any heatwave, the Group's nursing homes graciously welcome isolated elderly people from the town, out of solidarity between neighbours and as a preventive measure;
- over the Christmas period in France and Spain, ORPEA's nursing homes offer elderly people living on their own in the local area a festive meal with the residents. In 2019, more than 300 such outreach events were held in France.

To promote living well together, the Group's facilities take part in national events such as Blue Week in France, whose aim is to highlight the place and social role played by seniors in society. In 2019, clinics in France have also developed a project to destigmatise people with chronic mental illness. As part of this dynamic, ORPEA has also been a sponsor of the *Club House Paris* association for nearly 10 years, to help finance non-medical facilities for people suffering from chronic psychiatric illnesses to promote their social reintegration.

Generally speaking, the Group's nursing homes seek to foster intergenerational ties by forging special relationships with childcare centres, leisure facilities and nearby schools to create regular meet-ups between young and old. In Austria, several facilities have gone so far as to open up a crèche on the premises, as has one facility in Spain and three more in France.

Finally, to promote inclusion, a number of facilities are carrying out local initiatives on their territory, whether for the professional integration of young people (with partnerships with the *École de la 2e Chance* or *Protection Juridique de l'Enfance*, for example), or solidarity with the most destitute, with actions for the benefit of the *Little Brothers of the Poor*, *Resto du Cœur, the Samaritans* (Belgium) and *The friends of the Blind* (Belgium). These partnerships take the form of fundraising, clothing collections and other actions.

WORKING WITH COMMUNITY ORGANISATIONS AND SUPPORTING PROJECTS FOR THE COMMON GOOD

ORPEA plays an active role in the life of community organisations. First of all, the Group's facilities may invite local cultural or musical associations and local artists, for example, to perform and run therapeutic workshops on site. They provide indirect support for these associations.

Many facilities also provide local associations with meeting rooms that enable them to organise self-help groups, information meetings and time for exchanges with their beneficiaries.

In addition, the facilities and subsidiaries of the ORPEA Group undertake numerous charitable initiatives for the benefit of local organisations to help play a role in community life in a positive way. As a result, numerous sponsorship actions and collections of donations are undertaken in all countries to help to support the local association fabric, mainly to promote health, disability and medical research:

- **against neurodegenerative diseases and dementia:** for example, in France and Belgium, where the Group's nursing homes support the local branches of national Alzheimer's associations through various events (open houses, conferences etc.);
- **against cancer:** in France in support of the *Imagine for Margo* association, for which the Group's facilities collected nearly €150,000 in 2019 to help finance new treatments for paediatric cancers, but also in support of the French League against Cancer , during the "Pink October" operation, or through the participation of staff in local solidarity sports events, as in Italy with the "Life is Pink" association. Italy also made a donation to the Piedmont Foundation for Cancer Research. Also in Italy, a partnership exists with the Italian Association against Leukaemia, Lymphoma and Myeloma;
- **against disability and neurological disease,** through various operations to collect donations or sponsorships. To that end, in France, ORPEA is a committed actor in promotion of the *AFM Telethon*, *ELA*, which helps and supports families affected by leukodystrophy, while others work for the benefit of *Chiens Guides d'Aveugles*. In Austria, the Group supports the Diabetics Association, the Austrian Diabetics Society and the local Wildbad association for children with heart conditions.

CREATION OF THE ORPEA FOUNDATION IN 2019[1]

To structure its sponsorship policy around long-term projects and offer a real contribution to the beneficiaries of the actions implemented, the ORPEA Group created a Corporate Foundation in 2019. The ORPEA Foundation supports initiatives or projects carried out by general interest entities through cash and/or skills sponsorship. For its initial mandate, the ORPEA Foundation will carry out actions in France.

In 2019, the Foundation's main areas of action were defined following a consultation of all employees in France. As a result, the ORPEA Foundation's purpose will be to **transmit and create ties** through:

- **Education:** prevent dropping out of school and promote the professional integration of young people;
- **Health:** promote access to care, especially for the youngest, and support beyond care.

The Foundation operates through two types of approaches, via national strategic partnerships and via support for projects sponsored by employees identified through the organisation of two in-house calls for projects.

At year-end 2019, the ORPEA Foundation established two strategic partnerships with two associations: C'Possible and Rêv'Elles, who work for the professional integration of young people. In addition, the first in-house call for projects was launched on 18 November 2019 and 60 projects were submitted by employees.

The Board of Directors of the ORPEA Foundation is made up of representatives of the ORPEA Group, its founder, employees and qualified individuals from outside the Group. The Foundation has also set up a selection committee made up of 35 employee representatives from ORPEA's core businesses.

4.8 ASSESSING CSR PERFORMANCE

For several years, the Group has been committed to transparency by regularly responding to questionnaires from non-financial rating agencies. Year after year, the ORPEA Group consolidates its overall CSR performance as assessed by the main rating agencies. For 2019:

FTSE Russell

ORPEA's rating was 3.3/5.

Gaia Rating

At 76/100, ORPEA's rating is up 10 points over last year.

ISS-Oekom

ORPEA has Premium status, meaning that ORPEA meets the sector's Sustainable Development requirements. (Rating: C since 2015).

MSCI (Morgan Stanley Capital International)

ORPEA has had an "A" rating since April 2017.

Sustainalytics

The level of risk was rated at 25.6 (Medium Risk) on a scale from 0 to 40 and above, unchanged from 2018.

All non-financial ratings mentioned above give the Group a favourable positioning in relation to its sector:

Agencies	ORPEA	Sector
FTSE Russell	3.3	2.5
Gaia	76	54
ISS-Oekom	C	Note < C: 70% of the sector
MSCI	A	Note < A: 62% of the sector
Sustainalytics	25.6	ORPEA rated 190/468

(1) *https://fondation-orpea.fr*

Thanks to the recognition of this level of performance, the Group is included in the main non-financial indices that include issuers with the most advanced environmental, social and governance (ESG) practices:

- FTSE4Good, created by FTSE Russell;
- The major indices **STOXX**® (STOXX France 90 ESG-X, EURO STOXX® ESG-X, EURO STOXX® Mid ESG-X etc.) ;
- the indices managed by MSCI, in particular the EUROPE ESG UNIVERSAL SMALL CAP index.

In addition, ORPEA strives to respond throughout the year to requests from ESG investors and analysts. To that end, the Group offers them visits to its facilities in the presence, if possible, of its quality and medical staff.

ORPEA also takes part in ESG investor meetings as part of the conferences organised by brokers, as well as in round tables or theme days dealing with non-financial topics such as "Ageing better with Digital" (Bryan Garnier) or "Innovations and Silver Economy" (Kepler Cheuvreux).

4.9 METHODOLOGY USED FOR DATA REPORTING

SCOPE OF CONSOLIDATION

Unless otherwise stated (see section below):

- the data is consolidated by Cluster based on the same Clusters as are used for financial reporting:
  - France Benelux: France, Belgium and the Netherlands,
  - Central Europe: Germany, Italy and Switzerland,
  - Eastern Europe: Austria, the Czech Republic and Poland,
  - Iberian Peninsula: Spain and Portugal,
  - Rest of the World: China;
- employee data is consolidated for all fully consolidated entities (before 1 July of the relevant year) regardless of their activity;
- the environmental scope covers 93% of facilities. The environmental impact of the administrative headquarters is not included in the scope of consolidation except for the Group's main headquarters in Puteaux (France);
- unless otherwise stated, social data is consolidated for all the Group's entities.

REPORTING GUIDELINES

To ensure the indicators used in all its entities are consistent and reliable, the Group uses common social, environmental and societal reporting guidelines.

These documents specify the methodologies to be followed for reporting the various indicators across the Group (definition, method of calculation and unit of calculation).

In order to ensure that the social and environmental indicators used in various countries are properly understood, the Corporate human resources and maintenance/safety departments are in charge of sending all the requisite information to their country correspondents.

METHODOLOGICAL DETAILS AND LIMITATIONS

The methods relating to certain social and/or environmental indicators may have limitations owing largely to the absence of internationally accepted definitions of the various different types of employment contracts or the practical means by which information is collected and entered.

Accordingly, the methodologies used for certain indicators or, failing that, the related margins of uncertainty are specified, wherever possible.

SOCIAL INDICATORS

Social reporting is produced by the payroll and human resources departments' dedicated systems. Data is collected mainly via the payroll software used in each country.

Data is recorded by each facility before being reported to the country headquarters and then to the ORPEA Group's administrative headquarters. After being compiled by the human resources department at Corporate, the data is consolidated and processed in accordance with procedures and criteria set in advance.

WORKFORCE

- The workforce is calculated for all countries on the basis of the total workforce on the payroll at 31 December of the relevant year.
- A person with several contracts in X facilities will be counted X times.
- With the exception of Poland, for which "umowa cywilnoprawna" are included, which is the equivalent of "civil contracts", given the large proportion of this type of contract.
- Interns, apprentices and those on other professional training courses are included in the workforce when they are listed on the payroll.

AGE

- The age of each person is calculated at 31 December of the relevant year.

TYPE OF CONTRACT

- Contracts for which no end date is defined in advance are considered to be open-ended.
- Fixed-term contracts are contracts for which an end date is defined or indefinite when the employment contract is signed.
- The local definition of permanent contract is used, i.e. including for example the concept of work on demand fixed-term contracts (Switzerland) and excluding the concept of undefined-term replacement contract (Belgium).
- With regard to China, with the exception of headquarters contracts, all contracts are long-term fixed-term contracts in accordance with local labour law.

WORKING HOURS

- For all countries, employees whose contractual working hours are equivalent to the statutory working hours applicable are considered full-time (the number of contractual hours is counted).
- Statutory working hours obviously differ from one country to another and sometimes from one region or one function to another.
- Specific conditions for the SENEVITA (Switzerland) entity: "on-demand open-ended contracts" are considered to be part-time.

RECRUITMENTS

- Open-ended contracts signed between 1 January and 31 December, including (except for the Netherlands) open-ended contracts signed following a fixed-term contract are taken into account.
- This method includes all new hires who sign a permanent contract during that period even though they may already have left during that period for whatever reason, such as end of probationary period, resignation, dismissal etc.

TURNOVER RATE

- The formula used for the turnover rate is as follows:

  average of new hires and departures on open-ended contracts (excluding Death and Retirement)/Number of employees on open-ended contracts at 1 January of the relevant year.
- The rate is thus calculated for each facility in each country and then, to attain the most representative rate possible, the weighted median of those rates is calculated.
- In the case of full consolidation, a headcount-weighted average is calculated.

ABSENCES AND ABSENTEEISM RATE

- Absences (in hours or in days) counted solely reflect occupational illness and workplace accidents (whether or not the employee continues to receive pay).
- Specific conditions for the SENEVITA (Switzerland) entity: SPITEX does not report hours of absence due to the nature of the employees' contracts (on-demand open-ended).
- To calculate the absenteeism rate, the days of absence are converted into hours using the following method:
  - number of calendar days of listed absence/7 (days per week) x 5 (day weeks) x local statutory number of daily work hours on a full-time basis (i.e. x 8 when the work week is 40 hours);
  - number of work days of listed absence x local statutory number of daily work hours on a full-time basis (i.e. x 8 when the work week is 40 hours).
- The formula used for the absenteeism rate is as follows:

  number of hours of absence for occupational illness or workplace accident/number of paid hours (or number of hours worked where the number of paid hours could not be obtained from the payroll software).
- The rate is thus calculated for each facility in each country and then, to maintain the turnover rate methodology, the median of those rates is used.
- In the case of consolidation by financial block or full consolidation, a headcount-weighted average is calculated.

REMUNERATION

This figure reflects the total amount of gross fixed and bonus remuneration charged (i.e., including employee and employer social security contributions) and includes all types of benefits.

Local currency figures were converted into euros at the exchange rates applicable on 13 February 2020 as follows:

China:	7.570770
Poland:	4.253800
Czech Republic:	24.868200
Switzerland:	1.061320

TRAINING

- The overall figure listed reflects the number of hours of training provided to employees during the relevant year, including mini-training sessions. Training sessions given that are held but not formalised (attendance record, counting) are not taken into account. When the data is provided in days, it is converted into hours using the same formula as for absenteeism.
- In France, "open" training hours provided after 31 December are also counted when they involve:
  - training leading to a recognised qualification;
  - training that began during the current year.
- The formula adopted then incorporates the average number of hours per employee trained, excluding mini-training sessions listed as such and, by analogy, excluding training for an hour or less. In addition, only sessions are counted, i.e. an employee who received three training sessions in the year is counted three times.

WORKPLACE ACCIDENTS

Frequency and severity rates were calculated for the international BUs using the following definitions:

Frequency rate: Number of workplace accidents (+ commuting accidents) leading to at least 1 day of lost time/number of hours paid* 1,000,000

- a workplace accident is defined as any accident generating a case number (internal) or insurance claim (external) reported between 1 January and 31 December leading to at least 1 day of lost-time;
- the number of hours is the number of hours paid across the entire scope from 1 January to 31 December.

Severity rate: Number of days lost/Number of hours paid* 1,000

- the number of days lost is the number stated on the accident report (in calendar days);
- in France, the formula used is still the same as in previous years — based on hours worked and not hours paid.

ENVIRONMENTAL INDICATORS

Environmental indicators are either calculated on an annual basis (for example CO_2 emissions) or reported monthly (for example water consumption).

As with social indicators, data entries are made by each facility before being reported to the country headquarters and then consolidated by the ORPEA Group headquarters.

HEATING, ELECTRICITY AND WATER CONSUMPTION AND MANAGEMENT

The sites below have been excluded from the scope of reporting in the absence of data concerning water and/or energy consumption (acquisition or delivery during the year, grouping of several meters at the same site, closure of a facility etc.).

- Belgium

  Dilbeek – Wivina/D'arconati/Gooik – Kesterberg/Brugge – Ventoux/Hulshout/Flandre – Aldea/Mont-Saint-Roch.
- France

  Clinique l'Ermitage/Clinique du Mont Valérien/Petite Unité de Vie La Roselière/Résidence Les Jardins de Charlotte/Résidence Chaillot/Résidence Saint Martial/Clinique du pays d'Oc/Clinique Le Clos du Roy/Résidence Klarène/CRF CLINEA Livry/Clinique Castelviel/Clinique de la Pointe/Résidence du Lac/Unité Méditerranéenne de Nutrition/Clinique Marcel Pagnol/Résidence Rognac.
- Poland

  Warsaw, Kijowska/Mazowia/Warsawa, KEN.
- Austria

  Krems/Langenfeld/Schwarz/Frauenkirchen Dialyse.
- Germany

  Inoges Holding GmbH, Krefeld/Inoges IV GmbH, Krefeld/Reha Gelsenkirchen/TheraNet Homberg/Reha Idar- Oberstein/TheraNet Recklinghausen/TheraNet Westfalen, Münster/TheraNet Westfalen, Ahlen/Reha Bayern, München/Reha Bayern, Heidelberg/TheraNet NRW, Telgte/TheraNet NRW, Lüdinghausen/TheraNet NRW, Beckum/TheraNet NRW, Greven/TheraNet NRW, Telgte II/RZ Hofhein, Taunus, Hofheim/RZ Hofhein, Taunus, Mainz/Reha Bensberg, Bensberg/Reha Rheinland, Meerbusch/Reha Rheinland, Kamp-Lintford/Reha Rheinland, Xanten/Reha Kleve, Kleve/TheraNet Duisburg, Huckingen/Reha Düsseldorf, Düsseldorf/Reha Krefeld, Westparkstrasse/Reha Krefeld, Ostwall/Reha Krefeld, Alexianer KR/Reha Krefeld, Alexianer Tönisvorst/Reha Krefeld, Königshof/Salvea Hüls/Kuwo Kleve/Prävention und Fitness IO/Karlsruhe-Grötzingen/Norden – Medicenter/Neustadt/Dortmund – Wickede/Dortmund – Josefa/Ötigheim/Neustadt a. Rbge.- Leinebogen/Stuhr – Am Deichflus/Krefeld – Bismarckvi/Bremen/Ortenau.

Assisted living facilities with as many meters as flats are excluded from the reporting (management is the responsibility of the tenants).

CO_2 EMISSIONS FROM ENERGY CONSUMPTION IN 2019

Annual energy consumption was calculated in kWh in all countries. The coefficients used for the calculations come from the ADEME.

For electricity consumption, the following conversion factors were applied for all countries:

- Switzerland: 0.0273 kg CO_2/kWh;
- France: 0.0571 kg CO_2/kWh;
- Belgium: 0.220 kg CO_2/kWh;
- Spain: 0.238 kg CO_2/kWh;
- Italy: 0.406kg CO_2/kWh;
- Germany: 0.461 kg CO_2/kWh;
- China: 0.766 kg CO_2/kWh;
- Poland: 0.781 kg CO_2/kWh;
- Czech Republic: 0.589 kg CO_2/kWh;
- Austria: 0.188 kg CO_2/kWh;
- Portugal: 0.255 kg CO_2/kWh;
- The Netherlands: 0.415 kg CO_2/kWh.

For heating:

- for fuel oil, a conversion factor of 0.324 kg CO_2/kWh was applied for all subsidiaries;
- for natural gas, a conversion factor of 0.214 kg CO_2/kWh was applied for all subsidiaries;
- for propane gas, a conversion factor of 0.257 kg CO_2/kWh was applied for all subsidiaries;
- for timber, a conversion factor of 0.0295 kg CO_2/kWh was applied for all subsidiaries;
- for district heating, the electricity conversion factor specific to each country was applied.

MEDICAL WASTE MANAGEMENT

In 2019, only data for France and Belgium was consolidated.

In France, tonnes of PIMW are calculated on the basis of invoices received from the sole service provider that processes the waste (for 327 facilities). For the few facilities that use a different service provider (20 facilities or 6% of the total number of facilities in France that report waste data), the number of tonnes has been estimated based on the average number of tonnes of PIMW per facility type (nursing home, post-acute and rehabilitation hospital, psychiatric hospital).

CONSOLIDATION AND INTERNAL CONTROLS

All the data submitted by the various countries is consolidated by the Corporate human resources and maintenance/security departments.

Consistency checks are also carried out during consolidation, and all figures are then checked by the Group management control department.

These controls include comparing data from the previous reporting period, and variances deemed material are analysed in detail.

EXTERNAL CONTROLS

Pursuant to the legislative and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code, ORPEA has appointed one of its Statutory Auditors as the independent verifier responsible for verifying the fair presentation of the qualitative and quantitative environmental, social and societal information published.

A report on the compliance of the independent verifier's statement of non-financial performance attached in Section 10 details the work carried out by the independent verifier and their comments and conclusions.

4.10 REPORT OF ONE OF THE STATUTORY AUDITORS APPOINTED AS AN INDEPENDENT VERIFIER ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE

Year ended 31 December 2019

To the Shareholders,

In our capacity as Statutory Auditors of ORPEA *designated as an independent verifier, accredited* by COFRAC under number 3-1048 (scope of accreditation available on the www.cofrac.fr website), we hereby report to you on the consolidated statement of non-financial performance for the year ended 31 December 2019 (hereinafter the "Statement"), presented in the management report pursuant to the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for the preparation of a Statement in line with the legal and regulatory provisions, incorporating a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies to address those risks and the results obtained from the policies, including key performance indicators. The Statement was prepared by applying the Company's procedures (hereinafter the "Guidelines"), the material aspects of which are presented in the Statement and are available upon request from the Company's registered office.

INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the requirements of Article L. 822-11-3 of the French Commercial Code and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS INDEPENDENT VERIFIER

Our responsibility is, on the basis of our work, to express a limited assurance conclusion as to:

- the compliance of the Statement with the provisions laid down in Article R. 225-105 of the French Commercial Code;
- the fair presentation of the information provided in accordance with Article R. 225-105 I, 3° and II of the French Commercial Code, that is on the results of the policies, including key performance indicators, and actions taken with respect to the principal risks, hereinafter the "Information".

However, it is not our responsibility to express an opinion on the entity's compliance with other applicable laws and regulations, in particular with regard to due diligence, anti-corruption and tax matters, or on the compliance of products and services with applicable regulations.

NATURE AND SCOPE OF THE WORK

We conducted our work as described below in accordance with the provisions of Articles A. 2251 *et seq.* of the French Commercial Code on the conditions under which the independent verifier performs its engagement and with the professional standards of the French national auditing institute (*Compagnie nationale des Commissaires aux comptes*) as regards such engagement, and in accordance with international standard ISAE 3000 *(Assurance engagements other than audits or reviews of historical financial information)*.

We performed work to assess the conformity of the Statement with the regulatory provisions and the fair presentation of the Information:

- We have reviewed all companies included in the scope of consolidation and the presentation of the main risks.
- We assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, impartiality and clarity, taking into consideration, where relevant, industry best practice.
- We verified that the Statement covers each information category provided for in Article L. 225-102-1 III with regard to social and environmental responsibility and with regard to respect for human rights and the fight against corruption and tax evasion.
- We verified that the Statement presents the information required under Article R. 225-105 II when it is relevant with regard to the main risks and includes, where applicable, an explanation of the reasons for the absence of the information required under Article L. 225-102-1 III, paragraph 2.
- We verified that the Statement presents the business model and a description of the principal risks related to the business activities of all entities included in the scope of consolidation, including where appropriate and proportionate, the risk factors arising from its business relationships, its products and its services, as well as policies, measures and results, including key performance indicators.
- We consulted documentary sources and conducted interviews to:
  - assess the process for selecting and validating the main risks as well as the consistency of the results, including the key performance indicators selected, with respect to the main risks and policies presented; and
  - corroborate the qualitative information (actions and results) that we considered the most important[1] — for those relating to certain risks (corruption, social dialogue etc.), our work was carried out at the level of the consolidating entity, for the others, at the level of the consolidating entity and in a selection of entities.
- We verified that the Statement encompasses the whole consolidated scope, that is all the businesses included in the scope of consolidation pursuant to Article L. 233-16, with the restrictions stipulated in the Statement.
- We reviewed the internal control and risk management procedures implemented by the entity and have assessed the collection process implemented by the entity to ensure the completeness and fairness of the Information.
- For the key performance indicators and other quantitative results[2], which we considered to be the most important, we implemented:
  - analytical procedures to verify that the data compiled was consolidated correctly and that the changes are coherent;
  - detailed testing based on sampling, which consisted in verifying the calculations made and reconciling the data with the supporting documents. These procedures were conducted on a selection of contributory entities[3] and encompass between 5% and 25% of the consolidated data for the key performance indicators and results selected for these tests.
- We assessed the overall consistency and coherence of the Statement based on our knowledge of the Company.

We believe that the work we performed by exercising our professional judgement allows us to express a limited assurance conclusion; a higher level of assurance would have required a more extensive review.

RESOURCES

Five people worked on this assignment between March and April 2020.

To assist us in conducting our work, we referred to sustainable development and societal responsibility specialists in our firm. We conducted ten interviews with the persons responsible for preparing the Statement.

(1) Selected qualitative information: maintaining a quality social dialogue with the social partners, the Group's general environmental policy, the Group's ethical principles and code of conduct.

(2) Quantitative information: headcount, % open-ended and fixed-term contracts, % men and women, % full-time and part-time, staff hires on permanent contracts, turnover rate, remuneration, absenteeism rate, changes in workplace accidents (frequency and severity), number of hours of training, Group water consumption, Group electricity and heating consumption, CO_2 emissions in relation to energy consumption in 2019, production of potentially infectious medical waste (PIMW) for France.

(3) Senevita, ORPEA Italy.

CONCLUSION

Based on our work, we have not identified any material misstatements that call into question the fact that the Statement of non-financial performance meets the regulatory provisions applicable and that the CSR Information, taken together, is presented fairly, in accordance with the Guidelines.

Based on our work, with the exception of the aforementioned information, we have not identified any material misstatements that call into question the fact that the Statement meets the regulatory provisions applicable and that the CSR Information, taken together, is presented fairly, in accordance with the Guidelines.

COMMENTS

Without calling into question the conclusion expressed above and in accordance with Article A. 225-3 of the French Commercial Code, we make the following comment:

As mentioned in the methodological note of the Statement of non-financial performance, the scope of reporting for medical waste is limited for financial year 2019 to France and Belgium.

Paris-La Défense, 24 April 2020

One of the Statutory Auditors,

Deloitte & Associés

Jean-Marie Le Guiner

Partner, Audit


5
CORPORATE GOVERNANCE REPORT

"Dear Shareholders,

Pursuant to Article L. 225-37 of the French Commercial Code, the Board of Directors presents to the Annual General Meeting a corporate governance report alongside the management report.

This report contains the information provided for in Article L. 225-37-2 et seq. of the French Commercial Code.

The Company has also implemented AMF recommendation No. 2012-02 on corporate governance and the remuneration of company executives, pursuant to the AFEP-MEDEF Code. "

This report was approved by the Board of Directors at its meeting on 4 May 2020.

ORPEA makes reference to the AFEP-MEDEF corporate governance code for listed companies, as revised in June 2018 (hereinafter the **"AFEP-MEDEF Code"**). The Board of Directors shall meet during the 2020 financial year to review any necessary changes required within the company following the update of the AFEP-MEDEF Code in January 2020.

The Board of Directors and its Committees are governed by Internal Rules of Procedure (hereinafter the **"Internal Rules of Procedure"**), which were updated most recently on 26 March 2019. These Internal Rules of Procedure can be consulted on the Company's website (www.orpea-corp.com).

ORPEA believes that its practices comply with the recommendations of the AFEP-MEDEF Code, except where the contrary is expressly stated in the table in Appendix 1 to this report in accordance with the "Comply or Explain" rule provided for in Article L. 225-37-4 of the French Commercial Code and recommendation 27.1 of the AFEP-MEDEF Code. The table presents the reasons why said recommendations were not implemented.

5.1 COMPOSITION AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

Article 15 of ORPEA's Articles of Association defines and sets out the conditions for the composition and operating procedures of the Board of Directors.

The following tables present the principal key indicators applicable to the Board of Directors and the individual attendance rates for directors at Board meetings.

Principal key indicators	FY 2019	FY 2018
Number of meetings of the Board of Directors	6	8
Attendance rate at meetings of the Board of Directors(1)(2)	95.38%	96.59%
Number of directors(1)(2)	11	11
Proportion of independent directors(3)	90.00%	90.00%
Proportion of women on the Board of Directors(4)	40.00%	40.00%
Number of nationalities represented on the Board of Directors	4	4
Average length of service of directors(5)	4.6 years	3.8 years
Average age of directors(4)	55.1	54.8

(1) Composition of the Board of Directors at 31 December of the relevant financial year.
(2) The director representing employees was included in the calculations.
(3) This percentage was calculated using the composition of the Board of Directors at 31 December of the relevant financial year and, in accordance with recommendation No. 8.3 of the AFEP-MEDEF Code, this percentage does not include the director representing employees.
(4) This percentage was calculated using the Board's composition at 31 December of the relevant financial year, and pursuant to the provisions of the law dated 27 January 2011 on the balanced representation of men and women, but it does not include the director representing employees.
(5) The director representing employees was not included in the calculations.

Directors' individual attendance rates	FY 2019	FY 2018
Philippe Charrier	100%	100%
Yves Le Masne	100%	100%
Laure Baume(1)	50%	100%
Xavier Coirbay	100%	100%
Bernadette Danet-Chevallier	100%	75%
FFP Invest (represented by Thierry de Poncheville)	100%	100%
Jean-Patrick Fortlacroix	100%	87.50%
Christian Hensley(2)	100%	100%
Moritz Krautkrämer(2)	100%	N/A
Brigitte Lantz	100%	100%
Joy Verlé	100%	100%
Sophie Kalaidjian	100%	100%

(1) Laure Baume attended three out of six meetings, having made professional commitments to be elsewhere prior to the determination of the schedule of meetings.
(2) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.

5.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

DIVERSITY, EQUALITY AND COMPLEMENTARY NATURE OF DIRECTORS' SKILLS AND EXPERTISE

Pursuant to Article L. 225-37-4 of the French Commercial Code, this section outlines the diversity policy applicable to members of the Board of Directors (based on criteria such as age, gender, qualifications and professional experience), its objectives, the arrangements for its implementation and the results achieved over the previous financial year.

ORPEA's goal is for the composition of its Board of Directors to mirror its profile as a global leader in long-term care, generating around half its revenue outside France as a result of its sustained growth momentum, its real-estate portfolio worth over €6 billion, its major emphasis on the quality of the services it provides (both care- and accommodation-related) and its employees' working conditions.

All Company directors must have a shared skills and expertise base, namely the ability to comprehend ORPEA's business lines and demonstrate an interest in this sector; the ability to listen, contribute to discussions, put forward and express their opinions; availability to attend meetings of the Board of Directors and its Committees and contribute to preparatory work; and proficiency in English.

Moreover, as well as an international outlook, the Board of Directors requires its members to possess (i) functional experience in finance, business development and/or management/human resources, medicine, and (ii) industry experience in the hospitality, real-estate or healthcare sectors.

In addition, experience in governance, CSR and digitalisation/marketing/communication is also sought after in potential Board members.

Lastly, the Board of Directors wishes at least one director to be a senior executive or have had C-suite experience so that they are able to act as a "sparring partner" for the Chief Executive Officer.

At the date of this report, as outlined in greater detail below, all of these skills and areas of expertise were covered by the composition of the Board of Directors:

Objectives	Results obtained during the 2019 financial year(1)
Internationalisation	30%
Professional experience outside France	80%
Experience in Finance	60%
Experience in Business Development	40%
Experience in Management	20%
Experience in Medicine	20%
Experience in Hospitality	30%
Experience in Real Estate	20%
Experience in Healthcare	60%
Experience in Governance	20%
Experience in CSR	20%
Experience in Digitisation/Marketing/Communication	30%

(1) The director representing employees was not included in the calculations shown below.

As well as reaping the benefits of having a varied range of complementary experience, the Board of Directors seeks to ensure that its composition is diverse from an age and gender perspective. The average age of the directors is 55.1, and none of the directors are aged over 70. In addition, 40% of the members of the Board of Directors are women (45.45% including the director representing employees).

Looking ahead, it would be preferable, when new directors are appointed or existing directors reappointed, for the mix of skills listed above to be maintained, as these are considered to be essential at this stage in the Group's development, while increasing the Board's international outlook and appointing a director with experience in the operational management of a major high-growth international business.

Finally, the Board of Directors ensures that executive officers continue to enhance the policy of non-discrimination and diversity, both generally and in the 10% of roles with the greatest level of responsibility.

This gender balance is evident across all the management bodies, with women accounting for 25% of our Executive Committee members and holding 65% of management positions.

INFORMATION REGARDING THE IDENTITY OF DIRECTORS

The Company's Articles of Association stipulate that the Board of Directors should have at least 3 and no more than 18 members, subject to the exceptions provided for in law. The directors may be individuals or legal entities.

The directors are appointed by the Ordinary Annual General Meeting, on the recommendation of the Board of Directors, after consulting the opinion of the Appointments and Remuneration Committee. They may be removed from office at any time by a vote of the Annual General Meeting.

Pursuant to the AFEP-MEDEF Code, directors serve for a term of four years, after which they may be reappointed (except for the director representing employees, who has a term of office of three years). To prevent all the terms of office from expiring at the same time, directors' appointments are staggered. This helps to ensure that the reappointment of directors is a smooth process.

An employee representative attends meetings of the Board of Directors in an advisory capacity.

At 31 December 2019, the Board of Directors had 11 members, including 1 director representing employees.

The following table summarises the personal details and professional experience of the directors in office at the date of this report, together with information regarding their term of office as a director of the Company.

		Personal details			Experience	
Name	**Office**	**Age[1]**	**Gender**	**Nationality**	**International experience**	**Functional experience**
Philippe Charrier	Director (and Chairman of the Board of Directors)	65	M	French	Africa, Asia, Europe, Middle East, North America, South America	Executive management, Finance, Governance, Marketing, Medical services
Yves Le Masne	Director (and Chief Executive Officer)	57	M	French	Europe	Development, Finance, Management
Laure Baume	Director	44	F	French	Africa, Europe, United States	Communication, CSR, Digital, Marketing
Xavier Coirbay[2]	Director	54	M	Belgian	Asia, United States, Western Europe	Development, Finance
Bernadette Danet-Chevallier	Director	61	F	French	Asia, Europe, United States	Executive management, Human resources, Management, Marketing, Sales
FFP Invest (represented by Thierry de Poncheville)	Director	64	M	French	Europe, United States	CSR, Governance, Legal
Jean-Patrick Fortlacroix	Director	62	M	French		Finance
Moritz Krautkrämer[3][4]	Director	38	M	German	Europe, North America	Development, Finance
Brigitte Lantz	Director	66	F	French		Medical services
Joy Verlé[3]	Director	40	F	Dual French/ British national	Europe, Latin America, United Kingdom	Development, Finance
Sophie Kalaidjian	Director representing employees	42	F	French		Legal

(1) Age of directors at 31 December 2019.
(2) Director proposed by Sofina Group.
(3) Directors proposed by CPPIB.
(4) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.
(5) AGM called to approve the financial statements for the previous financial year.

The diverse background and complementary international, functional and industry skills and knowledge of the directors, the balanced representation of men and women, and the representation of several nationalities on the Board of Directors enrich its discussions and contribute to its strategic vision.

Short biographies of the members of the Board of Directors at the date of this report, including details of their career, terms of office and positions they hold or have held outside the Company over the past five years, together with the number of shares they own, are presented in Appendix 2 of this report.

Experience	Position on the Board of Directors					
Industry experience	Number of offices held in listed companies	Independence	Expiry of term of office	Date of first appointment	Length of service on the Board of Directors	Member of Board Committees
Construction materials, Consumer goods, Healthcare, Pharmaceuticals, Retail	2	Yes	2023 AGM(5)	28 March 2017	2 years	
Healthcare, Real Estate	1	No	2023 AGM(5)	29 June 2006	13 years	
Airports, Food processing, Hospitality, Spirits, Tourism	1	Yes	2020 AGM(5)	14 December 2016	3 years	Audit Committee (member)
Alternative funds, Investment companies	1	Yes	2021 AGM(5)	22 June 2017	2 years	Appointments and Remuneration Committee (member)
Cruises, Hospitality, Tourism	1	Yes	2021 AGM(5)	16 September 2014	5 years	Appointments and Remuneration Committee (member)
Automotive, Healthcare, Household appliances, Investment companies, Real Estate, Transportation	1	Yes	2023 AGM(5)	15 February 2012	7 years	Audit Committee (member) Appointments and Remuneration Committee (Chairman)
Healthcare, Real Estate	1	Yes	2022 AGM(5)	30 June 2011	8 years	Audit Committee (Chairman)
Business services, Healthcare, Hospitality, Insurance, Media and technologies, Telecommunications	1	Yes	2020 AGM(5)	26 March 2019	1 year	
Healthcare	1	Yes	2020 AGM(5)	14 December 2016	3 years	
Business services, Education, Healthcare, Renewable energies	2	Yes	2023 AGM(5)	27 April 2017	2 years	Audit Committee (member) Appointments and Remuneration Committee (member)
Healthcare	1	No	2021 AGM(5)	15 January 2015	4 years	Appointments and Remuneration Committee (member)

Changes in the composition of the Board of Directors since 1 January 2019

At its meeting of 26 March 2019, the Board of Directors co-opted Moritz Krautkrämer as a director to replace Christian Hensley for the remainder of the latter's term of office, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ended 31 December 2019. The ratification of this co-option was approved by the Annual General Meeting held on 27 June 2019.

At the Annual General Meeting on 27 June 2019, shareholders also reappointed Philippe Charrier, Yves Le Masne, FFP Invest and Joy Verlé as directors for a term of four years, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2022.

Independence of directors

The Company believes that having independent directors on its Board of Directors improves the quality and objectivity of discussions. It considers that a Board member is independent if they have no relationship of any kind with the Company, its Group or its management liable to compromise their independence of judgement.

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board of Directors performs an annual review, following discussions held by the Appointments and Remuneration Committee, of whether each of its members qualifies as independent. It also reviews the status of any new directors following their appointment. In this review, the Board applies the criteria for independence set out in Article 8 of the AFEP-MEDEF Code and presented in the table below.

On 17 March 2020, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, reviewed the status of directors who are not employees with regard to the criteria for independence set out in recommendation 8.5 of the AFEP-MEDEF Code.

Pursuant to recommendation 8.7 of the AFEP-MEDEF Code, the Board paid particular attention to the status of Moritz Krautkrämer and Joy Verlé, directors whose appointment was proposed by CPPIB, ORPEA's largest shareholder with 14.51% of its share capital and 22.43% of its voting rights at 31 December 2019. The Board came to the opinion that these directors qualify as independent in the light of (i) the criteria for independence stated above, which they both meet, (ii) ORPEA's shareholding structure, (iii) the absence of any potential conflicts of interest between these directors and ORPEA, and (iv) the immaterial nature of the ORPEA shareholding in the asset portfolio managed by CPPIB.

The table below provides an overview of the status of each director.

	Criterion 1: employee or executive officer during the previous 5 years	Criterion 2: appointments at related companies	Criterion 3: material business relationships	Criterion 4: family relationship	Criterion 5: statutory auditor	Criterion 6: term of office of over 12 years	Criterion 7: non-executive officer	Criterion 8: major shareholder	Definition assigned by the Board of Directors
Philippe Charrier	√	√	√	√	√	√	√	√	Independent
Yves Le Masne	x	x	√	√	√	x	x	√	Non-independent
Laure Baume	√	√	√	√	√	√	√	√	Independent
Xavier Coirbay	√	√	√	√	√	√	√	√	Independent
Bernadette Danet-Chevallier	√	√	√	√	√	√	√	√	Independent
FFP Invest (represented by Thierry de Poncheville)	√	√	√	√	√	√	√	√	Independent
Jean-Patrick Fortlacroix	√	√	√	√	√	√	√	√	Independent
Moritz Krautkrämer(1)	√	√	√	√	√	√	√	√	Independent
Brigitte Lantz	√	√	√	√	√	√	√	√	Independent
Joy Verlé	√	√	√	√	√	√	√	√	Independent

(1) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.

The proportion of independent directors stood at 90% at 31 December 2019 and, at the date of this report, recommendation 8.3 of the AFEP-MEDEF Code – which stipulates that the proportion of independent directors should be at least half in non-controlled companies – is thus satisfied.

Conflicts of interest and declarations concerning corporate officers

Absence of any family relationship between the corporate officers

To the best of the Company's knowledge, there are no family relationships between any directors of the Company.

Absence of conflicts of interest

To the best of the Company's knowledge, there are no potential or proven conflicts of interest between the duties of the corporate officers vis-à-vis the ORPEA Group and their own private interests. The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer do not undertake any other business activities or hold any other office outside the Group liable to give rise to a business relationship with the Group. There are no agreements or other arrangements between the directors and the Group. There are no capital flows between the directors and the group. The organisation of the Board of Directors and its operating procedures, including the procedure for related-party agreements, should prevent any such conflicts of interest.

In addition, under the Internal Rules of Procedure, directors are obliged to disclose to the Board of Directors any conflict of interest, or even a potential conflict of interest, that may directly or indirectly affect them. In such circumstances, they must then refrain from attending and participating in the relevant discussions.

Absence of convictions and criminal liability among the corporate officers

To the best of the Company's knowledge, none of the corporate officers have, in the past five years, been convicted of fraud, subject to bankruptcy, liquidation, receivership or had companies placed in administration, incriminated by and/or received any official public sanction from the statutory or regulatory authorities (including designated professional bodies), or been issued with any court order barring them from office as a director, senior manager or supervisory board member or from involvement in the management or conduct of a listed company's affairs.

Service agreements

No service agreements have been entered into between members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits under such agreements.

REAPPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS

Changes in the composition of the Board of Directors and of the Board Committees since 1 January 2019

The table below provides on overview of changes in the composition of the Board of Directors and of the Board Committees since 1 January 2019.

Changes in the composition of the Board of Directors and of the Board Committees since 1 January 2019	**Departure**	**Appointment**
Board of Directors	Christian Hensley (director)(1)	Moritz Krautkrämer (director)(1)
Appointments and Remuneration Committee	Christian Hensley (member)(2)	Joy Verlé (member)(2)

(1) Moritz Krautkrämer was co-opted as a director by the Board of Directors on 26 March 2019 to replace Christian Hensley.
(2) Following the resignation of Christian Hensley as a director, Joy Verlé was appointed to the Appointments and Remuneration Committee by the Board of Directors on 26 March 2019.

Staggering of terms of office

The reappointment of the members of the Board of Directors is staggered as follows:

Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2019	**Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2020**	**Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2021**	**Term of office expiring at the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2022**
Laure Baume	Xavier Coirbay	Jean-Patrick Fortlacroix	Philippe Charrier
Moritz Krautkrämer	Bernadette Danet-Chevallier		Yves Le Masne
Brigitte Lantz	Sophie Kalaidjian (representing employees)		FFP Invest (represented by Thierry de Poncheville)
			Joy Verlé

Decision regarding terms of office that are set to expire at the next Annual General Meeting

In line with the diversity policy applicable to members of the Board of Directors, shareholders will be asked at the Annual General Meeting of 23 June 2020 to reappoint Laure Baume and Moritz Krautkrämer as directors for a term of office of four years, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

Aside from their diligence, each director possesses key skills that are useful for the Board: Laure Baume has communication, CSR, digital and marketing experience in sectors including airports, food processing, hospitality, spirits and tourism; Moritz Krautkrämer has skills and expertise in business development and finance in sectors including business services, healthcare, hospitality, and media and telecommunications. The personal details and experience of these Board members, as well as the information about their term of office as a director with the Company, are presented in greater detail in the table at the beginning of the section entitled "Information regarding the identity of directors". Short biographies, including details of their career, terms of office and positions they hold or have held outside the Company over the past five years, together with the number of shares they own, are presented in Appendix 2 of this report.

It should be noted that the Board of Directors considers Laure Baume and Moritz Krautkrämer to be independent directors pursuant to the criteria for independence set out in Article 8 of the AFEP-MEDEF Code.

In line with the diversity policy applicable to members of the Board of Directors, shareholders will be asked at the Annual General Meeting of 23 June 2020 to appoint Pascale Richetta and Corine de Bilbao as directors for a term of office of four years, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

Aside from their international outlook, each of these candidates possesses key skills that are useful for the Board: Pascale Richetta has experience in executive management, finance, management, marketing, medical services and sales in sectors including healthcare and pharmaceuticals; Corine de Bilbao has experience in business development, digital solutions, executive management, finance, management, marketing, sales and transformation in sectors including business services, energy and healthcare. Corine de Bilbao also has experience in the operational management of a major high-growth international business. The personal details and experience of these candidates will be presented more fully in the documentation for the Annual General Meeting to be held on 23 June 2020.

It should be noted that the Board of Directors considers Pascale Richetta and Corine de Bilbao to be independent directors pursuant to the criteria for independence set out in Article 8 of the AFEP-MEDEF Code.

The appointment of these candidates as directors will serve to strengthen the skills set referred to in the diversity policy applicable to members of the Board of Directors and considered essential at this stage of the Group's growth, while applying the objectives set out in this policy, namely increasing the Board's international outlook and appointing a director with experience in the operational management of a major high-growth international business.

EMPLOYEE REPRESENTATION

In accordance with the French employment legislation of 14 June 2013 and Article 15-1 of the Company's Articles of Association, a director representing employees has served on the Board of Directors of ORPEA since 15 January 2015. At its meeting on 27 March 2018, the Works Committee of the ORPEA economic and social unit decided to reappoint Sophie Kalaidjian as the director representing employees for a term of three years, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2020. Since 20 November 2018, she has been a member of the Appointments and Remuneration Committee, called upon, in particular, to deal with matters related to remuneration, pursuant to recommendation 17.1 of the AFEP-MEDEF Code.

An employee representative also attends meetings of the Board of Directors in an advisory capacity.

In accordance with the provisions of Article L. 225-27-1 of the French Commercial Code and following the enactment of the business growth and transformation act dated 22 May 2019 (the PACTE law), the number of directors representing employees is at least two in public limited companies (meeting certain headcount thresholds) where the Board of Directors has more than eight members and at least one when the Board of Directors has eight members or fewer.

As ORPEA's Board of Directors is comprised of more than eight directors who are not employees, the Company must modify its Articles of Association to provide for the appointment of a second director representing employees.

To do so, the Board of Directors has focused on providing an appointment method that meets the Company's requirements and that is compatible with the labour relations approach of which it is part, in accordance with best practices and without undue complexity. The responsibility for appointing a second director representing employees, in the absence of a European Works Committee, shall fall to the Social and Economic Committee of the ORPEA economic and social unit[(1)].

Subject to the approval of this modification to the Articles of Association by the Annual General Meeting scheduled for 23 June 2020, the term of office of a second director representing employees should begin before 23 December 2020.

(1) The Social and Economic Committee of the ORPEA economic and social unit was appointed on 6 June 2019, following the expiry of the terms of office of the previous Works Committee of the ORPEA economic and social unit.

5.1.2 OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

OPERATING PROCEDURES AND MAIN WORK UNDERTAKEN BY THE BOARD OF DIRECTORS

The operating procedures of the Board of Directors are governed by statutory and regulatory requirements, and by the Articles of Association and Internal Rules of Procedure of the Board of Directors.

The Internal Rules of Procedure are intended to supplement the rules laid down in law, the regulations and the Articles of Association so as to clarify how the Board and its Committees (if applicable) should operate in the interests of the Company and its shareholders. The Internal Rules of Procedure set out the rules regarding confidentiality and the disclosure of conflicts of interest. They also apply to trading in the Company's shares and the associated declaration and notification requirements.

The Internal Rules of Procedure are updated regularly, most recently on 26 March 2019. They can be downloaded from the Company's website (**www.orpea-corp.com**).

A digital platform is used to manage the work of the Board of Directors and the Board Committees. As well as safeguarding the security of exchanges of information, the platform can be used to enhance the performance and governance of the Board of Directors and the Board Committees. The papers presented at meetings of the Board of Directors and Board Committees and at strategic seminars are made available on the digital platform, together with published financial analyses and other documents that may be of use to directors in the performance of their duties (directors' guide, Internal Rules of Procedure of the Audit Committee etc.).

Arrangements for meetings of the Board of Directors

The Board of Directors meets whenever the interests of the Company so require. Meetings may be convened by any means (letter, fax, email and even orally) by the Chairman of the Board of Directors.

Notices of meeting may be issued by the Secretary of the Board. Barring special circumstances, notice of a meeting is given in writing at least eight days in advance. It should be accompanied by the agenda and the minutes of the previous meeting. It should state where the meeting is to be held, which may be the Company's registered office or any other location.

In special circumstances, the Chairman may solicit the Board's opinion on a particular matter by convening a meeting with 24 hours' notice.

The quorum requirement for the Board of Directors to transact business validly is met when at least half the Board members are present. A director may represent another director if granted special powers to do so.

Directors may participate in meetings by means of videoconferencing or telecommunications technology where they can be identified and their effective participation in the meeting is guaranteed, subject to the requirements of the regulations in force. However, directors may not attend meetings remotely when the Board of Directors is called to approve either the Company's annual and consolidated financial statements, the corporate governance report or the management reports.

Decisions are taken by a majority vote of those directors present or represented, except for the decision on whether to separate or combine the roles of Chairman and of Chief Executive Officer, for which a two-thirds majority vote by directors is required.

The Chairman of the Board of Directors has a casting vote.

The proceedings of meetings and the decisions made are recorded in minutes.

Board seminars

The Board of Directors organises at least two seminars each year – a strategic seminar and an international seminar.

In 2019, the Board of Directors organised two strategic seminars, each a half-day long and followed by a luncheon, and a two-day international seminar.

The strategic seminars, which were organised in March and June 2019, gave directors the opportunity to meet other members of executive management, further develop the five-year business plan and continue to diversify the subjects covered with presentations on tax policy, the real-estate strategy, the HR development policy, and the Communication, Innovation and CSR policy.

The two-day international seminar, held in November 2019, enabled directors to meet with the executive management of the Benelux cluster during a visit to three facilities in Belgium and a more in-depth presentation of the cluster.

Duties and activities of the Board of Directors

The provisional schedule of Board meetings for the coming year is drawn up in consultation with the directors at the end of the previous year.

Based on this schedule, the agenda for the meeting is made available online on the Board of Directors' digital platform in the week preceding the meeting, together, wherever possible, with documents that must be reviewed for effective decision-making by the directors.

The minutes of each meeting are expressly approved at the following meeting of the Board of Directors.

The Board of Directors met six times during the 2019 financial year (eight times in the previous financial year). The directors' attendance rate stood at 95.38% (versus 96.59% in the previous financial year). Directors' individual attendance rates at the various meetings of the Board of Directors are stated at the beginning of section 5.1 of this report.

The table below provides a summary of the duties of the Board of Directors and subjects covered during its meetings held in 2019, it being noted that each meeting of the Board opens with a report by the Chief Executive Officer on recent news and developments.

Role of the Board of Directors	Activities of the Board of Directors in 2019
Decisions concerning the Group's major strategic, business, employee-related and financial priorities and the monitoring of their implementation by Executive Management	■ Regular review of the Group's business activities, developments in progress, the Group's financial position and level of debt ■ Establishment of the budget for 2019 and analysis of the Group's performance during the previous financial year ■ Review of annual share price performance for 2018 and half-year performance for 2019 ■ Issuance of convertible bonds (OCEANEs) for an amount of around €500 million and Schuldschein notes ■ Description and implementation of the share buyback programme
Decisions regarding investment opportunities, including acquisitions or disposals, that may have a material impact on the Group's results, balance sheet structure or risk profile	International development of the Group through various acquisition and investment opportunities, including the acquisition of the Irish nursing home group TLC and an investment in the BSL group, an operator of long-term care facilities for the elderly in Brazil
Approval of the annual and interim financial statements and preparations for the Annual General Meeting	■ Review and approval of the parent-company and consolidated financial statements for the year ended 31 December 2018, the consolidated interim financial statements at 30 June 2019 and the related management reports ■ Decision to pay a dividend for the financial year ended 31 December 2018 ■ Review of draft press releases and results presentations for the investor community prior to their publication and of the Group's financial position, including trends in its cash position and level of debt ■ Approval of draft resolutions and documents required by law and the regulations pertaining to the Annual General Meeting
Determination of the executive remuneration policy upon the recommendation of the Appointments and Remuneration Committee	■ Determination of bonus payments made in respect of the 2018 financial year to Yves Le Masne and Jean-Claude Brdenk, based on the targets set for them for the financial year, by applying the calculation method approved previously by the Board of Directors ■ Determination of the executive remuneration policy for the 2019 financial year ■ Approval of a bonus share allotment plan for Yves Le Masne and Jean-Claude Brdenk, in line with the executive remuneration policy for 2019
Review, each year and prior to the publication of the annual report, the individual status of the directors and then disclose to the shareholders the results of its analysis of the independence of each of the directors of the Company	Determination of the independence of directors
Proposal, upon the recommendation of the Appointments and Remuneration Committee, to the Annual General Meeting of candidates for the role of director	Review, based on the work of the Appointments and Remuneration Committee, of matters relating to the renewal of terms of office of directors expiring at the close of the 2019 and 2020 Annual General Meetings
Annual evaluation of the Board of Directors	Organisation of a discussion regarding the composition, organisation and operating procedures of the Board of Directors and the Board Committees
Approval of the Group's management report	Approval of the Group's management report
Preparation and approval of the Board of Directors' corporate governance report	Preparation and approval of the Board of Directors' corporate governance report
Other	■ Review of the annual quality audit for 2018 and of the semi-annual audit for 2019 ■ Review of information provided to it by the Audit Committee regarding internal control and risk management systems ■ Extend the general authorisation given to the Chief Executive Officer to grant guarantees, security deposits and endorsements on behalf of the Company

Pursuant to the Internal Rules of Procedure, the Chief Executive Officer must seek the prior authorisation of the Board of Directors before carrying out certain transactions (see section 5.2.2 below).
Moreover, the Board of Directors is also responsible for ensuring that Executive Management implements a non-discrimination and diversity policy, notably with regard to the balanced representation of men and women within management bodies.
The members of the Board of Directors are kept informed of developments concerning the Group's markets, competitive environment and key priorities, including in the domain of the Company's corporate social responsibility.
Finally, at least once a year, the Board of Directors organises an executive session during which the directors discuss the performance of the executive officers.

Procedure for assessing standard agreements concluded under normal conditions

In accordance with the provisions set out in paragraph 2 of Article L. 225-39 of the French Commercial Code, on 23 April 2020, the Board of Directors, upon the recommendation of the Audit Committee, introduced a procedure to assess agreements relating to recurring agreements concluded under normal conditions. This procedure provides for the identification of agreements concluded by ORPEA SA, their submission to the Group's legal department for review prior to signature, an assessment by the latter of the conditions for the establishment of the agreements referred to, the preparation by the latter of a summary table of recurring transactions concluded under normal conditions, the review of this table with the Group's finance department, the regular review of the recurring nature and normal conditions of these agreements and, once a year, the submission of this table to the Statutory Auditors as part of their statutory audit of the annual financial statements as well as the presentation to the Audit Committee of the implementation of the procedure, with the Audit Committee reporting on this review at the following meeting of the Board of Directors.

Role and powers of the Chairman

The Chairman of the Board of Directors represents the Board of Directors. The Chairman organises and leads the Board's work and reports to the shareholders at the Annual General Meeting.

He is responsible for the smooth running of the Company's governing bodies and, in particular, for ensuring that directors are able to perform their duties.

In addition to his statutory duties, the Chairman's remit is as follows:

- he is consulted by and meets with the Chief Executive Officer concerning certain events and projects of significance and/or strategic importance to the Group;
- he attends certain internal meetings with the Company's senior managers and teams, as well as all meetings of the Board Committees;
- he seeks to maintain the equilibrium and effectiveness of the Board.

During 2019, the third year of his appointment to the office, Philippe Charrier continued to visit Group facilities in and outside France, and met with management and operational teams to round out his knowledge of the Group. In addition, he met with the Chief Executive Officer on average twice a month. The topics they discussed included the Group's communication, CSR and innovation strategy, its development in countries where ORPEA is already present and its prospecting activities in new territories. They also covered building up the Group's structures for the future and implementing the recommendations arising from the evaluation of the effectiveness of the Board of Directors. He also maintains regular dialogue with the other directors. Lastly, he attended all the meetings of the Board Committees.

DIRECTORS' INDUCTION

An induction programme is organised for each new director. This includes a presentation of the Group, visits to facilities and meetings with certain members of Executive Management.

The Board of Directors' guide is also provided to each director upon his or her appointment. This guide includes a presentation of the Board of Directors and the Board Committees, the contact details of directors, the schedule for meetings of the Board of Directors and Board Committees, the financial agenda (including a list of black-out periods), ORPEA's Articles of Association and the Board of Directors' Internal Rules of Procedure.

Directors who are members of the Audit Committee also receive the Internal Rules of Procedure of the Audit Committee.

EVALUATION OF THE BOARD OF DIRECTORS

Pursuant to the recommendations of the AFEP-MEDEF Code, the Internal Rules of Procedure of the Board of Directors of the Company state that the Board should conduct an evaluation from time to time of its composition, organisation and effectiveness, and also of its Committees. This evaluation is conducted simultaneously for both the Board of Directors and the Board Committees.

The most recent formal evaluation was conducted in early 2018 by Spencer Stuart. The directors were sent a questionnaire in preparation for individual meetings with two consultants from the firm. The conclusions of the evaluation, in which the directors' overall assessment was positive, were presented to the Appointments and Remuneration Committee and to the Board of Directors.

Measures addressing the majority of areas for improvement identified by this evaluation were implemented during the 2018 financial year, as presented in section 5.1.2 of the 2018 Registration Document.

In addition to this formal evaluation, the composition, organisation and functioning of the Board of Directors and of its Board Committees is discussed on an annual basis. Ahead of this meeting, a briefing presenting the topics for consideration intended to serve as a basis for discussions and reviewing the implementation of the areas for improvement identified in the previous evaluation is given to directors at the preceding Board meeting. Such a discussion most recently took place in early 2019, with directors issuing a positive assessment, acknowledging the improvements made in 2018. The new areas for improvement identified, resulting in part from those noted by Spencer Stuart and for which Executive Management had not implemented measures in 2018 as well as subjects earmarked as priorities for 2019, are listed in the table below, along with measures implemented by the Board since 1 January 2019.

Identified areas for improvement and points to be monitored	Measures implemented by the Board since 1 January 2019
Continue to broaden the range of issues included on the Board's agenda	During the 2019 financial year, the following subjects were raised for the first time: costs related to the strengthening of the Group's structure, the tax policy, the real-estate strategy, the Communication, Innovation and CSR policy, the HR development policy and the presentation of the Northern Europe cluster.
Continue to broaden the panel of participants presenting to the Board of Directors; organise regular contributions by the Chief Operating Officer, the Chief Financial Officer and more generally by operational managers	In addition to the Chief Executive Officer and the Chief Operating Officer, the following Executive Management members have contributed to one or more meetings of the Board of Directors and/or Board Committees: the Group Chief Financial Officer, the Group Chief Quality Officer, the Group Chief of Transactions, the Chief Executive Officer of CLINEA, the Chief Medical Officer for France, the Group Chief Development Officer, the Group Chief Communication, Innovation and CSR Officer, the Group Chief Talent Officer, the Group Chief Real Estate Officer, the Chief Executive Officer of the Celenus Kliniken business unit, and the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of the BENELUX cluster.
Update the succession planning for Executive Management	Succession planning for the Chief Executive Officer, the Chief Operating Officer and for other members of the Executive Management has been updated and the corresponding human resources action plans have been presented.
Create more opportunities for directors to meet informally, by organising a Board luncheon (or dinner)	Luncheons were organised following the strategic seminars on 19 March 2019 and 17 June 2019. A dinner and luncheon were organised on 18 and 19 November during the international seminar.
Invite the Appointments and Remuneration Committee to reflect on the possible long-term evolution of the composition of the Board, in line with the Group's development	This reflection was carried out at the end of 2019 during a discussion regarding the terms of office set to expire at the close of the Annual General Meeting scheduled for 23 June 2020. The conclusions of this discussion were presented to the Board of Directors, which would like to appoint an additional director with management experience and/or expertise in the integration of large international groups. At the Annual General Meeting of 23 June 2020, shareholders will therefore be asked to approve the appointment of Corine de Bilbao as a director for a term of office of four years, i.e. until the close of the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

A discussion regarding the composition, organisation and operating procedures of the Board of Directors and the Board Committees took place in early 2020, in light, as in the previous year, of a memorandum presenting subjects for consideration to be used as a basis for discussions and summarising the implementation of measures designed to address areas for improvement that were identified in 2019 and listed in the table above. The discussion highlighted the positive view of directors, who praised the progress made.

The Appointments and Remuneration Committee will follow up on the new areas for improvement identified at the beginning of 2020 and an official assessment of the Board of Directors will be organised in early 2021 by a specialist consulting firm.

Due to the average length of service of directors (which exceeded the duration of a term of office for the first time in 2019), the members of the Board of Directors expressed their wish to receive feedback on their individual contribution and the recognition of their skills by said Board and the Executive Management, which will be organised during the next official assessment in early 2021.

DELEGATIONS OF POWERS CURRENTLY VALID AND DELEGATIONS OF POWERS USED

The table below summarises the currently valid delegations of powers, granted by the Annual General Meetings of 28 June 2018 and of 27 June 2019, and the use made thereof during the 2019 financial year.

Type of authority/Maximum aggregate nominal amount/Other information	Period of validity	Use during the financial year
Annual General Meeting of 27 June 2019		
18th resolution – Share buyback programme: ■ up to a cap of 10% of the share capital; ■ maximum purchase price of ≤ €150 per share.	18 months	None
19th resolution – Reduction of the share capital through the cancellation of treasury shares: ■ maximum amount: 10% of the share capital.	18 months	None
Annual General Meeting of 28 June 2018		
16th resolution – Issue of ordinary shares and/or negotiable securities conferring rights to the Company's share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: €40,000,000; ■ maximum nominal amount of debt securities: €750,000,000.	26 months	None
17th resolution – Issue by means of a public offering of ordinary shares and/or negotiable securities conferring rights to the Company's share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: €8,073,290; ■ maximum nominal amount of debt securities: €750,000,000.	26 months	None
18th resolution – Issue, by means of a private placement referred to in Article L. 411-2 II of the French Monetary and Financial Code, of the Company's ordinary shares and/or negotiable securities conferring rights to the share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: 10% of the share capital; ■ maximum nominal amount of debt securities: €500,000,000.	26 months	Issuance of 3,412,969 convertible bonds (OCEANEs) with a par value of €146.50 representing an amount of around €500 million – Board of Directors' meeting on 26 March 2019
19th resolution – Increase in the number of securities to be issued in the event of a capital increase with or without pre-emption rights for shareholders: ■ up to a cap of 15% of the initial issue; ■ amount deducted from each of the issues made pursuant to the 16th and 17th resolutions.	26 months	None
21st resolution – Capital increase in consideration for contributions in kind made to the Company in the form of equity or other negotiable securities conferring rights to the share capital, without pre-emption rights for shareholders: ■ up to a cap of 10% of the share capital.	26 months	None
22nd resolution – Capital increase through the capitalisation of premiums, reserves, earnings or similar: ■ maximum nominal amount of capital increases: €30,000,000.	26 months	None
23rd resolution – Bonus allotment of existing or new shares to corporate officers and/or employees with the waiving of pre-emption rights for shareholders: ■ up to a cap of 1% of the share capital, with a sub-cap of 0.2% of the share capital for executive officers; ■ requirement of continued presence for all grantees; ■ performance conditions assessed over a period of three years for executive officers; ■ three-year vesting period.	38 months	110,764 shares (0.17% of the share capital) allotted to 345 grantees (including executive officers) subject to performance conditions – Board of Directors' meeting on 28 June 2018
24th resolution – Capital increases for members of a corporate savings plan, with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount: €400,000.	26 months	None
Overall cap on capital increases to be effected pursuant to the 16th to 19th , 21st and 23rd resolutions: ■ maximum nominal amount of capital increases: €40,000,000/€8,073,290; ■ maximum nominal amount of debt securities: €750,000,000.		

The full text of the resolutions approved at the aforementioned meetings can be found on the website of the French Legal Announcements Bulletin (*Bulletin des annonces légales obligatoires – BALO*) and on the Company's website (www.orpea-corp.com, Shareholders/Shareholder meeting section).

It is essential for the Board of Directors to have financial authorisations in place enabling it to raise the capital it needs in a rapid and flexible manner to further the Group's development through various types of issues in accordance with the regulations in force. At the Annual General Meeting to be held on 23 June 2020, shareholders will therefore be asked to approve the following financial authorisations, which shall supersede all existing financial authorisations, described in the table above.

Type of authority/Maximum aggregate nominal amount/Other information	Period of validity
19th resolution – Share buyback programme: ■ up to a cap of 10% of the share capital; ■ maximum purchase price of ≤ €200 per share.	18 months
20th resolution – Reduction of the share capital through the cancellation of treasury shares: ■ maximum amount: 10% of the share capital.	18 months
21st resolution – Issue of ordinary shares and/or negotiable securities conferring rights to the Company's share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: €40,000,000; ■ maximum nominal amount of debt securities: €750,000,000.	26 months
22nd resolution – Issue, by means of a public offering other than those referred to in Article L. 411-2 of the French Monetary and Financial Code, of ordinary shares and/or negotiable securities conferring rights to the Company's share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: €8,076,979; ■ maximum nominal amount of debt securities: €750,000,000.	26 months
23rd resolution – Issue, by means of a public offering referred to in paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code, of the Company's ordinary shares and/or negotiable securities conferring rights to the share capital and/or negotiable securities carrying an entitlement to the allotment of debt securities with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount of capital increases: 20% of the share capital; ■ maximum nominal amount of debt securities: €750,000,000.	26 months
24th resolution – Increase in the number of securities to be issued in the event of a capital increase with or without pre-emption rights for shareholders: ■ up to a cap of 15% of the initial issue; ■ amount deducted from each of the issues made pursuant to the 21st and 22nd resolutions.	26 months
25th resolution – Establishment, subject to a limit of 10% of the Company's share capital, of the issue price, in the event of an issue – with the waiving of pre-emption rights for shareholders – of shares or negotiable securities conferring rights to the Company's share capital.	26 months
26th resolution – Capital increase in consideration for contributions in kind made to the Company in the form of equity or other negotiable securities conferring rights to the share capital, without pre-emption rights for shareholders: ■ up to a cap of 10% of the share capital.	26 months
27th resolution – Capital increase through the capitalisation of premiums, reserves, earnings or similar: ■ maximum nominal amount of capital increases: €30,000,000.	26 months
28th resolution – Bonus allotment of existing or new shares to corporate officers and/or employees with the waiving of pre-emption rights for shareholders: ■ up to a cap of 1% of the share capital, with a sub-cap of 0.2% of the share capital for executive officers; ■ requirement of continued presence for all grantees; ■ performance conditions assessed over a period of three years for executive officers; ■ three-year vesting period.	26 months
29th resolution – Capital increases for members of a corporate savings plan, with the waiving of pre-emption rights for shareholders: ■ maximum nominal amount: €400,000.	26 months
Overall cap on capital increases to be effected pursuant to the 21st to 24th , 26th and 28th resolutions: ■ maximum nominal amount of capital increases: €40,000,000/€8,076,979; ■ maximum nominal amount of debt securities: €750,000,000.	

5.1.3 OPERATION AND MAIN WORK UNDERTAKEN BY THE BOARD COMMITTEES

The Board of Directors has established two Committees, namely the Audit Committee and the Appointments and Remuneration Committee, and has given each specific terms of reference to prepare for and enrich its work.

These Board Committees act strictly within the terms of reference given to them by the Board of Directors and pursuant to law. Their precise scope is laid down in the Internal Rules of Procedure. They prepare for its discussions, make proposals and recommendations, but have no decision-making powers.

The members of these Board Committees, their duties and their activities during 2019 are stated below.

AUDIT COMMITTEE

The following tables present the principal key indicators applicable to the Audit Committee and the individual attendance rates for directors at its meetings.

Principal key indicators	FY 2019	FY 2018
Number of meetings of the Audit Committee	3	3
Attendance rate at meetings of the Audit Committee	83.33%	83.33%
Number of members of the Audit Committee[(1)]	4	4
Proportion of independent directors[(1)]	100%	100%
Proportion of women on the Audit Committee[(1)]	50%	50%
Average length of service of members of the Audit Committee	5 years	4 years
Average age of members of the Audit Committee	52.5	51.5

(1) Composition of the Audit Committee at 31 December of the relevant financial year.

Directors' individual attendance rates	FY 2019	FY 2018
Jean-Patrick Fortlacroix	100%	100%
Laure Baume	33.33%[(1)]	33.33%[(1)]
FFP Invest (represented by Thierry de Poncheville)	100%	100%
Joy Verlé	100%	100%

(1) Laure Baume attended one out of three meetings, having made professional commitments to be elsewhere prior to the determination of the schedule of meetings.

The operation, composition and duties of the Audit Committee are governed by internal rules of procedure, which were updated most recently on 6 December 2017 to reflect the entry into force of the European audit reform and incorporate the approval procedure for permitted non-audit services.

Members of the Audit Committee

At 31 December 2019, the Audit Committee was comprised of the following four members: Jean-Patrick Fortlacroix (Chairman of the Audit Committee), Laure Baume, FFP Invest (represented by Thierry de Poncheville) and Joy Verlé. No changes had occurred by the date of publication of this report.

Philippe Charrier, Chairman of the Board of Directors, attends its meetings in an advisory capacity.

All members of the Audit Committee are independent directors, and most were selected on the basis of their specific financial, accounting and legal expertise, on account of their training or professional experience, as shown in the table presenting the main information about directors at the beginning of section 5.1.1 above and in their biographical details included in Appendix 2 to this report.

The composition of the Audit Committee complies with the AFEP-MEDEF Code recommendations that (i) at least two-thirds of the Audit Committee's members should be independent directors, and that (ii) no executive officers should serve on the Audit Committee.

The length of the appointment of Audit Committee members is the same as their term of office as a director.

Operating procedures of the Audit Committee

The Audit Committee is convened by its Chairman whenever he or the Board deems it appropriate, and at least three times a year.

The provisional schedule of Audit Committee meetings for the coming year is drawn up in consultation with the directors at the end of the previous year.

Based on this schedule, the agenda for meetings is drawn up by the Chairman of the Audit Committee, in conjunction with the Board of Directors when the Board has called the meeting. It is published on the Board of Directors' digital platform in the week preceding the meeting, together, wherever possible, with any documents facilitating their discussions.

Minutes are recorded following each meeting and are submitted for review by the members of the Audit Committee.

To carry out its duties effectively, the Audit Committee may, should it deem it necessary, ask the Statutory Auditors, the Chief Executive Officer and/or the Company's executive managers responsible for the preparation of the financial statements, internal control, internal audit and risk management to appear before it, alone or together with representatives of the Company.

To perform the duties with which it is entrusted, the Audit Committee may commission external technical studies.

Duties and activities of the Audit Committee

The Audit Committee met three times during the 2019 financial year (as was the case during the previous financial year). The directors' attendance rate stood at 83.33% (as was the case during the previous financial year). Directors' individual attendance rates at the various meetings of the Audit Committee are stated at the beginning of this section.

The Audit Committee deals with issues arising from the preparation and auditing of financial and accounting information. Its role is to make the requisite preparations for decisions by the Board of Directors in financial and accounting matters. It draws on the report by the AMF working group on Audit Committees published on 22 July 2010 to guide its work.

The Audit Committee reports on its work to the Board of Directors, states any pertinent opinions and suggestions and brings to its attention any points requiring the Board to make a decision.

The table below provides a summary of the duties of the Audit Committee and the subjects covered during its meetings held in 2019.

Duties of the Audit Committee	Activities of the Audit Committee in 2019
Monitoring of the process through which financial information is prepared	Review of the annual and consolidated financial statements at 31 December 2018 and the consolidated interim financial statements at 30 June 2019
Review of risks (including those of a corporate and environmental nature), levels of risk and procedures for guarding against them, and material off-balance sheet commitments	Monitoring of the progress made in compliance projects arising from the entry into force of law No. 2016-1691 of 9 December 2016 on transparency, combating corruption and the modernisation of business practices ("Sapin II law") and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR")
Verification of the effectiveness of internal control, internal audit and risk management systems, and of the statutory audit of the annual and consolidated financial statements by the Statutory Auditors and, where necessary, the acknowledgement of any observations made by the H3C (High Council for Statutory Audit)	■ Acknowledgement of the work performed by the Statutory Auditors concerning the annual and consolidated financial statements at 31 December 2018 and the consolidated interim financial statements at 30 June 2019 ■ Review of the section of the management report covering risk management ■ Information regarding the results of the Statutory Auditors' work relating to internal control[(1)] and of the work undertaken by the department responsible for internal control, internal audit and risk management
Implementation of rules on the rotation of audit firms and principal signatory partners in accordance with the law, including by steering the selection procedure for the Statutory Auditors of the Company and by submitting the results of the selection process to the Board of Directors	Not applicable in 2019
Prior authorisation by the Statutory Auditors of ORPEA for the provision to the Group of non-audit services that are not included on the list of prohibited non-audit services (Article 5 of EU Regulation No. 537/2014 and Article 10 of the Code of Conduct) (the **"Permitted Non-Audit Services"**)	Not applicable in 2019

(1) Subject addressed in early 2020.

APPOINTMENTS AND REMUNERATION COMMITTEE

The following tables present the principal key indicators applicable to the Appointments and Remuneration Committee and the individual attendance rates for directors at its meetings.

Principal key indicators	FY 2019	FY 2018
Number of meetings of the Appointments and Remuneration Committee	3	3
Attendance rate at meetings of the Appointments and Remuneration Committee	100%	91.67%
Number of members of the Appointments and Remuneration Committee(1)	5	5
Proportion of independent directors(1)(2)	100%	100%
Proportion of women on the Appointments and Remuneration Committee(1)(2)	50%	25%
Average length of service of members of the Appointments and Remuneration Committee(3)	3.2 years	2.6 years
Average age of members of the Appointments and Remuneration Committee(3)	52.2	52.2

(1) Composition of the Appointments and Remuneration Committee at 31 December of the relevant financial year.
(2) The director representing employees was not included in the calculations.
(3) The director representing employees was included in the calculations.

Directors' individual attendance rates	FY 2019	FY 2018
FFP Invest (represented by Thierry de Poncheville)	100%	100%
Xavier Coirbay(1)	100%	66.67%
Bernadette Danet-Chevallier	100%	100%
Christian Hensley(2)	100%	100%
Sophie Kalaidjian(3)	100%	N/A
Joy Verlé(2)	100%	N/A

(1) Xavier Coirbay attended two out of three meetings in 2018, for personal reasons.
(2) Following the resignation of Christian Hensley as a director, Joy Verlé was appointed to the Committee by the Board of Directors on 26 March 2019.
(3) Sophie Kalaidjian has been a member of the Committee since 20 November 2018. She attended as a guest at all meetings held between 1 January and 20 November 2018.

Members of the Appointments and Remuneration Committee

At 31 December 2019, the Appointments and Remuneration Committee was comprised of the following five members: FFP Invest (represented by Thierry de Poncheville, Chairman of the Appointments and Remuneration Committee), Xavier Coirbay, Bernadette Danet-Chevallier, Joy Verlé[1] and Sophie Kalaidjian, the director representing employees.

Philippe Charrier, Chairman of the Board of Directors, attends its meetings in an advisory capacity.

Yves Le Masne, a director and Chief Executive Officer, participates in the work of the Appointments and Remuneration Committee related to appointments.

All of its members are independent given that, in accordance with Article 8.3 of the AFEP-MEDEF Code, the director representing employees was not included in the calculation of the proportion of independent directors.

The composition of the Appointments and Remuneration Committee complies with the AFEP-MEDEF Code recommendations that no executive officers should serve on it and that a majority of its members should be independent directors.

The length of the term of office of Appointments and Remuneration Committee members is the same as their term of office as a director.

Operating procedures of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman whenever the Chairman or the Board of Directors deems it appropriate.

The provisional schedule of Appointments and Remuneration Committee meetings for the coming year is drawn up in consultation with the directors at the end of the previous year.

Based on this schedule, the agenda for meetings is drawn up by the Chairman of the Appointments and Remuneration Committee, in conjunction with the Board of Directors when the Board has called the meeting. It is published on the Board of Directors' digital platform in the week preceding the meeting, together, wherever possible, with any documents facilitating their discussions.

Minutes are recorded following each meeting and are submitted for review by the members of the Appointments and Remuneration Committee.

(1) Following the resignation of Christian Hensley as a director, Joy Verlé was appointed to the Appointments and Remuneration Committee by the Board of Directors on 26 March 2019.

To fulfil its duties, the Appointments and Remuneration Committee involves the Chief Executive Officer in preparations for the appointment of executive officers and the remuneration policy concerning the principal senior managers who are not executive officers.

To perform the duties with which it is entrusted, the Appointments and Remuneration Committee may commission external technical studies.

Duties and activities of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee met three times during the 2019 financial year (as was the case during the previous financial year). The directors' attendance rate stood at 100% (versus 91.67% in the previous financial year). Directors' individual attendance rates at the various meetings of the Appointments and Remuneration Committee are stated at the beginning of this section.

The Appointments and Remuneration Committee monitors governance and remuneration issues.

The Appointments and Remuneration Committee reports on its work to the Board of Directors, states any pertinent opinions and suggestions and brings to its attention any points requiring the Board to make a decision.

The table below provides a summary of the duties of the Appointments and Remuneration Committee and the subjects covered during its meetings held in 2019.

Duties of the Appointments and Remuneration Committee	Activities of the Appointments and Remuneration Committee in 2019
Provision of insight for decisions by the Board of Directors on whether the roles of Chairman and Chief Executive Officer should be combined or split and on the status of executive officers	Not applicable in 2019
Regular assessment of the structure, size and composition of the Board of Directors and submission of recommendations relating to any modification/Proposals to the Board for the selection of directors	■ Recommendations relating to the proposal to renew the terms of office of Philippe Charrier, Yves Le Masne, FFP Invest (represented by Thierry de Poncheville) and Joy Verlé as directors and to ratify the proposed appointment of Moritz Krautkrämer ■ Reflection on the possible long-term development of the composition of the Board of Directors in line with the Group's development when discussing the terms of office that are set to expire at the close of the 2020 Annual General Meeting
Proposals to the Board of Directors concerning the establishment and composition of Board Committees	Not applicable in 2019
Annual evaluation of the Board of Directors	■ Review in early 2019 of the results of the evaluation of the Board of Directors and the Board Committees ■ Preparation in 2019 of the annual evaluation carried out in early 2020
Discussions regarding the independence of directors during the Board of Directors' annual review thereof prior to publication of the annual report and when director candidates are selected	Discussions regarding the independence of directors and director candidates and drafting of recommendations for the Board of Directors
Opinion on the proposals by the Chairman of the Board of Directors concerning the appointment of the Chief Executive Officer and the Chief Operating Officer	Not applicable in 2019
Succession planning for executive officers in the event of an unforeseen departure and succession planning for Executive Management	Not applicable in 2019(1)
Monitoring of the correct application of the Corporate Governance Code to which the Company refers	Preparation of the Board of Directors' corporate governance report
Preparations for Board decisions regarding updates to its Internal Rules of Procedure	Modification and update of the Internal Rules of Procedure
Drafting of proposals concerning: ■ the fixed remuneration and bonus paid to the Chairman of the Board of Directors, plus any other benefits; ■ the fixed remuneration and bonus paid to the Chief Executive Officer and to the Chief Operating Officer, plus any other benefits (pension, severance payment etc.); ■ the total budget of remuneration paid to directors to be submitted for approval to the Annual General Meeting and how this is to be allocated; ■ the introduction of long-term incentive plans, such as awards of stock options or allotments of bonus shares, including to executive officers.	■ Recommendations relating to the amount of bonus payments to executive officers for the 2018 financial year and the executive remuneration policy for the 2019 financial year ■ Recommendations relating to the bonus share allotment plan for Yves Le Masne and Jean-Claude Brdenk, in accordance with the executive remuneration policy for 2019
Other	Review of the annual quality audit for 2018 and of the semi-annual audit for 2019

(1) Subject addressed in early 2020.

5.2 EXECUTIVE MANAGEMENT

5.2.1 SEPARATION OF THE DUTIES OF CHAIRMAN FROM THOSE OF CHIEF EXECUTIVE OFFICER

At its meeting of 15 February 2011, the Board of Directors decided to separate the duties of the Chairman from those of the Chief Executive Officer, given the Group's growth and development. This framework has been retained to date.

Since that date, Yves Le Masne has acted as Chief Executive Officer.

At its meeting on 27 June 2019, the Board of Directors, upon the recommendation of the Appointments and Remuneration Committee, confirmed the separation of the duties of the Chairman from those of the Chief Executive Officer and renewed the term of office of Philippe Charrier as Chairman of the Board of Directors for a period of four years, i.e. until the close of the meeting of the Board of Directors following the Annual General Meeting called to approve the financial statements for the financial year ending 31 December 2022.

5.2.2 RESTRICTIONS ON THE POWERS OF EXECUTIVE MANAGEMENT

RESTRICTIONS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer leads the Company and is entrusted with the broadest of powers to act on its behalf in all circumstances. The Chief Executive Officer exercises these powers within the limits of the corporate objects and without prejudice to those that the law expressly allocates to Annual General Meetings and to the Board of Directors.

The Chief Executive Officer must seek the prior approval of the Board of Directors for the following decisions:

- any investment/acquisition of any non-real-estate asset in a country in which the Group is already established and in one of its existing business segments (i.e. in which a Group business unit is already active), in a unit amount per transaction strictly exceeding €25 million;
- any disposal/sale of any non-real-estate asset in a unit amount exceeding €5 million;
- any investment/acquisition of any real-estate asset in a country in which the Group is already established, in a unit amount per transaction strictly exceeding €50 million;
- any disposal/sale of any real-estate asset in a country in which the Group is already established, in a unit amount per transaction strictly exceeding €50 million;
- any investment/acquisition by the Group in a country in which it was previously not established or in a new business segment (no Group business units yet active in it);
- any loan or financing in a unit amount exceeding €150 million or a change in the terms and conditions of any existing borrowing or financing in an amount exceeding €150 million, with the additional requirement that no financing operations of any size may cause dilution without the express approval of the Board of Directors (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting of any loan or financing in excess of €50 million);
- any security deposits, pledges or other guarantees in a unit amount exceeding €100 million (the Chief Executive Officer is required to inform the Board of Directors at the following Board meeting of any deposit, pledge or other guarantee that exceeds €50 million);
- any decision concerning the strategic direction of a Group company or any material change in this positioning or the business activities of a company;
- the approval and amendment of the annual budget or business plan established by ORPEA or the Group;
- any share capital transaction (including, but not restricted to mergers, demergers, partial asset contributions, increases or reductions in capital, issuance of any negotiable securities, or the creation of new classes of shares);
- the policy for dividend pay-outs or any other form of distribution by the Company to its shareholders;
- the remuneration of the Company's corporate officers;
- any major hires (gross annual remuneration of over €200,000);
- any plan or award of stock options, bonus shares, incentive payments or profit-sharing.

RESTRICTIONS ON THE POWERS OF THE CHIEF OPERATING OFFICER

As Chief Operating Officer, Jean-Claude Brdenk holds the same management powers and the powers to represent the Company as the Chief Executive Officer.

For illustrative purposes, rather than to place restrictions on his powers, the Board of Directors has stated that his powers include:

- directing and overseeing the Group's facilities;
- hiring and dismissing any employees, setting the terms of their employment and their salaries, wages and bonuses;
- entering into and signing for the aforementioned purposes any agreements, appointing any special representatives, and generally taking whatever action is necessary for the general administration of the Group's facilities and implementation of the decisions of the Board of Directors or of the Chief Executive Officer.

The aforementioned restrictions placed by the Board of Directors on the powers of the Chief Executive Officer apply automatically to the Chief Operating Officer.

5.3 REMUNERATION AND BENEFITS GRANTED TO CORPORATE OFFICERS

5.3.1 REMUNERATION AND BENEFITS GRANTED TO CORPORATE OFFICERS IN RESPECT OF 2019

In accordance with the recommendations of the AFEP-MEDEF Code, the remuneration policy for corporate officers is determined by the Board of Directors based on a proposal submitted by the Appointments and Remuneration Committee, with consideration given to the Group's interests, strategy and performance.

The remuneration of members of the Board of Directors reflects directors' record of attendance at meetings of the Board of Directors and the Board Committees and thus includes a variable attendance-based component, which outweighs the fixed component.

The Chairman of the Board of Directors receives only fixed remuneration. However, the remuneration packages of the Chief Executive Officer and Chief Operating Officer consist of a fixed salary, bonus payment and a long-term incentive plan linked to the Company's share capital (in the form of bonus shares).

The remuneration policy for corporate officers is determined every year in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

The remuneration and benefits in kind of members of the Board of Directors awarded to members of the Board in respect of the financial year ended 31 December 2019 for their terms of office as directors are in line with the total amount of remuneration allotted to directors approved by the Combined Annual General Meeting of 28 June 2018 and with the allocation terms applicable since that date.

The principles and criteria for the determination, award and allotment of the fixed salary, bonuses and exceptional remuneration making up the remuneration and benefits of any kind awarded in respect of the financial year ended 31 December 2019 to Philippe Charrier, Yves Le Masne and Jean-Claude Brdenk, with regard to their respective appointments as Chairman of the Board of Directors, Chief Executive Officer and Chief Operating Officer, presented in the Company's 2018 Registration Document were approved at the Ordinary Annual General Meeting of 27 June 2019. The payment of the 2019 annual bonus to Yves Le Masne and Jean-Claude Brdenk, in respect of their terms of office as Chief Executive Officer and Chief Operating Officer, is subject to the approval of the Annual General Meeting scheduled for 23 June 2020.

REMUNERATION AND BENEFITS IN KIND FOR MEMBERS OF THE BOARD OF DIRECTORS

In accordance with the law, the total amount of remuneration allocated to directors is set by the Annual General Meeting and the allocation thereof is determined by the Board of Directors. Pursuant to the recommendations of the AFEP-MEDEF Code, this allocation reflects directors' record of attendance at meetings of the Board of Directors and the Board Committees and thus includes a variable attendance-based component, which outweighs the fixed component. The amount of this remuneration is tailored to the level of responsibility of each director and the time required to perform their duties.

The Combined General Meeting of 28 June 2018 set the total amount of remuneration to be paid to directors at €550,000 per annum, until a new decision is made by the Annual General Meeting. Said remuneration is broken down, as of this date, according to the following conditions:

- for their attendance at meetings of the Board of Directors (in the case of directors who are not employees), they receive a flat-rate award not exceeding €40,000, consisting of a fixed sum of €15,000 and a variable portion of €25,000, from which €2,500 is subtracted per meeting missed, starting from the second meeting missed;
- for attendance at meetings of the Board Committees (Audit Committee and Appointments and Remuneration Committee), they receive a fixed sum of €3,000 per meeting, or double this amount for the Committee chairmen;
- the director representing employees receives a sum of €1,500 per meeting.

Pursuant to these rules, a gross total amount of €492,500.00 was paid to directors for their attendance at meetings of the Board of Directors and its Committees in 2019 (€444,616.40 in respect of the previous financial year).

The amount of remuneration received by each of the directors in respect of the 2018 and 2019 financial years is presented in Table 3 – AFEP-MEDEF code presented in section 5.3.2 below.

REMUNERATION OF PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS, IN RESPECT OF THE 2019 FINANCIAL YEAR

Fixed remuneration

On 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee and to reflect his experience and the duties entrusted to him (as presented in section 5.1.2 above), the Board of Directors decided to maintain Philippe Charrier's gross fixed remuneration in respect of the 2019 financial year as Chairman of the Board of Directors at €260,000 (for the second consecutive year).

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Philippe Charrier received gross fixed remuneration of €260,000 for his duties as Chairman of the Board of Directors in respect of the financial year ended 31 December 2019.

Remuneration in respect of the office of director

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and the allocation terms referenced above, Philippe Charrier received €40,000 in respect of his duties as a director for the financial year ended 31 December 2019.

Annual bonus payment and other remuneration

Philippe Charrier does not receive an annual bonus payment. He does not receive any other remuneration or benefit in kind.

Remuneration paid or awarded in respect of the 2019 financial year to Philippe Charrier, Chairman of the Board of Directors, subject to shareholders' retrospective "say on pay" vote at the Annual General Meeting on 23 June 2020

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the Annual General Meeting to be held on 23 June 2020 of the fixed, bonus and exceptional remuneration components of the total remuneration and benefits of any kind paid or awarded in respect of the financial year ended 31 December 2019 to Philippe Charrier, Chairman of the Board of Directors (no annual bonus or exceptional remuneration).

The remuneration received by Philippe Charrier, Chairman of the Board of Directors, in respect of the 2019 financial year is consistent with the policy for his remuneration approved at the Annual General Meeting on 27 June 2019.

Components of remuneration	Amounts or accounting value	Comments
Annual fixed remuneration	€260,000	On 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee and to reflect his experience and the duties entrusted to him, the Board of Directors decided to maintain Philippe Charrier's gross fixed remuneration in respect of the 2019 financial year as Chairman of the Board of Directors at €260,000 (for the second consecutive year).
Annual bonus payment	N/A	Philippe Charrier did not receive any annual bonus payments.
Exceptional remuneration	N/A	Philippe Charrier did not receive any exceptional remuneration.
Remuneration in respect of the office of director	€40,000	Philippe Charrier received €40,000 in respect of his duties as a director during the 2019 financial year.
Long-term remuneration	N/A	Philippe Charrier did not benefit from any long-term remuneration.
Sign-on or severance payments	N/A	No commitment of this kind has been made.
Benefits of any kind	N/A	Philippe Charrier received no benefits in kind.

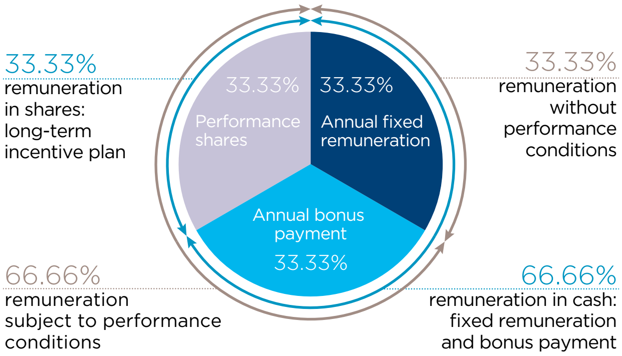
REMUNERATION OF YVES LE MASNE AND JEAN-CLAUDE BRDENK, RESPECTIVELY CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER, IN RESPECT OF THE 2019 FINANCIAL YEAR

Key principles

At its meeting on 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors decided to maintain (for the third consecutive year) the structure of Yves Le Masne's and Jean-Claude Brdenk's remuneration, respectively as Chief Executive Officer and Chief Operating Officer, as follows for 2019:

- a fixed remuneration component accounting for one-third;
- an annual bonus payment component accounting for one-third; and
- a long-term incentive plan linked to the Company's share capital accounting for the final third.

Graphical illustration of the balance between the various components of Yves Le Masne's and Jean-Claude Brdenk's annual remuneration



Based on this proposal, the remuneration package for the financial year ended 31 December 2019 awarded to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, was comprised of the following components:

- Yves Le Masne, Chief Executive Officer:
  - fixed remuneration: €760,000 (€29,689.02 in net monthly fixed remuneration after tax – unchanged for the second consecutive year),
  - annual bonus payment: target bonus of 100% of the fixed remuneration with a maximum of 150% of the target bonus in the event of outperformance, i.e. a maximum total bonus of 150% (150% x 100%) of the fixed remuneration,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or a similar plan, capped at an upper limit of 100% of the fixed remuneration, based on IFRS measurements, as calculated by an independent firm;
- Jean-Claude Brdenk, Chief Operating Officer:
  - fixed remuneration: €640,000 (unchanged for the third consecutive year),
  - annual bonus payment: target bonus of 100% of the fixed remuneration with a maximum of 150% of the target bonus in the event of outperformance, i.e. a maximum total bonus of 150% (150% x 100%) of the fixed remuneration,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or a similar plan, capped at an upper limit of 100% of the fixed remuneration, based on IFRS measurements, as calculated by an independent firm.

In addition, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, receive the following benefits in kind:

- a company car;
- application of group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which they have been classified.

Lastly, Yves Le Masne, Chief Executive Officer, receives remuneration in respect of his duties as a director, which are calculated as set out above.

The annual bonus payments and any exceptional remuneration awarded in respect of the financial year ended 31 December 2019 to the Chief Executive Officer and to the Chief Operating Officer may only be paid after their approval by the Annual General Meeting to be held on 23 June 2020, in accordance with the provisions of Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Criteria

Annual bonus payment

The annual bonus payment is comprised of the following components:

- a component linked to the attainment of quantifiable objectives, representing a target proportion of 70% of the total annual bonus payment (unchanged for the second consecutive year); and
- a component linked to the attainment of qualitative objectives, representing a target proportion of 30% of the total annual bonus payment (unchanged for the second consecutive year).

The table below details the methods used to calculate the annual bonus payments to the Chief Executive Officer and the Chief Operating Officer in respect of the financial year ended 31 December 2019, together with the objectives set for their payment and the extent to which the objectives were achieved.

Yves Le Masne, Chief Executive Officer

	Objectives		Achievement	Target bonus				Bonus for outperformance			
	Target	**Outper-formance**		**Target** *(as a %)*	**Target** *(in euros)*	**Achie-vement**	**Amount** *(in euros)*	**Outper-formance** *(as a %)*	**Outper-formance** *(in euros)*	**Achie-vement**	**Amount** *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)											
Revenue growth	8.00%	12.00%	9.40%	7.78%	59,128	Achieved	59,128	8.00%	60,800	35%	21,280
Organic growth in revenue	4.00%	6.00%	4.70%	7.78%	59,128	Achieved	59,128	8.00%	60,800	35%	21,280
Growth in EBITDA	8.00%	12.00%	7.80%	7.78%	59,128	Not achieved	0	8.00%	60,800	0%	0
Organic growth in EBITDA	Confidential figure	Confidential figure	Confidential figure	7.78%	59,128	Achieved	59,128	10.00%	76,000	60%	45,600
Improvement in the EBITDA margin	= or > 2018 EBITDA margin (17.6%)	17.80%	17.4%	7.78%	59,128	Not achieved	0	8.00%	60,800	0%	0
Increase in free cash flow per share	Confidential figure		Confidential figure	7.78%	59,128	Achieved	59,128				
Increase in adjusted consolidated net profit	7.00%	10.00%	11.60%	7.78%	59,128	Achieved	59,128	8.00%	60,800	100%	60,800
Change in restated financial leverage	≤ 2.6		2.3	7.78%	59,128	Achieved	59,128				
Gearing	≤ 1.7		1.6	7.76%	58,976	Achieved	58,976				
Total quantifiable objectives				**70.00%**	**532,000**		**413,744**	**50.00%**	**380,000**		**148,960**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)											
Financing plan for growth				8.00%	60,800	Achieved	60,800				
Succession planning				8.00%	60,800	Achieved	60,800				
Management chart[1]				8.00%	60,800	Not achieved	0				
Non-financial reporting[1]				6.00%	45,600	66% achieved	30,096				
Total qualitative objectives				**30.00%**	**228,000**		**151,696**				
TOTAL BONUS PAYMENT				**100.00%**	**760,000**		**565,440**	**50.00%**	**380,000**		**148,960**
											TOTAL
											€714,400.00
											94%[2]

(1) ESG criteria.
(2) As a percentage of annual fixed remuneration.

Jean-Claude Brdenk, Chief Operating Officer

	Objectives		Achievement	Target bonus				Bonus for outperformance			
	Target	Outperformance		Target *(as a %)*	Target *(in euros)*	Achievement	Amount *(in euros)*	Outperformance *(as a %)*	Outperformance *(in euros)*	Achievement	Amount *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)											
Revenue growth	8.00%	12.00%	9.40%	10.00%	64,000	Achieved	64,000	10.00%	64,000	35%	22,400
Organic growth in revenue	4.00%	6.00%	4.70%	10.00%	64,000	Achieved	64,000	10.00%	64,000	35%	22,400
Growth in EBITDAR	8.00%	12.00%	7.80%	10.00%	64,000	Not achieved	0	10.00%	64,000	0%	0
Organic growth in EBITDAR	Confidential figure	Confidential figure	Confidential figure	10.00%	64,000	Achieved	64,000	20.00%	128,000	25%	32,000
Change in facility manager turnover[1]	Decrease		Confidential figure	10.00%	64,000	Achieved	64,000				
Change in employee turnover[1]	Decrease		Confidential figure	10.00%	64,000	Not achieved	0				
Internal promotion to a managerial role[1]	Increased rate		+9 points	10.00%	64,000	Achieved	64,000				
Total quantifiable objectives				**70.00%**	**448,000**		**320,000**	**50.00%**	**320,000**		**76,800**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)											
Human resources policy/CSR[1]				8.00%	51,200	50% achieved	25,600				
Quality metric/USP[1]				8.00%	51,200	Achieved	51,200				
Non-financial reporting[1]				8.00%	51,200	66% achieved	33,792				
Innovation[1]				6.00%	38,400	50% achieved	19,200				
Total qualitative objectives				**30.00%**	**192,000**		**129,792**				
TOTAL BONUS PAYMENT				**100.00%**	**640,000**		**449,792**	**50.00%**	**320,000**		**76,800**
											TOTAL
											€526,592.00
											82.28%[2]

(1) ESG criteria.
(2) As a percentage of annual fixed remuneration.

Bonus share allotment plan

The principal terms and conditions governing the bonus share allotment plan are as follows:

- amount equal to fixed salary, based on the IFRS measurement of shares as calculated by an independent firm, with a reference date of 25 April 2019, the date of the Board of Directors' meeting;
- requirement of continued presence at the Group;
- performance condition: the performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2019, 2020 and 2021 financial years:
  - maximum LTIP if ORPEA's total shareholder return exceeds the average increase in both indices over the reference periods by at least 10 percentage points,
  - minimum LTIP (i.e. zero) if ORPEA's total shareholder return is less than or equal to the average increase in both indices over the reference periods,
  - pro-rated LTIP if ORPEA's total shareholder return lies between 0 and 10 percentage points above the average increase in both indices over the reference periods,
  - reference periods: average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend paid in respect of the 2019, 2020 and 2021 financial years, compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of the 2018 financial year;
- shares vest in accordance with the performance condition after a three-year vesting period;
- 25% of the vested shares must be held until the allottee's term of office comes to an end.

Periods during which the shares may not be sold are specified in the regulations of the relevant plan.

Executive officers are not granted stock options.

Commitments to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer

Severance payment

At the meetings of the Board of Directors on 25 March 2013 and 25 April 2013, the Board of Directors decided on severance payment arrangements for Yves Le Masne, the Chief Executive Officer, and Jean-Claude Brdenk, the Chief Operating Officer, should their appointments be terminated. These arrangements, which were approved by the Annual General Meeting of 20 June 2013, were confirmed at the meeting of the Board of Directors on 28 March 2017 during which Yves Le Masne's and Jean-Claude Brdenk's terms of office as Chief Executive Officer and Chief Operating Officer were extended.

On 25 April 2019, the Board of Directors approved the continuation of these arrangements, in line with the Company's corporate interest and with market practices, and adjusted the base used to calculate the severance payment to exclude any exceptional and/or long-term remuneration, in keeping with the provisions of the AFEP-MEDEF Code. This adjusted commitment was approved by shareholders during the Annual General Meeting of 27 June 2019.

In recognition of the major contribution made by the Chief Executive Officer and the Chief Operating Officer to the Group's development over several years, and given their past repudiation of their employment contracts, these arrangements give them the right to receive a severance payment corresponding to 24 months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years), excluding any exceptional and/or long-term remuneration, should their duties as executive officers come to an end.

This severance payment would be paid in the following circumstances:

- in the event of removal from office by the Board of Directors, irrespective of how their duties are terminated, including by dismissal, a request for them to resign or their non-reappointment (specifically excluding dismissal for gross misconduct); or
- in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer.

A change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, takeover bid or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof.

In addition, this benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any exceptional remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any exceptional remuneration and no benefit being paid below a level of 50%.

If Yves Le Masne and Jean-Claude Brdenk are entitled to claim a full basic pension within six months of the termination of their duties, this payment may not be made.

Unemployment insurance

Yves Le Masne and Jean-Claude Brdenk are covered by an unemployment insurance policy, with the corresponding premiums paid by the Company and its subsidiaries.

Remuneration of Yves Le Masne, Chief Executive Officer (in respect of the 2019 financial year)

Fixed remuneration

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Yves Le Masne received gross fixed annual remuneration of €760,000 (€29,689.02 in net monthly fixed remuneration after tax) in respect of the financial year ended 31 December 2019.

Annual bonus payment

Based on the quantifiable and qualitative criteria laid down in the remuneration policy approved by the Annual General Meeting of 27 June 2019, pursuant to Article L. 225-37 of the French Commercial Code and summarised above, at its meeting on 23 April 2020 the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, set his gross annual bonus payment in respect of the financial year ended 31 December 2019 at €714,400, given the performance achieved in terms of said targets as detailed in the above table. The payment of this component of remuneration is subject to the approval of the Annual General Meeting to be held on 23 June 2020.

Long-term remuneration

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019, pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Yves Le Masne was allotted 24,580 bonus shares subject to the attainment of performance conditions (representing 0.04% of the Company's share capital), at an IFRS cost of €760,013.60, in accordance with the terms and conditions set out above.

Remuneration in respect of the office of director

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and the allocation terms referenced above, Yves Le Masne received €40,000 in respect of his duties as a director in 2019.

Severance payments

No severance payment was made to Yves Le Masne in the financial year ended 31 December 2019.

Other remuneration and benefits

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Yves Le Masne receives:

- unemployment insurance, paid for by the Company and its subsidiaries, the premiums for which amounted to €64,554.74 in respect of the financial year ended 31 December 2019;
- a company car, representing a benefit in kind worth €3,546.48 in respect of the financial year ended 31 December 2019;
- group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

He does not receive any other remuneration (including stock options) or benefit in kind (including any specific supplementary pension contributions).

Remuneration paid or awarded in respect of the 2019 financial year to Yves Le Masne, Chief Executive Officer, subject to shareholders' retrospective "say on pay" vote at the Annual General Meeting on 23 June 2020

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the Annual General Meeting to be held on 23 June 2020 of the fixed, bonus and exceptional remuneration components of the total remuneration and benefits of any kind paid or awarded in respect of the financial year ended 31 December 2019 to Yves Le Masne, Chief Executive Officer (no exceptional remuneration).

Pursuant to Article L. 225-100 of the French Commercial Code, annual bonus payments to Yves Le Masne are subject to the approval of his remuneration by the Annual General Meeting.

The remuneration received by Yves Le Masne, Chief Executive Officer, in respect of the 2019 financial year is consistent with the policy for his remuneration approved at the Annual General Meeting on 27 June 2019.

Components of remuneration	Amounts or accounting value	Comments
Annual fixed remuneration	€760,000	On 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors decided to maintain Yves Le Masne's gross fixed remuneration in respect of the 2019 financial year as Chief Executive Officer at €760,000 (for the second consecutive year).
Annual bonus payment[1]	€714,400	On 25 April 2019, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, set the objectives to be met for payment of the Chief Executive Officer's bonus payment for 2019. ■ Quantifiable objectives (70%): revenue growth; organic revenue growth; EBITDA growth; organic EBITDA growth; EBITDA margin improvement; increase in free cash flow per share; increase in adjusted consolidated net profit; change in restated financial leverage; change in gearing. ■ Qualitative objectives (30%): financing plan for growth; succession planning; management chart[2]; non-financial reporting[2]. Based on the level of achievement of these criteria, on 23 April 2020 the Board of Directors set the gross bonus payment for Yves Le Masne at €714,400.
Exceptional remuneration	N/A	Yves Le Masne did not receive any exceptional remuneration.
Remuneration in respect of the office of director	€40,000	Yves Le Masne received €40,000 in respect of his duties as a director in 2019.
Long-term remuneration	Allotment of 24,580 bonus shares (0.04% of the Company's share capital) IFRS cost on date of allotment: €760,013.60[3]	Requirement of continued presence at the Group. Performance condition: the performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2019, 2020 and 2021 financial years. ■ Maximum LTIP if ORPEA's total shareholder return exceeds the average increase in both indices over the reference periods by at least 10 percentage points. ■ Minimum LTIP (i.e. zero) if ORPEA's total shareholder return is less than or equal to the average increase in both indices over the reference periods. ■ Minimum LTIP (i.e. zero) if ORPEA's total shareholder return lies between 0 and 10 percentage points above the average increase in both indices over the reference periods. Reference periods: average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend paid in respect of the 2019, 2020 and 2021 financial years, compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of the 2018 financial year. These reference periods will also be used to calculate the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid (TSR indices), during the 2019, 2020 and 2021 financial years. Vesting period: 3 years. No holding period. 25% of the vested shares must be held until his term of office comes to an end.

<table>
<tr><th>Components of remuneration</th><th>Amounts or accounting value</th><th>Comments</th></tr>
<tr><td>Sign-on or severance payments</td><td>No payment</td><td>During the meeting of the Board of Directors of 25 April 2019, the Board updated the payment arrangements applicable to the Chief Executive Officer should his appointment be terminated, in accordance with the AFEP-MEDEF Code.
These arrangements were determined and decided at the Board of Directors' meetings of 25 March 2013 and 25 April 2013 and were confirmed at the meeting of the Board of Directors of 28 March 2017.
In recognition of the major contribution made by the Chief Executive Officer to the Group's development over several years, and given his past repudiation of his employment contract, these arrangements give him the right to receive a severance payment corresponding to 24 months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years), excluding any exceptional and/or long-term remuneration, should his duties as an executive officer come to an end.
This severance payment would be paid in the following circumstances:
■ in the event of removal from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or,
■ in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer.
A change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, takeover bid or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof.
In addition, this benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any exceptional remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any exceptional remuneration and with no benefit being paid below a level of 50%.
If Yves Le Masne is entitled to claim a full basic pension within six months of the termination of his duties, this payment may not be made.</td></tr>
<tr><td>Benefits of any kind</td><td>€68,101.22</td><td>Unemployment insurance, paid for by the Company, the premiums for which amounted to €64,554.74 in respect of the 2019 financial year.
A company car, representing a benefit in kind worth €3,546.48 in respect of the 2019 financial year.
Application of Group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.</td></tr>
</table>

(1) The payment of this component of remuneration is subject to the approval of the Annual General Meeting to be held on 23 June 2020.
(2) ESG criteria.
(3) IFRS cost at 27 June 2019: €789,018.

Remuneration of Jean-Claude Brdenk, Chief Operating Officer (in respect of the 2019 financial year)

Fixed remuneration

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Jean-Claude Brdenk received gross annual fixed remuneration of €640,000 in respect of the financial year ended 31 December 2019.

Annual bonus payment

Based on the quantifiable and qualitative criteria laid down in the remuneration policy approved by the Annual General Meeting of 27 June 2019, pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, at its meeting on 23 April 2020 the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, set his gross annual bonus payment in respect of the financial year ended 31 December 2019 at €526,592, given the performance achieved in terms of said targets as detailed in the above table. The payment of this component of remuneration is subject to the approval of the Annual General Meeting to be held on 23 June 2020.

Long-term remuneration

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019, pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Jean-Claude Brdenk was allotted 20,699 bonus shares subject to the attainment of performance conditions (representing 0.03% of the Company's share capital), at an IFRS cost of €640,013.08, in accordance with the terms and conditions set out above.

Severance payments

No severance payment was made to Jean-Claude Brdenk in the financial year ended 31 December 2019.

Other remuneration and benefits

In accordance with the remuneration policy approved by the Annual General Meeting of 27 June 2019 pursuant to Article L. 225-37-2 of the French Commercial Code and summarised above, Jean-Claude Brdenk receives:

- unemployment insurance, paid for by the Company and its subsidiaries, the premiums for which amounted to €64,554.74 in respect of the financial year ended 31 December 2019;
- a company car, representing a benefit in kind worth €4,450.68 in respect of the financial year ended 31 December 2019;
- group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

He does not receive any other remuneration (including any remuneration allotted to directors or stock options) or benefit in kind (including any specific supplementary pension contributions).

Remuneration paid or awarded in respect of the 2019 financial year to Jean-Claude Brdenk, Chief Operating Officer, subject to shareholders' retrospective "say on pay" vote at the Annual General Meeting on 23 June 2020

Pursuant to Article L. 225-100 of the French Commercial Code, the Company will seek shareholder approval at the Annual General Meeting to be held on 23 June 2020 of the fixed, bonus and exceptional remuneration components of the total remuneration and benefits of any kind paid or awarded in respect of the financial year ended 31 December 2019 to Jean-Claude Brdenk, Chief Operating Officer (no exceptional remuneration).

Pursuant to Article L. 225-100 of the French Commercial Code, annual bonus payments to Jean-Claude Brdenk are subject to the approval of his remuneration by the Annual General Meeting.

The remuneration received by Jean-Claude Brdenk, Chief Operating Officer, in respect of the 2019 financial year is consistent with the policy for his remuneration approved at the Annual General Meeting on 27 June 2019.

Components of remuneration	Amounts or accounting value	Comments
Annual fixed remuneration	€640,000	On 25 April 2019, based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors decided to maintain Jean-Claude Brdenk's gross fixed remuneration in respect of the 2019 financial year as Chief Operating Officer at €640,000 (for the third consecutive year).
Annual bonus payment[1]	€526,592	On 25 April 2019, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, set the objectives to be met for payment of the Chief Operating Officer's bonus payment for 2019. ■ Quantifiable objectives (70%): revenue growth; organic revenue growth; EBITDAR growth; organic EBITDAR growth; change in facility manager turnover[2]; change in turnover among all employees[2]; internal promotions to managerial roles[2]. ■ Qualitative objectives (30%): human resources policy/CSR[2]; quality metric/USP[2]; non-financial reporting[2]; innovation[2]. Based on the level of achievement of these criteria, on 23 April 2020 the Board of Directors set the gross bonus payment for Jean-Claude Brdenk at €526,592.
Exceptional remuneration	N/A	Jean-Claude Brdenk did not receive any exceptional remuneration.
Remuneration in respect of the office of director	N/A	Since Jean-Claude Brdenk is not a director, he does not receive remuneration in that respect.
Long-term remuneration	Allotment of 20,699 bonus shares (0.03% of the Company's share capital) IFRS cost on date of allotment: €640,013.08[3]	Requirement of continued presence at the Group. Performance condition: the performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2019, 2020 and 2021 financial years. ■ Maximum LTIP if ORPEA's total shareholder return exceeds the average increase in both indices over the reference periods by at least 10 percentage points. ■ Minimum LTIP (i.e. zero) if ORPEA's total shareholder return is less than or equal to the average increase in both indices over the reference periods. ■ Minimum LTIP (i.e. zero) if ORPEA's total shareholder return lies between 0 and 10 percentage points above the average increase in both indices over the reference periods. Reference periods: average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend paid in respect of the 2019, 2020 and 2021 financial years, compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of the 2018 financial year. These reference periods will also be used to calculate the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid (TSR indices), during the 2019, 2020 and 2021 financial years. Vesting period: 3 years. No holding period. 25% of the vested shares must be held until his term of office comes to an end.

Components of remuneration	Amounts or accounting value	Comments
Sign-on or severance payments	No payment	During the meeting of the Board of Directors of 25 April 2019, the Board updated the payment arrangements applicable to the Chief Operating Officer should his appointment be terminated, in accordance with the AFEP-MEDEF Code. These arrangements were determined and decided at the Board of Directors' meetings of 25 March 2013 and 25 April 2013 and were confirmed at the meeting of the Board of Directors of 28 March 2017. In recognition of the major contribution made by the Chief Operating Officer to the Group's development over several years, and given his past repudiation of his employment contract, these arrangements give him the right to receive a severance payment corresponding to 24 months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years), excluding any exceptional and/or long-term remuneration, should his duties as an executive officer come to an end. This severance payment would be paid in the following circumstances: ■ in the event of removal from office by the Board of Directors, irrespective of how his duties are terminated, including by dismissal, a request for him to resign or his non-reappointment (specifically excluding dismissal for gross misconduct); or, ■ in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer. A change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, takeover bid or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof. In addition, this benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any exceptional remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any exceptional remuneration and with no benefit being paid below a level of 50%. If Jean-Claude Brdenk is entitled to claim a full basic pension within six months of the termination of his duties, this payment may not be made.
Benefits of any kind	€69,005.42	Unemployment insurance, paid for by the Company, the premiums for which amounted to €64,554.74 in respect of the 2019 financial year. A company car, representing a benefit in kind worth €4,450.68 in respect of the 2019 financial year. Application of Group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which he has been classified.

(1) The payment of this component of remuneration is subject to the approval of the Annual General Meeting to be held on 23 June 2020.
(2) ESG criteria.
(3) IFRS cost at 27 June 2019: €664,437.90.

ANNUAL CHANGE IN THE REMUNERATION OF EXECUTIVE OFFICERS COMPARED WITH THE AVERAGE AND MEDIAN REMUNERATION OF EMPLOYEES AND THE COMPANY'S PERFORMANCE

In accordance with Article L. 225-37-3 of the French Commercial Code, the tables below present the annual change in the remuneration of executive officers compared with the average and median remuneration of employees and with the performance of the ORPEA Group.

In accordance with the AFEP-MEDEF guidelines published on 28 January 2020, the total gross remuneration used to calculate the ratios includes the total gross remuneration paid and, for performance shares, awarded (with their valuation corresponding to their IFRS cost at the allocation date) during the financial year. The Company also presents the ratios compared with the total net remuneration after tax and compared with the net fixed remuneration after tax.

The population included in the calculation of these ratios comprises employees at ORPEA and its French subsidiaries (excluding the Homecare business activity) with permanent contracts that fall within the scope of consolidation of continuous presence over 24 months (the "**Employees**").

Ratios between the annual remuneration of the Chairman, Chief Executive Officer and Chief Operating Officer and the average and median remuneration of Employees

	FY 2019			FY 2018			FY 2017			FY 2016			FY 2015		
Ratios	Net fixed remuneration after tax	Total net remuneration after tax	Total gross remuneration	Net fixed remuneration after tax	Total net remuneration after tax	Total gross remuneration	Net fixed remuneration after tax	Total net remuneration after tax	Total gross remuneration	Net fixed remuneration after tax	Total net remuneration after tax	Total gross remuneration	Net fixed remuneration after tax	Total net remuneration after tax	Total gross remuneration
CHAIRMAN OF THE BOARD OF DIRECTORS(1)															
Ratio with the average remuneration of Employees	6	6	9	6	6	9	6	6	9	12	12	19	12	12	19
Ratio with the median remuneration of Employees	8	8	13	9	9	13	9	9	14	17	17	27	17	17	27
CHIEF EXECUTIVE OFFICER															
Ratio with the average remuneration of Employees	15	56	74	15	53	72	15	49	63	15	51	66	16	26	41
Ratio with the median remuneration of Employees	22	80	109	22	77	104	21	69	91	21	72	94	22	36	58
CHIEF OPERATING OFFICER															
Ratio with the average remuneration of Employees	13	47	61	13	45	60	14	43	55	14	48	60	14	21	33
Ratio with the median remuneration of Employees	19	67	91	19	65	88	19	60	80	19	67	87	19	30	47

(1) On 28 March 2017, following the resignation of Jean-Claude Marian from his duties as director and Chairman of the Board of Directors, the Board of Directors co-opted Philippe Charrier as director and appointed him Chairman of the Board of Directors. Jean-Claude Marian is the founder of ORPEA, which explains why his annual remuneration was higher than that of Philippe Charrier and, consequently, the ratio compared with the median and average remuneration of Employees was also higher.

Change in the annual remuneration of the Chairman, Chief Executive Officer and Chief Operating Officer and the average and median remuneration of Employees compared with the performance of the ORPEA Group

	2019 vs 2018	2018 vs 2017	2017 vs 2016	2016 vs 2015
Change in Group revenue	9%	9%	10%	19%
Change in Group EBITDA	8%	10%	15%	18%
Change in the remuneration of the Chairman of the Board of Directors(1)	4%	139%	-49%	0%
Change in the remuneration of the Chief Executive Officer	7%	15%	-2%	64%
Change in the remuneration of the Chief Operating Officer	5%	11%	-8%	86%
Change in the average remuneration of Employees	4%	1%	2%	2%
Change in the median remuneration of Employees	2%	1%	0%	1%

(1) On 28 March 2017, following the resignation of Jean-Claude Marian from his duties as director and Chairman of the Board of Directors, the Board of Directors co-opted Philippe Charrier as director and appointed him Chairman of the Board of Directors. In 2018, the second year of Philippe Charrier's term of office, after reviewing a benchmark remuneration study for similar positions by a renowned international independent external firm and to reflect his experience and the nature of the duties entrusted to him, his annual remuneration was increased.

5.3.2 SUMMARY TABLE OF THE REMUNERATION AND BENEFITS IN KIND AWARDED TO EXECUTIVE OFFICERS IN RESPECT OF THE 2019 FINANCIAL YEAR

Table summarising the remuneration, options and shares awarded to each executive officer (Table 1 – AFEP-MEDEF code)

	FY 2019	FY 2018
PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS		
Remuneration payable in respect of the financial year (detailed in Table 2)	€300,000.00	€297,561.64
Valuation of the stock options awarded during the financial year	€-	€-
Valuation of the performance shares awarded during the financial year	€-	€-
TOTAL	**€300,000.00**	**€297,561.64**
YVES LE MASNE, CHIEF EXECUTIVE OFFICER		
Remuneration payable in respect of the financial year (detailed in Table 2)	€1,517,946.48	€1,670,885.90
Valuation of the stock options awarded during the financial year	€-	€-
Valuation of the performance shares awarded during the financial year	€760,013.60	€760,011.12
TOTAL	**€2,277,960.08**	**€2,430,897.02**
JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER		
Remuneration payable in respect of the financial year (detailed in Table 2)	€1,171,042.68	€1,376,895.12
Valuation of the stock options awarded during the financial year	€-	€-
Valuation of the performance shares awarded during the financial year	€640,013.08	€640,024.20
TOTAL	**€1,811,055.76**	**€2,016,919.32**

Table summarising the compensation of each executive officer (Table 2 – AFEP-MEDEF code)

	FY 2019		FY 2018	
	Amounts due	**Amounts paid**	**Amounts due**	**Amounts paid**
PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS				
Fixed remuneration	€260,000.00	€260,000.00	€260,000.00	€260,000.00
Annual bonus payment	-	-	-	-
Exceptional remuneration	-	-	-	-
Remuneration in respect of the office of director	€40,000.00	-	€37,561.64	€64,315.06
Benefits in kind	-	-	-	-
TOTAL	**€300,000.00**	**€260,000.00**	**€297,561.64**	**€324,315.06**
YVES LE MASNE, CHIEF EXECUTIVE OFFICER				
Fixed remuneration	€760,000.00	€760,000.00	€760,000.00	€760,000.00
Annual bonus payment	€714,400	€869,777.78	€869,777.78	€720,000.00
Exceptional remuneration	-	-	-	-
Remuneration in respect of the office of director	€40,000.00	-	€37,561.64	€72,561.64
Benefits in kind	€3,546.48	€3,546.48	€3,546.48	€3,546.48
TOTAL	**€1,517,946.48**	**€1,633,324.26**	**€1,670,885.90**	**€1,556,108.12**
JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER				
Fixed remuneration	€640,000.00	€640,000.00	€640,000.00	€640,000.00
Annual bonus payment	€526,592	€732,444.44	€732,444.44	€640,000.00
Exceptional remuneration	-	-	-	-
Remuneration in respect of the office of director	-	-	-	-
Benefits in kind	€4,450.68	€4,450.68	€4,450.68	€4,450.68
TOTAL	**€1,171,042.68**	**€1,376,895.12**	**€1,376,895.12**	**€1,284,450.68**

Table on the directors' fees and other compensation received by non-executive directors (Table 3 – AFEP-MEDEF code)

Name (position)	Remuneration paid in respect of the 2019 financial year		Remuneration paid in respect of the 2018 financial year	
	Amount awarded(3)	Amounts paid(4)	Amount awarded	Amounts paid(5)
Philippe Charrier (director and Chairman of the Board of Directors)	€40,000.00	-	€37,561.64	€64,315.06
Yves Le Masne (director and Chief Executive Officer)	€40,000.00	-	€37,561.64	€72,561.64
Laure Baume (director)	€38,000.00	-	€39,561.64	€71,561.64
Xavier Coirbay (director)	€49,000.00	€41,561.64	€41,561.64	€20,506.85
Bernadette Danet-Chevallier (director)	€49,000.00	-	€42,061.64	€89,061.64
FFP Invest, represented by Thierry de Poncheville (director)	€67,000.00	-	€58,561.64	€123,561.64
Jean-Patrick Fortlacroix (director)	€58,000.00	-	€51,561.64	€102,561.64
Christian Hensley(1) (director)	€12,205.48	€44,561.64	€44,561.64	€37,000.00
Brigitte Lantz (director)	€40,000.00	-	€37,561.64	€72,561.64
Joy Verlé (director)	€55,000.00	€44,561.64	€44,561.64	€25,876.71
Moritz Krautkrämer(2) (director)	€30,794.52	-	N/A	N/A
Sophie Kalaidjian (director representing employees)	€13,500.00	-	€9,500.00	€15,500.00
TOTAL	**€492,500.00**	**€130,684.92**	**€444,616.40**	**€695,068.46**

(1) Director until 26 March 2019.
(2) Director since 26 March 2019.
(3) The remuneration of directors in respect of the 2019 financial year was paid in 2020.
(4) The remuneration of certain directors in respect of the 2018 financial year was paid in 2019.
(5) The remuneration of directors in respect of the 2017 financial year was paid in 2018; the remuneration of certain directors in respect of the 2018 financial year was paid in 2018.

Corporate officers with no executive responsibilities did not receive any remuneration or benefits of any kind other than the remuneration awarded for their term of office as a director.

Since no share subscription or purchase options were awarded during the financial year ended 31 December 2019 to executive officers, Table 4 – AFEP-MEDEF code is not shown here.

Since no share subscription or purchase options were exercised during the financial year ended 31 December 2019 by the executive officers, Table 5 – AFEP-MEDEF code is not shown here.

Table summarising the performance shares awarded during the financial year to each executive officer (Table 6 – AFEP-MEDEF code)

	Number of shares awarded during the financial year	Valuation of the shares according to the method used for consolidated financial statements	Vesting date	Availability date	Performance conditions
PLAN NO. 7 – 27 JUNE 2019					
Yves Le Masne, Chief Executive Officer	24,580	€760,013.60	27/06/2022	27/06/2022	Performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2018, 2019 and 2020 financial years
Jean-Claude Brdenk, Chief Operating Officer	20,699	€640,013.08	27/06/2022	27/06/2022	

Table summarising the performance shares that became available during the financial year for each executive officer (Table 7 – AFEP-MEDEF code)

	Number of shares that became available during the financial year	Vesting terms and conditions
PLAN NO. 3 – 4 MAY 2017		
Yves Le Masne, Chief Executive Officer	15,625	Requirement of continued presence at the Group Performance of ORPEA's share price with dividends included (TSR)(1)
Jean-Claude Brdenk, Chief Operating Officer	13,889	

(1) Performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2017 and 2018 financial years.

Since no share subscription or purchase option plans were implemented recently, Table 8 – AFEP-MEDEF code is not shown here.

Table summarising the history of performance share allotments (Table 9 – AFEP-MEDEF code)

Information about performance shares	Plan No. 1	Plan No. 3	Plan No. 6	Plan No. 7
Date of Annual General Meeting	06/11/2015	23/06/2016	28/06/2018	27/06/2019
Date of Board of Directors' meeting	10/02/2016	04/05/2017	28/06/2018	27/06/2019
Maximum total number of bonus shares that may be allotted	82,250	29,514	44,701	45,279
o/w number of bonus shares that may be allotted to Yves Le Masne, Chief Executive Officer	*13,000*	*15,625*	*24,266*	*24,580*
o/w number of bonus shares that may be allotted to Jean-Claude Brdenk, Chief Operating Officer	*13,000*	*13,889*	*20,435*	*20,699*
Vesting date of the shares	10/04/2017	04/05/2019	28/06/2021	27/06/2022
End date of holding period	10/04/2019	04/05/2021	N/A	N/A
Performance conditions	Revenue and EBITDA(1)	Total shareholder return (increase in share price + dividend)(2)	Total shareholder return (increase in share price + dividend)(3)	Total shareholder return (increase in share price + dividend)(4)
Number of shares vested at 31 December 2019	82,250	29,514	N/A	N/A
Total number of shares cancelled or voided	0	0	N/A	N/A
Bonus shares allotted but not yet vested at 31 December 2019	0	0	44,701	45,279

(1) Revenue and EBITDA targets set in the 2015 and 2016 budgets as presented to the Board of Directors of ORPEA.

(2) Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10 percentage points or more during the 2017 and 2018 financial years, all bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividend) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during the 2017 and 2018 financial years, no bonus shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0 and 10 percentage points during the 2017 and 2018 financial years, the number of bonus ORPEA shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of the 2018 financial year, compared with the same average over the period from 1 January 2017 to 30 April 2017, plus the dividend paid in respect of the 2016 financial year.

(3) Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10 percentage points or more during the 2018, 2019 and 2020 financial years, all bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividend) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during the 2018, 2019 and 2020 financial years, no bonus shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0 and 10 percentage points during the 2018, 2019 and 2020 financial years, the number of bonus ORPEA shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend paid in respect of the 2020 financial year, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid in respect of the 2017 financial year.

(4) Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by 10 percentage points or more during the 2019, 2020 and 2021 financial years, all bonus ORPEA shares will be allotted definitively.
Should ORPEA's total shareholder return (increase in share price plus dividend) be equal to or below the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, during the 2019, 2020 and 2021 financial years, no bonus shares will be allotted.
Should ORPEA's total shareholder return (increase in share price plus dividend) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid, by between 0 and 10 percentage points during the 2019, 2020 and 2021 financial years, the number of bonus ORPEA shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those two points. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend paid in respect of the 2019, 2020 and 2021 financial years, compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid in respect of the 2018 financial year.

Since no executive officer has been granted multi-year bonus payments, Table 10 – AFEP-MEDEF code is not shown here.

Summary of the status of executive officers in respect of the 2019 financial year (Table 11 – AFEP-MEDEF code)

	Employment contract		Supplementary pension scheme		Payments or benefits due or likely to become due as a result of termination or change of position		Payments under a non-compete clause	
Executive officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Philippe Charrier *Chairman of the Board of Directors* Date appointed: 27 June 2019 End date of term of office: 2023 AGM		x		x		x		x
Yves Le Masne *Chief Executive Officer* Date appointed: 28 March 2017 End date of term of office: 2021 AGM		x		x	x			x
Jean-Claude Brdenk *Chief Operating Officer* Date appointed: 28 March 2017 End date of term of office: 2021 AGM		x		x	x			x

5.3.3 REMUNERATION POLICY IN RESPECT OF THE 2020 FINANCIAL YEAR FOR CORPORATE OFFICERS SUBJECT TO SHAREHOLDERS' FORWARD-LOOKING "SAY ON PAY" VOTE AT THE ANNUAL GENERAL MEETING ON 23 JUNE 2020

In this report prepared in accordance with Article L. 225-37-2 of the French Commercial Code, the Board of Directors presents the remuneration policy for corporate officers in respect of the 2020 financial year.

Shareholders at the Annual General Meeting scheduled for 23 June 2020 are requested to approve said policy based on this report. To this end, four resolutions are being submitted for shareholders' approval in respect of the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer.

The Board of Directors is guided by the recommendations of the AFEP-MEDEF Code when determining the remuneration and benefits awarded to corporate officers.

In accordance with these recommendations and based on a proposal submitted by the Appointments and Remuneration Committee, the Board of Directors ensures that the remuneration policy for corporate officers complies with the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality, and also reflects market practices.

SUMMARY OF THE REMUNERATION POLICY FOR CORPORATE OFFICERS IN RESPECT OF THE 2020 FINANCIAL YEAR

The remuneration awarded to members of the Board of Directors reflects directors' record of attendance at meetings of the Board of Directors and the Board Committees and thus includes a variable attendance-based component, which outweighs the fixed component. The amount of this remuneration is tailored to the level of responsibility of each director and the time required to perform their duties.

The Chairman of the Board of Directors receives only fixed remuneration. However, the remuneration packages of the Chief Executive Officer and Chief Operating Officer consist of a fixed salary, bonus payment and a long-term incentive plan linked to the Company's share capital (in the form of bonus shares).

The remuneration system for the Chief Executive Officer and the Chief Operating Officer can be described as follows:

It is balanced.	It strikes a balance: ■ between the short and long term, which guarantees that interests are aligned with those of shareholders; ■ between economic and financial performances and the implementation of Quality and CSR policies.
It is capped.	Each component has its own cap: ■ the fixed component is reviewed over relatively long intervals of time; ■ the short-term bonus component is capped according to the fixed component and each indicator of this component corresponds to a capped bonus; ■ the long-term bonus component is capped in value (IFRS 2) at the time of its award.
It is principally subject to stringent performance conditions.	Future performances are assessed through a comparison with past performances and are therefore based on reality.
It complies with the corporate interest.	Its amount is measured taking into account the size and complexity of the Group. Performance criteria selected by the Board of Directors ensure that it is in the interest of Executive Management to take both short- and long-term targets into account.
It contributes to the Company's longevity and is in line with its strategy.	The Group's core business is to care for people with physical or mental health conditions that impair their capacity to live independently. It provides accommodation through its nursing homes, assisted-living facilities, post-acute and rehabilitation hospitals, and psychiatric hospitals, as well as homecare. These activities can only thrive in a sustainable manner if their geographic exposure is diversified and if the Group ensures that they are respectful of the stakeholders with whom they are carried out. The remuneration system reflects these requirements.

REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS IN RESPECT OF THE 2020 FINANCIAL YEAR

Remuneration principles

On 17 March 2020, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, taking into consideration the appointments of an eleventh director (appointed by the Annual General Meeting) and of a second director representing employees, decided to request that shareholders at said meeting approve the increase in the total annual amount of remuneration to be awarded to directors to €650,000 (from €550,000 currently).

During the same meeting of the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, the Board decided to renew the terms and conditions for the allocation of the total annual remuneration to directors, namely:

- for their attendance at meetings of the Board of Directors (in the case of directors who are not employees), they receive a flat-rate award not exceeding €40,000, consisting of a fixed sum of €15,000 and a variable portion of €25,000, from which €2,500 is subtracted per meeting missed, starting from the second meeting missed;
- for attendance at meetings of the Board Committees (Audit Committee and Appointments and Remuneration Committee), they receive a fixed sum of €3,000 per meeting, or double this amount for the Committee chairmen;
- directors representing employees receive an amount of €1,500 per meeting.

On 4 May 2020, the Board of Directors, based on a proposal submitted by the Chairman of the Board of Directors and the Appointments and Remuneration Committee, decided, on an exceptional basis, to reduce by 25% the remuneration to be paid to each director for their participation in meetings of the Board of Directors and, where applicable, meetings of the Board Committees held during Q2 2020; this reduction shall, however, not be applied to the remuneration of the director whose term of office will expire following the Annual General Meeting of 23 June 2020 and the renewal of which has not been proposed. The amount corresponding to this reduction will be paid to the ORPEA Foundation.

Draft resolution submitted for shareholders' approval

Fourteenth resolution

Approval of the remuneration policy of members of the Board of Directors for the 2020 financial year

The Annual General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, having reviewed the corporate governance report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code which sets out the remuneration policy for corporate officers, approves, pursuant to Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the 2020 financial year for members of the Board of Directors, as presented in section 5.3.3 of the 2019 Universal Registration Document, it being noted that the remuneration policies for the Chairman of the Board of Directors and the Chief Executive Officer are the subject of the fifteenth and the sixteenth resolutions, respectively.

REMUNERATION POLICY FOR PHILIPPE CHARRIER, CHAIRMAN OF THE BOARD OF DIRECTORS, FOR THE 2020 FINANCIAL YEAR

Fixed remuneration

On 17 March 2020, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee and to reflect his experience and the nature of the duties entrusted to him (as presented in section 5.1.2 above), decided to maintain the gross fixed remuneration in respect of the financial year ending 31 December 2020 of Philippe Charrier, Chairman of the Board of Directors, at €260,000 (for the third consecutive year).

On 4 May 2020, the Board of Directors, based on a proposal submitted by the Chairman of the Board of Directors and the Appointments and Remuneration Committee, decided, on an exceptional basis, to reduce by 25% the gross fixed remuneration to be paid to the Chairman of the Board of Directors in respect of Q2 2020. The amount corresponding to this reduction will be paid to the ORPEA Foundation.

Remuneration in respect of the office of director

Philippe Charrier receives remuneration in respect of his duties as a director, which is calculated as set out above.

Annual bonus payment and other remuneration

Philippe Charrier does not receive an annual bonus payment. He does not receive any other remuneration or benefit in kind.

Draft resolution submitted for shareholders' approval

Fifteenth resolution

Approval of the remuneration policy of Philippe Charrier, Chairman of the Board of Directors for the 2020 financial year

The Annual General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, having reviewed the corporate governance report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code which sets out the remuneration policy for corporate officers, approves, pursuant to Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the 2020 financial year for Philippe Charrier, Chairman of the Board of Directors, as presented in section 5.3.3 of the 2019 Universal Registration Document.

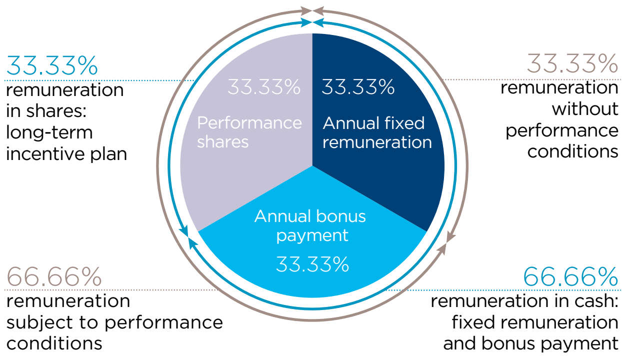
REMUNERATION POLICY FOR YVES LE MASNE, CHIEF EXECUTIVE OFFICER, AND JEAN CLAUDE BRDENK, CHIEF OPERATING OFFICER, FOR THE 2020 FINANCIAL YEAR

Key principles

On 4 May 2020, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, decided to maintain (for the fourth consecutive year) the structure of Yves Le Masne's and Jean-Claude Brdenk's remuneration, respectively as Chief Executive Officer and Chief Operating Officer, as follows for the financial year ending 31 December 2020:

- a fixed remuneration component accounting for one-third;
- an annual bonus payment component accounting for one-third; and
- a long-term incentive plan linked to the Company's share capital accounting for the final third.

Graphical illustration of the balance between the various components of Yves Le Masne's and Jean-Claude Brdenk's annual remuneration



Based on this proposal, the remuneration package for the financial year ending 31 December 2020 awarded to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, is comprised of the following components:

- Yves Le Masne, Chief Executive Officer:
  - fixed remuneration: net fixed remuneration of €760,000 (i.e. €29,306.08 per month) after tax (unchanged for the third consecutive year),
  - annual bonus payment: a target bonus of 100% of annual fixed remuneration, with a maximum of 150% of annual fixed remuneration in the event of outperformance,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or a similar plan, capped at an upper limit of 100% of the fixed remuneration, based on IFRS measurements, as calculated by an independent firm;
- Jean-Claude Brdenk, Chief Operating Officer:
  - fixed remuneration: €640,000 (unchanged for the fourth consecutive year),
  - annual bonus payment: a target bonus of 100% of annual fixed remuneration, with a maximum of 150% of annual fixed remuneration in the event of outperformance,
  - a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions or a similar plan, capped at an upper limit of 100% of the fixed remuneration, based on IFRS measurements, as calculated by an independent firm.

On an exceptional basis, based on a proposal submitted by executive officers and the Appointments and Remuneration Committee, the gross fixed remuneration to be paid to the Chief Executive Officer and the Chief Operating Officer in respect of Q2 2020 will be reduced by 25%. The amount corresponding to this reduction will be paid to the ORPEA Foundation.

In addition, Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, will receive the following benefits in kind:

- a company car;
- application of Group personal protection and healthcare cost reimbursement plans in force at the Company on the same basis as those applicable to the employee grade in which they have been classified.

Lastly, Yves Le Masne, Chief Executive Officer, receives remuneration in respect of his duties as a director, which is calculated as set out above.

The annual bonus payments and any exceptional remuneration awarded in respect of the financial year ending on 31 December 2020 to the Chief Executive Officer and to the Chief Operating Officer may only be paid after their approval by shareholders at the Annual General Meeting due to be held in 2021, as provided for in Articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

Criteria

Annual bonus payment

The annual bonus payment is comprised of the following components:

- a component linked to the attainment of quantifiable objectives, representing a target proportion of 70% (unchanged for the third consecutive year) of the total annual bonus payment; and
- a component linked to the attainment of qualitative objectives, representing a target proportion of 30% (unchanged for the third consecutive year) of the total annual bonus payment.

The targets corresponding to the annual bonus payable to Yves Le Masne, Chief Executive Officer, and Jean-Claude Brdenk, Chief Operating Officer, in respect of the financial year ending 31 December 2020 have, for the second consecutive year, been set so as to differentiate between the CEO's responsibilities (more financial than operational) and the COO's responsibilities (more operational than financial). It is noted that the quantifiable objectives were restated for the second consecutive year, that the target quantifiable and outperformance objectives have been determined in full, but have not been made public for confidentiality reasons, and that the Board of Directors reserves the right, in view of the exceptional circumstances, to assess their level of attainment while taking into account the impact of the Covid-19 pandemic.

Objectives for Yves Le Masne, Chief Executive Officer

	Target bonus		Bonus for outperformance	
	Target *(as a %)*	**Target** *(in euros)*	**Outperformance** *(as a %)*	**Outperformance** *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)				
Revenue growth	7.78%	59,128	8.00%	60,800
Organic growth in revenue	7.78%	59,128	8.00%	60,800
Growth in EBITDA	7.78%	59,128	8.00%	60,800
Organic growth in EBITDA	7.78%	59,128	10.00%	76,000
Improvement in the EBITDA margin	7.78%	59,128	8.00%	60,800
Increase in free cash flow per share	7.78%	59,128		
Increase in adjusted consolidated net profit	7.78%	59,128	8.00%	60,800
Change in restated financial leverage	7.78%	59,128		
Gearing	7.76%	58,976		
Total quantifiable objectives	**70.00%**	**532,000**	**50.00%**	**380,000**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)				
Management chart(1)	15.00%	114,000		
Budget process	15.00%	114,000		
Total qualitative objectives	**30.00%**	**228,000**		
TOTAL BONUS PAYMENT	**100.00%**	**760,000**	**50.00%**	**380,000**
				TOTAL
				1,140,000

(1) ESG criterion.

Objectives for Jean-Claude Brdenk, Chief Operating Officer

	Target bonus		Bonus for outperformance	
	Target *(as a %)*	Target *(in euros)*	Outperformance *(as a %)*	Outperformance *(in euros)*
QUANTIFIABLE OBJECTIVES (70% OF TOTAL BONUS PAYMENTS)				
Revenue growth	10.00%	64,000	10.00%	64,000
Organic growth in revenue	10.00%	64,000	10.00%	64,000
Growth in EBITDAR	10.00%	64,000	10.00%	64,000
Organic growth in EBITDAR	10.00%	64,000	20.00%	128,000
Change in facility manager turnover[1]	10.00%	64,000		
Change in turnover among all employees[1]	10.00%	64,000		
Internal promotion to a managerial role[1]	10.00%	64,000		
Total quantifiable objectives	**70.00%**	**448,000**	**50.00%**	**320,000**
QUALITATIVE OBJECTIVES (30% OF TOTAL BONUS PAYMENTS)				
Non-financial reporting, including crisis and post-crisis[1]	15.00%	96,000		
Quality in the context of the Covid-19 pandemic[1]	15.00%	96,000		
Total qualitative objectives	**30.00%**	**192,000**		
TOTAL BONUS PAYMENT	**100.00%**	**640,000**	**50.00%**	**320,000**
				TOTAL
				960,000

(1) ESG criteria.

Bonus share allotment plan

On 4 May 2020, the Board of Directors, based on a proposal submitted by the Appointments and Remuneration Committee, decided to grant to Yves Le Masne and Jean-Claude Brdenk a long-term incentive plan covering a period of three years in the form of a bonus share allotment subject to performance conditions, capped at an upper limit of 100% of fixed remuneration, based on IFRS measurements, as calculated by an independent firm.

The Board of Directors decided to modify the performance conditions following a review carried out by Mercer of market practices in terms of long-term remuneration, following an analysis of three different sample groups[1]:

- the weighting of stock market performance conditions was reduced to 50% (from 100% previously);
- an internal performance condition (earnings per share) and a CSR performance condition (employee satisfaction surveys) were introduced, accounting for 40% and 10% of the definitive allocation, respectively;
- tiers were added to boost the relative assessment of the achievement of stock market and internal performance conditions, as detailed below.

The features of this plan are as follows:

- amount equal to fixed salary based on the IFRS measurement of shares as calculated by an independent firm, with a reference date of the Board of Directors' meeting of 4 May 2020;
- requirement of continued presence at the Group;
- performance conditions:
  - first performance condition (stock market – 50% of the definitive allocation): the performance of ORPEA's share price with dividends included (TSR, total shareholder return) compared with the average performance of the MSCI Europe ex. UK index (made up of over 300 companies in Europe outside the UK) and the CAC 40 index, including dividends paid, during the 2020, 2021 and 2022 financial years:
    - 25% of shares allocated in respect of the first condition will vest if ORPEA's total shareholder return (increase in share price + dividends) is equal to the average increase in both indices over the reference periods,
    - 60% of shares allocated in respect of the first condition will vest if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by 5 percentage points:
      - prorata acquisition of between 25% and 60% of shares allocated if ORPEA's total shareholder return (increase in share price + dividends) falls between the average performance observed for both indices over the reference periods and 5 percentage points above the average performance observed for both indices over the reference periods,

(1) • The first sample group included SBF 120-listed companies, with market capitalisations of between €275 million and €200 billion at 31 December 2019.
• The second, cross-sector, group included 23 companies of a comparable size (market capitalisation of between €3 billion and €14 billion) and demonstrating strong momentum (three-year share price performance in excess of 20%).
• The third sample group was sector-based and international.

- 100% of shares allocated in respect of the first condition will vest if ORPEA's total shareholder return (increase in share price + dividends) exceeds the average increase in both indices over the reference periods by at least 10 percentage points:
  - prorata acquisition of between 60% and 100% of shares allocated if ORPEA's total shareholder return (increase in share price + dividends) falls between 5 percentage points above the average performance observed for both indices over the reference periods and 10 percentage points above the average performance observed for both indices over the reference periods,
- reference periods: average of ORPEA's share price performance over the period from 1 January 2023 to 30 April 2023, plus the dividend paid in respect of the 2020, 2021 and 2022 financial years, compared with the same average over the period from 1 January 2020 to 30 April 2020, plus the dividend paid in respect of the 2019 financial year. These reference periods will also be used to calculate the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividends paid (TSR indices), during the 2020, 2021 and 2022 financial years,

- second performance condition (internal – 40% of the definitive allocation): earnings per share:
  - 25% of shares allocated in respect of the second condition will vest if earnings per share increase by 25% between 31 December 2019 and 31 December 2022,
  - 60% of shares allocated in respect of the second condition will vest if earnings per share increase by 26% between 31 December 2019 and 31 December 2022:
    - prorata acquisition of between 25% and 60% of shares allocated if earnings-per-share growth between 31 December 2019 and 31 December 2022 is between 25% and 26%,
  - 100% of shares allocated in respect of the second condition will vest if earnings per share increase by 27% between 31 December 2019 and 31 December 2022:
    - prorata acquisition of between 60% and 100% of shares allocated if earnings-per-share growth between 31 December 2019 and 31 December 2022 is between 26% and 27%,
- third performance condition (ESG – 10% of the definitive allocation): employee satisfaction surveys:
  - an independent company will carry out a minimum of two employee satisfaction surveys before 30 April 2023, covering at least 90% of the Group's employees at a constant scope of consolidation and leading to an improvement in the rates of satisfaction,
  - at a constant scope of consolidation: Group facilities at 30 June 2020;
- shares vest in accordance with the performance conditions after a three-year vesting period;
- 25% of the vested shares must be held until the allottee's term of office comes to an end.

The periods during which the shares may not be sold are stated in the regulations of the relevant plan. The plan also includes a commitment not to engage in hedging risks arising from performance shares until the end of the holding period for the shares, as stipulated by the Board of Directors.

COMMITMENTS TO YVES LE MASNE, CHIEF EXECUTIVE OFFICER, AND JEAN-CLAUDE BRDENK, CHIEF OPERATING OFFICER

Severance payment

At the meetings of the Board of Directors on 25 March 2013 and 25 April 2013, the Board of Directors decided on severance payment arrangements for Yves Le Masne, the Chief Executive Officer, and Jean-Claude Brdenk, the Chief Operating Officer, should their appointments be terminated. These arrangements, which were approved by the Annual General Meeting of 20 June 2013, were confirmed at the meeting of the Board of Directors on 28 March 2017 during which Yves Le Masne's and Jean-Claude Brdenk's terms of office as Chief Executive Officer and Chief Operating Officer were extended.

On 25 April 2019, the Board of Directors approved the continuation of these arrangements, in line with the Company's corporate interest and with market practices, and adjusted the base used to calculate the severance payment to exclude any exceptional and/or long-term remuneration, in keeping with the provisions of the AFEP-MEDEF Code. This adjusted commitment was approved by shareholders during the Annual General Meeting of 27 June 2019.

In recognition of the major contribution made by the Chief Executive Officer and the Chief Operating Officer to the Group's development over several years, and given their past repudiation of their employment contracts, these arrangements give them the right to receive a severance payment corresponding to 24 months' gross fixed remuneration and annual bonus (multiple of a monthly average of the remuneration due and paid in respect of the previous two financial years), excluding any exceptional and/or long-term remuneration, should their duties as executive officers come to an end.

This severance payment would be paid in the following circumstances:

- in the event of removal from office by the Board of Directors, irrespective of how their duties are terminated, including by dismissal, a request for them to resign or their non-reappointment (specifically excluding dismissal for gross misconduct); or
- in the event of a change in control or in the Company's strategy, instigated by the Board of Directors or the relevant corporate officer.

A change in control is defined as any changes in the Company's ownership status arising from any merger, restructuring, disposal, takeover bid or exchange offer, subsequent to which a shareholder, be it a legal entity or natural person, acting alone or in concert, directly or indirectly, comes into possession of a proportion of the Company's share capital or voting rights that gives it effective control thereof.

In addition, this benefit would be paid by the Board of Directors provided that the average bonus payment in respect of the previous two financial years prior to that in which the relevant corporate officer departs was equal to or over 75% of the target bonus payment (excluding any exceptional remuneration), with this amount being reduced proportionally should the average bonus payment received in the previous two financial years have stood at between 50% and 74% of the target bonus payment excluding any exceptional remuneration and with no benefit being paid below a level of 50%.

If Yves Le Masne and Jean-Claude Brdenk are entitled to claim a full basic pension within six months of the termination of their duties, this payment may not be made.

Unemployment insurance

Yves Le Masne and Jean-Claude Brdenk are covered by an unemployment insurance policy, with the corresponding premiums paid by the Company and its subsidiaries.

Draft resolutions submitted for shareholders' approval

Sixteenth resolution

Approval of the remuneration policy of Yves Le Masne, Chief Executive Officer for the 2020 financial year

The Annual General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, having reviewed the corporate governance report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code which sets out the remuneration policy for corporate officers, approves, pursuant to Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the 2020 financial year for Yves Le Masne, Chief Executive Officer, as presented in section 5.3.3 of the 2019 Universal Registration Document.

Seventeenth resolution

Approval of the remuneration policy of Jean-Claude Brdenk, Chief Operating Officer for the 2020 financial year

The Annual General Meeting, deliberating in accordance with the quorum and majority voting requirements for ordinary general meetings, having reviewed the corporate governance report prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code which sets out the remuneration policy for corporate officers, approves, pursuant to Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the 2020 financial year for Jean-Claude Brdenk, Chief Operating Officer, as presented in section 5.3.3 of the 2019 Universal Registration Document.

5.4 SPECIFIC INSTRUCTIONS FOR SHAREHOLDERS TO PARTICIPATE AT ANNUAL GENERAL MEETINGS

Pursuant to Article L. 225-37-4-9° of the French Commercial Code, the specific instructions for shareholders to participate at Annual General Meetings are included in Articles 24 to 28 of the Company's Articles of Association.

5.5 AGREEMENTS ENTERED INTO BETWEEN A CORPORATE OFFICER AND A SUBSIDIARY

Pursuant to Article L. 225-38 of the French Commercial Code, the agreements entered into, directly or via a third party, between one of the corporate officers or one of the shareholders holding more than 10% of the Company's voting rights, and a company in which the Company owns, directly or indirectly, more than half of the share capital, other than agreements covering current operations concluded under normal conditions, are included in Appendix 3 of this report.

5.6 FACTORS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to Article L. 225-37-5 of the French Commercial Code, ORPEA makes the following disclosures concerning factors liable to have an impact in the event of a public offering:

- the ownership structure is presented in Chapter 8 of this Universal Registration Document;
- direct and indirect shareholdings of which the Company is aware are presented in Chapter 6 of this Universal Registration Document;
- the Articles of Association do not stipulate any restrictions with regard to the exercise of voting rights, apart from the disqualification of voting rights where the statutory requirements on notifiable interests are not met;
- there are no restrictions in the Articles of Association on transfers of shares, to the Company's knowledge;
- there are no agreements between the shareholders, to the Company's knowledge;
- there are no securities conferring special control rights, apart from shares with double voting rights;
- the applicable rules for appointing and removing members of the Board of Directors are those set out by law;
- the Chief Executive Officer and the Chief Operating Officer receive compensation in the event that they cease their functions as executive officers;
- certain bonds issued contain an early redemption clause at the holders' option in the event of a change in control of the Company (change of majority voting rights or more than 40% of voting rights if no other shareholder holds a higher percentage). In total, the amount of debt covered by these clauses at 31 December 2019 and shown in the consolidated financial statements as at that date was €3,719 million;
- the Board of Directors may implement the Company's share buyback programme during a public offer for the Company's shares.

5.7 SUMMARY OF CORPORATE OFFICERS' DEALINGS IN ORPEA SHARES IN 2019

To the best of the Company's knowledge, only the following corporate officers effected transactions in ORPEA shares in 2019.

	Purchases		Disposals	
Corporate officers	**Number of shares**	**Average price per share**	**Number of shares**	**Average price per share**
Yves Le Masne[(1)(2)]	15,625	-	10,225	€111.38
Jean-Claude Brdenk[(1)]	13,889	-	10,400	€111.75
Philippe Charrier	100	€86.34	-	-
Laure Baume[(3)]	90	€111.44	-	-

(1) Shares acquired in 2019 by Yves Le Masne and Jean-Claude Brdenk fell under the scope of the 4 May 2017 bonus share allotment plan (Plan No. 3).
(2) Since 1 January 2020, Yves Le Masne has acquired 1,500 shares at an average price of €74.30 per share and has sold 1,500 shares at an average price of €93.435.
(3) Since 1 January 2020, Laure Baume has acquired 60 shares at an average price of €117.38 per share.

5.8 APPENDICES

5.8.1 APPENDIX 1: COMPLY OR EXPLAIN TABLE

The below table stipulates the recommendations of the AFEP-MEDEF Code that the Company has opted not to apply and the reasons for this.

Topic	AFEP-MEDEF recommendation	Explanation
Severance payments to the Chief Executive Officer and the Chief Operating Officer	Article 24.5.1. They [the conditions under which severance payments are made] must (…) authorise the payment to a senior executive only if their departure is enforced, irrespective of the form of the departure.	Given the length of service with the Group of the Chief Executive Officer and of the Chief Operating Officer, the Board of Directors took the view that their severance payments could be payable should they leave of their own volition following a change in control or of strategy.

5.8.2 APPENDIX 2: ADDITIONAL INFORMATION ABOUT CORPORATE OFFICERS

PHILIPPE CHARRIER

Date of birth: 2 August 1954

Number of shares held: 400 shares

Philippe Charrier, a graduate of the HEC Paris business school and DECS, is an executive with many years of experience in international healthcare and consumer product groups.

Since July 2019, he has held the role of Chief Executive Officer of Mayoly Spindler, an international group specialising in gastroenterology and dermocosmetic drugs and food supplements. Previously, he was Executive Chairman of Ponroy Santé, an international group specialising in natural health and beauty products for consumers. Before that, he was CEO of Labco from 2011 to 2015, then Executive Chairman until 2016. From 2006 to 2010, he was CEO of Oenobiol, a European specialist in food supplements for health and beauty. Prior to that, he was CEO of Procter & Gamble France for seven years. He was also Chairman of the Supervisory Board of Spotless until 2010, a director of Lafarge until 2016 and of Médipôle until 2017. He is currently a director of Rallye.

In addition, he is the founder and Chairman of Clubhouse France, a not-for-profit organisation helping vulnerable people with mental health conditions to forge stronger social ties and find employment.

Terms of office in progress

Offices and positions held in Group companies

- Director and Chairman of the Board of Directors of ORPEA

Offices and positions held in non-Group companies

- Chairman and Chief Executive Officer: Alphident (unlisted French company)
- Director: Rallye (listed French company)

Philippe Charrier complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Chairman of the Board of Directors: Labco
- Director: Lafarge, Médipôle
- Chief Executive Officer: Labco
- Permanent representative of Alphident, Chairman: Ponroy Santé

YVES LE MASNE

Date of birth: 4 October 1962

Number of shares held: 20,000 shares

Yves Le Masne has been with the Group for 27 years, having trained as a computer science engineer and graduated with a degree in management control and finance.

His first positions with the Group were as Head of Management Control and then Chief Financial Officer. In 2006, he joined the Board of Directors and was appointed Chief Operating Officer. Since 15 February 2011, he has served as Chief Executive Officer of ORPEA. His long career with the Group has given him extensive knowledge of its activities and organisation.

Terms of office in progress

Offices and positions held in Group companies

- Director and Chief Executive Officer: ORPEA
- Chairman of the Supervisory Board: ORPEA Polska (Poland), Senecura Kliniken (Czech Republic)
- Member of the Supervisory Board: Celenus Kliniken (Germany)
- Chairman of the Board of Directors: ORPEA Belgium (Belgium), SENEVITA (Switzerland), ORPEA Iberica (Spain), Union Sanyres (Spain), Sanyres Sur (Spain), Reyes de Aragon (Spain), Residencia Ciutat Diagonal Esplugues (Spain), Centros Residenciales Estremera (Spain), Centro de Mayores Care Extremadura Dos 2002 (Spain), Atirual Inmobiliaria (Spain), Dinmorpea (Spain), Explotacion de Residencia del Real Sitio de San Fernando (Spain), Artevida Centros Residenciales (Spain), Residencial Senior 2000 (Spain), Instituto de Investigaciones Neuropsiquiatricas Doctor Lopez-Ibor (Spain), ORPEA Lopez-Ibor Salud Mental (Spain) and Accomodore Assistencial

(Spain), Ecoplar (Spain), Gesecoplar (Spain), Ecoplar Serranillos (Spain), Ecoplar Granada (Spain), Ecoplar Cantabria (Spain), ORPEA Latam (Spain), Hospital Nossa Senhora da Arrabida (Portugal), Porto Salus Azeltao-Residentias Assistidas (Portugal), AGMR-Saude (Portugal), ORPEA Mexico (Mexico), ORPEA Singapore (Singapore)

- Director: SENECURA (Czech Republic), SENECURA Holding (Czech Republic), ORPEA Portugal Immo (Portugal), Niorpea (Portugal), Immorpea (Portugal)
- Chairman: CLINEA, La Saharienne, Résidence Saint Luc, Clinique de Champvert, Société de Champvert, Maja, Immobilière Leau Bonneveine, SFI France, Douce France Santé, Massilia Gestion Santé, Mex, Hôtel de l'Espérance, La Chavannerie, Les Grands Pins, Château de Champlatreux, Le Clos Saint-Grégoire, Clinique Marigny, Sud-Ouest Santé, Maison de Santé Marigny, Clinique Gallieni, Résidence du Port, Archimède le Village, Clinique du Vieux Château d'Oc, TCP DEV, Âge Partenaires, Ap Brétigny, L'Oasis Palmeraie, Bon Air, Résidence l'Ambarroise, Alice Anatole & Cie, Actiretraite Montgeron, Clinique du Cabirol, Familisanté, Amundi Immobilier Novation Santé OPCI, Association Maisons de Retraite de la Picardie
- Permanent representative of ORPEA, director: Les Charmilles, Immobilière de Santé
- Permanent representative of CLINEA, director: Sancellemoz
- Permanent representative of CLINEA, Chairman: Société Civile des Praticiens du Grand Pré
- Permanent representative of NIORT 94, Manager: SCS Bordes & Cie
- Manager: Les Matines, Bel Air, SARL 95, SARL 96, La Maison de Louise, La Maison de Lucile, La Maison de Mathis, La Bretagne, IDF Résidences Retraite, Domea, Vivrea, ORPEA Dev, SPI, Amarmau, SARL 97, L'Allochon, L'Ombrière, Sogimob, Résidence du Parc de Bellejame, Résidence de Savigny, Résidence de la Puisaye, France Doyenne de Santé, Douce France Santé Dourdan, Regina Renouveau, Marc Aurèle Immobilier, DFS Immobilier, CRF Santé, Clinique du Château de Loos, SARL Ancienne Abbaye, Le Verger d'Anna, Les Buissonnets, Parassy, PCM Santé, Le Village de Boissise-le-Roi, Les Jardins d'Escudié, Margaux Pony, Than.Co, De la Maison Rose, Brechet, SNC des Parrans, Les Acanthes, Route des Écluses, Les Rives d'Or, du Château, La Talaudière, ORPEA de Saint-Priest, Balbigny, ORPEA Saint-Just, ORPEA Decaux, La Tour Pujols, Les Rives de la Cerisaie, Val de Seine, Le Clisclouet, Âge d'Or, Gambetta, Croix-Rousse, Les Dornets, Château d'Angleterre, Montchenot, 115 Rue de la Santé, L'Abbaye, Les Tamaris, 3 Passage Victor-Marchand, Fauriel, Port Thureau, ORPEA de l'Abbaye, Rue des Maraîchers, Le Bosguerard, Le Vallon, Bel Air, Brest le Lys Blanc, Les Magnolias, Courbevoie de l'Arche, Sainte Brigitte, Les Treilles, Les Favières, IBO, SCI du 12 Rue Fauvet, Douarnenez ORPEA, Kods, Slim, Saintes BA, Le Barbaras, La Sélika, JEM2, Château de la Chardonnière, SCI des Ânes, ORPEA de L'Île, La Salvate, SCI de la Drone, SCI du Caroux, Héliades Santé, Cardiopierre, Super Aix Paul Cézanne, SCI Les Chesnaies, SCI SFI Bellejame, Matisse Santé, SCI du Mont d'Aurelle, Les Orangers, Du Grand Parc, Ansi, BRBT, Du Jardin des Lys, De la Rue de Londres, Château de Loos, Berlaimont, Les Oliviers, SCI Barbusse, SCI Normandy Cottage Foncier, SCI du Bois-Guillaume Rouen, SCI Rezé, Livry Vauban 2020, Sequoia, SCI du Parc Saint-Loup, SCI Larry, SCI Ardennaise, De Peix, Les Jardins de Castelviel, Cerdane, Villa Morgan, SCI de la Marne, SCI Ried Santé, Saint-Victoret, Méditerranée, Officéa Santé, Central & Eastern Europe Care Services Holding (Luxembourg), SENECURA KLINIKEN (Austria), SENECURA Sozialzentrum Trofaiach – Haus Verbena (Austria), SENECURA Sozialzentrum Kammern – Haus Viola (Austria), SENECURA Sozialzentrum Knittelfeld – Haus Wegwarte (Austria), SENECURA Sozialzentrum Söchau – Haus Kamille (Austria), SENECURA Sozialzentrum Feldbach – Haus Melisse (Austria), ORPIMMO (Uruguay), ORPEXPLOIT (Uruguay), FAMIBEL (Uruguay), LAGUBEL (Uruguay), SCI La Lorraine, SCI Princess2

Offices and positions held in non-Group companies

- Manager: SCI Villa de la Maye, SCI Vineuse, SCI Gaoua Beach, SCI Franklin

Yves Le Masne complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Manager: Gestihome Senior, Maison de Retraite du Château de Pile, Tolosa Santé, La Madone, Gessimo, La Maison de Salomé, La Maison d'Ombeline, L'Atrium, La Vénitie, Douce France Santé Arcachon, Guéroult, Résidence les Cèdres, German Care Services Entreprise (Luxembourg)
- Chairman: Clinique Saint-Joseph, Les Jardins d'Aliénor, Le Cos d'Aliénor, Clinique Les Sorbiers, Société d'Exploitation de la Clinique Cardiologique de la Maison Blanche, Clinique Néphrologique de Maison Blanche, Le Centre de Rééducation Fonctionnelle de Navenne, PR 12, Clinique Psychiatrique de Seine-Saint-Denis, Gérone Corp, Rive Ardente, Clinique Beau Site, Clinique Castelviel, Clinique du Château de Préville, Maison de Régime Saint-Jean, Alunorm, La Chêneraie, Clinique Médicale de Goussonville, Le Château de Brégy, Résidence la Chêneraie, Home la Tour, Saint-Jean, Clinique du Pont du Gard, Clinique de Soins de Bois-Guillaume, La Clairière, MDR La Chêneraie, Méditer, Le Clos Saint-Sébastien 44, Emcejidey, Clinique Montevideo-SAS La Tourelle, Organis, Holding Mandres, Holding Mieux Vivre, Clinique du Parc
- Chairman, Chief Executive Officer and director: Maison de Convalescence du Domaine de Longuève
- Director: Centre de soins du Valois, Clinique du Valois, CITOPREA (Portugal)

JEAN-CLAUDE BRDENK

Date of birth: 6 November 1967

Number of shares held: 17,301 shares

Jean-Claude Brdenk, who has worked for the Group for more than 20 years, is a business school graduate (Institut Supérieur de Gestion – International stream).

From 1997, he held Group Facility manager positions within the Group.

In 2011, he was appointed Chief Operating Officer of ORPEA, tasked with assisting the Chief Executive Officer in the operational management of the Group's facilities, for the duration of the latter's term in office.

In 2013, he was appointed Chief Executive Officer responsible for the operation of SAS CLINEA, a wholly owned subsidiary of ORPEA, and managing director of the Group's post-acute and rehabilitation hospitals and psychiatric hospitals.

Terms of office in progress

Offices and positions held in Group companies

- Chief Operating Officer: ORPEA
- Director and Chairman & Chief Executive Officer: Clinique l'Emeraude
- Director: Les Charmilles, Clinique Regina
- Chairman: Clinique du Parc de Belleville, Maison de retraite la Jonchère
- Chief Executive Officer: CLINEA
- Manager: Cuxac, La Pastorale

Offices and positions held in non-Group companies

None

Jean-Claude Brdenk complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

None

LAURE BAUME

Date of birth: 10 September 1975

Number of shares held: 200 shares

Laure Baume, a graduate of the HEC Paris business school, has been Chief Consumer Officer of the Moët-Hennessy group since May 2018. She is also a member of the Executive Committee of the Moët-Hennessy group. Previously, she was Executive Director and Customer Director of the ADP Group from December 2014 until May 2018 and served on its Executive Committee. As part of these duties, she served on the Management Board of the Société de Distribution Aéroportuaire, Relay@adp and EPIGO joint ventures and on the Board of Directors of Média Aéroports de Paris.

Before that, Laure Baume was Club Méditerranée's Marketing Director for France and Director for Switzerland from 2006 onwards. She was subsequently appointed to the General Management Committee of Club Med as General Manager of the New Markets – Europe-Africa and Strategic Marketing business unit.

Laure Baume's career began with US group Kraft Foods (since renamed Mondelez), where she held a series of positions including product manager, category head and brand manager in Paris and New York.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Laure Baume complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Director: Media Aéroports de Paris, Epigo, SDA, Relay Aéroports de Paris

XAVIER COIRBAY

Date of birth: 16 November 1965

Number of shares held: 100 shares

Xavier Coirbay is currently a member of the Executive Committee of Sofina and has responsibility for the Sofina group's investments in the US market. He oversees direct investments and a portfolio of funds oriented towards start-up and growth companies.

Prior to joining Sofina in 1992, he began his career as a financial analyst in the asset management department of Générale de Banque, which has since become part of the BNP group.

Xavier Coirbay graduated from the Solvay business school in Brussels (1988), where he also gained a master's degree in the management of tax affairs (1990). He was awarded a certificate in corporate governance from INSEAD in 2012.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Director of Cambridge Associates (unlisted non-French company)

Xavier Coirbay complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Director of Ipsos (listed French company)

BERNADETTE DANET-CHEVALLIER

Date of birth: 5 December 1958

Number of shares held: 42 shares

Bernadette Danet-Chevallier has spent the majority of her career in the tourism and hospitality industries. She held a number of management positions in finance, sales and marketing at Club Méditerranée, before joining the Accor Group and later being appointed to a senior management role in independent hospitality.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairwoman of Philosykos (unlisted French company)

Bernadette Danet-Chevallier complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Chairwoman of ODO SAS (unlisted French company)

FFP INVEST, WITH THIERRY MABILLE DE PONCHEVILLE AS ITS PERMANENT REPRESENTATIVE

Number of shares held: 3,261,353 shares

FFP Invest is well known for its selective approach to investing and for the long-term support it provides to companies that are leaders in their industry and boast attractive growth prospects.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairman and member of the Supervisory Board: Société Financière Guiraud
- Vice-Chairman and member of the Supervisory Board: IDI
- Member of the Supervisory Board: Immobilière Dassault, IDI Emerging Markets (Luxembourg)
- Director: SEB, Lapilus II, SPIE
- Non-voting advisor: Total Eren
- Manager: FFP-Les Grésillons
- Member of the Executive Committee: LDAP

Offices that expired in the past five years

- Director: LT Participations, Ipsos, SANEF, Gran Via 2008
- Member of the Supervisory Board: ONET, Zodiac Aérospace

THIERRY MABILLE DE PONCHEVILLE

Date of birth: 6 October 1955

Number of shares held: none

Thierry Mabille de Poncheville, FFP Invest's permanent representative on ORPEA's Board of Directors, holds a postgraduate degree (DEA) in private international law (University of Bordeaux) and a master's degree in international affairs (Pittsburgh University).

He is currently Chief Operating Officer of Établissements Peugeot Frères, the Peugeot family group's holding company and Group Head of Legal Affairs.

He brings the benefit of the wealth of experience he has gained during his career in France and abroad, as well as his in-depth knowledge of the governance rules.

Terms of office in progress

Offices and positions held in Group companies

- Permanent representative of FFP Invest on the Board of Directors of ORPEA

Offices and positions held in non-Group companies

- Director: SICAV ARMENE (non-listed French company), Silver Autonomie (unlisted French company)
- Chief Executive Officer: Peugeot Frères Industrie (PFI) (unlisted French company), Peugeot Frères Entrepreneuriat (unlisted French company)
- Chief Operating Officer: Établissements Peugeot Frères (unlisted French company), Groupe PSP (unlisted French company)
- Manager: Société Civile du Bannot (unlisted French company)

Thierry Mabille de Poncheville complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Director: SICAV MO Select, Groupe PSP, SICAV Armène

JEAN-PATRICK FORTLACROIX

Date of birth: 14 September 1957

Number of shares held: 153 shares

Jean-Patrick Fortlacroix is a qualified chartered accountant with a postgraduate DESS degree in banking and finance and a master's degree in accounting and finance. As a chartered accountant and Statutory Auditor, he possesses genuine expertise in real estate, taxation and consolidation, particularly in the healthcare and nursing home sectors.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Chairman of Add Equation (unlisted French company)
- Manager of Cadeco (unlisted French company)

Jean-Patrick Fortlacroix complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

None

MORITZ KRAUTKRÄMER (DIRECTOR SINCE 26 MARCH 2019)

Date of birth: 26 February 1981

Number of shares held: 1 share

Moritz Krautkrämer joined Canada Pension Plan Investment Board (CPPIB) in 2010 as Senior Principal in Relationship Investments, making strategic minority investments in listed and soon-to-be listed companies. He has overseen investments in the healthcare, business services and insurance sectors. His career began as an M&A and corporate financing advisor in the Communication, Media and Technology Investment Banking Group at Scotiabank in Toronto.

He is a graduate of the University of British Columbia where he was a Fellow of the UBC Portfolio Management Foundation.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Moritz Krautkrämer complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

None

BRIGITTE LANTZ

Date of birth: 5 January 1953

Number of shares held: 105 shares

Brigitte Lantz is a nephrology specialist. She graduated from the Paris Faculty of Medicine, is a practising hospital physician at Necker Hospital (in the Nephrology-Dialysis-Transplantation department) and holds a postgraduate DEA degree in endocrinology.

Between 2007 and 2019, Brigitte Lantz was an advisor to the Director-General of the Assistance Publique – Hôpitaux de Paris public hospital authority for the Paris region. Between 2002 and 2012, she advised several French health ministers (Jean-François Mattei, Philippe Douste-Blazy, Xavier Bertrand) and undertook special assignments for Roselyne Bachelot and François Fillon. Brigitte Lantz also served as a government commissioner in 2002, working on the decrees introducing a framework for dialysis in France. Between 1997 and 2002, she was a technical advisor to the Director of Hospitals (Claire Bazy-Malaury), then medical advisor to the Director-General of the Hospital System and Care (Édouard Couty). Between 1991 and 1997, Brigitte Lantz worked in dialysis clinics as an independent physician. From 1979 until 1991, she was international project leader for the Servier pharmaceutical group.

Brigitte Lantz is also General Secretary of the French kidney foundation and the Princess Margareta of Romania charitable foundation in France.

In addition, she has published various books and works on medicine.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

None

Brigitte Lantz complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

None

JOY VERLÉ

Date of birth: 23 May 1979

Number of shares held: 1 share

Joy Verlé joined Canada Pension Plan Investment Board (CPPIB) in 2016 as Senior Principal in Relationship Investments, making strategic minority investments in listed and soon-to-be listed companies.

After graduating from the HEC Paris business school in 2003, she initially worked in M&A and capital markets activities for Morgan Stanley. In 2006, she moved to the Bregal Capital fund where she led private equity transactions in the education, renewable energies and healthcare sectors as a partner. She has also held directorships in three companies active in the education and renewable energies sectors.

Terms of office in progress

Offices and positions held in Group companies

- Director of ORPEA

Offices and positions held in non-Group companies

- Member of the Supervisory Board: ELIS (listed French company)

Joy Verlé complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

- Member: Bregal Capital LLP

SOPHIE KALAIDJIAN, DIRECTOR REPRESENTING EMPLOYEES

Date of birth: 8 December 1977

Number of shares held: 20 shares

As an elected representative of the Works Committee of the ORPEA economic and social unit (which became the ORPEA Social and Economic Committee on 6 June 2019), Sophie Kalaidjian has attended meetings of the Board of Directors since January 2015 (and is entitled to vote). Since 20 November 2018, she has been a member of the Appointments and Remuneration Committee.

A lawyer by training, Sophie Kalaidjian has been a Group employee for nearly 16 years. She is currently Head of Legal Affairs at CLINEA. In this role, she is involved in the development of the Group's hospitals and in monitoring their compliance with the applicable health legislation. The Board's discussions are enhanced by her complementary insights, underpinned by her knowledge of the Group.

Terms of office in progress

Offices and positions held in Group companies

- Director representing employees of ORPEA

Offices and positions held in non-Group companies

None

Sophie Kalaidjian complies with the relevant regulations concerning the number of offices that may be held concurrently.

Offices that expired in the past five years

None

5.8.3 APPENDIX 3: STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS

Annual General Meeting called to approve the financial statements for the financial year ended 31 December 2019

To the Annual General Meeting of ORPEA,

In our capacity as the Statutory Auditors of ORPEA (hereinafter "the Company"), we hereby present our report concerning regulated agreements.

Our role is to report to you, based on the information provided to us, on the essential characteristics and arrangements of the agreements and on the justification for the Company entering into the agreements brought to our attention or that we learnt of during our assignment. It is not our responsibility to comment on their effectiveness or appropriateness or to check whether any other such agreements exist.

Pursuant to Article R. 225-31 of the French Commercial Code, it is your responsibility to determine whether the agreements are appropriate and should be approved.

Furthermore, it is our role to report to you, where appropriate, on the disclosures provided for in Article R. 225-31 of the French Commercial Code on the continued execution during the past financial year of agreements already approved by the Annual General Meeting.

We performed the procedures we deemed necessary in accordance with the professional standards for Statutory Auditors applicable in France for this type of engagement. Those procedures consisted of verifying the consistency of the information provided to us with the source documents.

AGREEMENTS SUBJECT TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements authorised and entered into during the past financial year

We hereby inform you that we have not been advised of any agreements that were authorised and entered into during the past financial year that are subject to the approval of the Annual General Meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS PREVIOUSLY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements approved during previous financial years

a. The performance of which continued during the past financial year

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed of the continued performance during the past financial year of the following agreements that were previously approved by the Annual General Meeting.

1. Arrangement of unemployment insurance for Yves Le Masne, Chief Executive Officer
(Authorised by the Board of Directors on 29 June 2006)

Corporate officer concerned: Yves Le Masne

Nature and purpose: Arrangement of an unemployment insurance policy for Yves Le Masne, with the corresponding premiums paid by the Company.

Financial impact over the 2019 financial year: The Company paid premiums amounting to €32,277.37 excluding taxes in respect of the 2019 financial year.

2. Arrangement of unemployment insurance for Jean-Claude Brdenk, Chief Operating Officer
(Authorised by the Board of Directors on 25 April 2013)

Corporate officer concerned: Jean-Claude Brdenk

Nature and purpose: Arrangement of an unemployment insurance policy for Jean-Claude Brdenk, with the corresponding premiums paid by the Company.

Financial impact over the 2019 financial year: The Company paid premiums amounting to €32,277.37 excluding taxes in respect of the 2019 financial year.

b. Not executed in the past financial year

In addition, we were informed that the following agreements approved previously by the Annual General Meeting remained in force but were not executed during the past financial year.

1. Agreement on investment arrangements with FFP Invest

(Authorised by the Board of Directors on 11 December 2014)

Director concerned: FFP Invest, represented by Thierry Mabille de Poncheville

Nature and purpose:

- Right granted to FFP Invest to participate in any future capital increase by the Company, or, if the envisaged transaction does not allow it to subscribe to shares in said capital increase, to restore its percentage interest in the share capital by any and all means to be agreed by the parties. This best efforts commitment does not apply in the event of dilution arising from a contribution in kind, a takeover bid or a merger;
- Right granted to FFP Invest to obtain the Company's assistance in connection with any major disposals of shares that FFP Invest wishes to carry out. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person, or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions. This right to assistance may not be solicited more than three times in any five-year period.

This agreement had no financial impact during the past financial year.

2. Agreement on investment arrangements with Sofina

(Authorised by the Board of Directors on 11 December 2014)

Director concerned: Xavier Coirbay, member of the Executive Committee of Sofina

Nature and purpose:

- Right granted to Sofina to participate in any future capital increase by the Company, or, if the envisaged transaction does not allow it to subscribe to shares in said capital increase, to restore its percentage interest in the share capital by any and all means to be agreed by the parties. This best efforts commitment does not apply in the event of dilution arising from a contribution in kind, a takeover bid or a merger;
- Right granted to Sofina to obtain the Company's assistance in connection with any major disposals of shares that Sofina wishes to carry out. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person, or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions. This right to assistance may not be solicited more than three times in any five-year period.

This agreement had no financial impact during the past financial year.

3. Investment agreement with CPPIB

(Authorised by the Board of Directors on 11 December 2013 and 11 December 2014)

Directors concerned:

- Moritz Krautkrämer, Senior Principal in Relationship Investments at CPPIB
- Joy Verlé, Principal in Relationship Investments at CPPIB

Nature and purpose: At its meeting on 11 December 2013, the Board of Directors authorised ORPEA (the "Company") to enter into an investment agreement (the "Investment Agreement") with CPPIB, setting forth the principal arrangements for CPPIB's investment in connection with its acquisition of a shareholding in ORPEA.

The principal terms and conditions of the Investment Agreement are as follows:

- the Investment Agreement has a term of 10 years;
- CPPIB may be represented on the Board of Directors by a director provided that CPPIB continues to hold at least 8% of the voting rights, and by two directors provided that CPPIB holds at least 16% of the voting rights, with this director or these directors being appointed to the Audit Committee, Appointments and Remuneration Committee and any other Committee that may be established;
- Provided that CPPIB holds at least 5% of the Company's share capital, the Company will make every effort to ensure CPPIB is able to subscribe to any shares issued as part of a capital increase in proportion to its interest in the Company, or if the envisaged transaction does not allow it to subscribe to shares through said capital increase, to restore its percentage interest in the share capital by any and all means to be agreed by the parties. This best efforts commitment does not apply in the event of dilution arising from a contribution in kind, a takeover bid or a merger;
- CPPIB may not dispose of the shares it has acquired or subscribed to in connection with the Acquisition and Capital Increase for a period of eighteen (18) months from the date of the Acquisition. Once this period expires, CPPIB may request the Company's cooperation to complete any disposals of significant blocks of shares or private placements. A disposal of shares is deemed to be significant if it consists of more than 10% of the share capital sold to a given person, or more than 5% where the shares are sold to various investors. The Company's assistance involves the coordination of the various selling shareholders, and the provision of reasonable assistance to facilitate the sale transactions. This right to assistance may not be solicited more than three times in any five-year period;
- CPPIB may continue to acquire the Company's shares directly or indirectly, on- and off-market.

At its meeting on 11 December 2014, the Board of Directors authorised a supplementary clause to the Investment Agreement concerning notification of the Company's Board of Directors of any request for assistance from CPPIB in the event of any major disposals of its shares:

- Upon the Company's receipt of a request for assistance, the Company may inform the Board of Directors if it has previously informed CPPIB of its intention to do so,
- The Company will not inform the Board of Directors if the request for assistance is withdrawn within five business days of CPPIB's receipt of the Company's notification.

This agreement had no financial impact during the past financial year.

Paris and Paris-La Défense, 24 April 2020

The Statutory Auditors

Saint-Honoré BK&A	**Deloitte & Associés**
Emmanuel Klinger	Jean-Marie Le Guiner

6 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

6.1 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	31/12/2019	31/12/2018
Revenue		**3,740,215**	**3,419,764**
Purchases used and other external expenses		(718,664)	(915,600)
Staff costs		(1,978,058)	(1,802,301)
Taxes other than on income		(129,189)	(119,313)
Depreciation, amortisation and charges to provisions		(445,684)	(175,896)
Other recurring operating income		47,673	30,686
Other recurring operating expense		(12,511)	(9,649)
Recurring operating profit		**503,782**	**427,691**
Other non-recurring operating income	3.20	109,297	134,839
Other non-recurring operating expense	3.20	(72,258)	(116,967)
OPERATING PROFIT		**540,821**	**445,563**
Financial income		11,155	12,410
Financial expense		(226,107)	(148,576)
Net financial profit	**3.21**	**(214,952)**	**(136,166)**
PROFIT BEFORE TAX		**325,869**	**309,397**
Income tax expense	3.22	(98,610)	(95,309)
Share in profit/(loss) of associates and joint ventures	3.6	5,509	6,987
NET PROFIT OF CONSOLIDATED COMPANIES		**232,768**	**221,075**
Attributable to non-controlling interests		(1,221)	684
Attributable to ORPEA's shareholders		**233,990**	**220,391**
Number of shares		64,615,837	64,586,323
Consolidated net profit attributable to ORPEA's shareholders per share *(in euros)*		3.62	3.41
Diluted consolidated net profit attributable to ORPEA's shareholders per share *(in euros)*		3.57	3.41

The accompanying notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)		31/12/2019	31/12/2018
Net profit for the financial year	**a**	**233,990**	**220,391**
Change in exchange differences		(3,515)	8,896
Change in fair value of available-for-sale financial assets			
Cash flow hedges		(87,503)	(30,936)
Tax effect on items that may be reclassified to profit or loss		22,598	7,989
Total items that may be reclassified to profit or loss	b	(68,420)	(14,050)
Comprehensive income net of items that may be reclassified to profit or loss	**a+b**	**165,570**	**206,341**
Actuarial gains/(losses)		59	(16,043)
Revaluation of properties		79,505	171,710
Impact of the measurement of deferred taxes at the rate expected to apply			
Tax effect on items that may not be reclassified to profit or loss		(20,358)	(40,788)
Total items that may not be reclassified to profit or loss	c	59,206	114,879
Comprehensive income net of items that may not be reclassified to profit or loss	**a+b+c**	**224,776**	**321,220**
Other comprehensive income (net of tax)	**b+c**	**(9,214)**	**100,829**
COMPREHENSIVE INCOME	**A+B+C**	**224,776**	**321,220**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)	Notes	31/12/2019	31/12/2018
ASSETS			
Goodwill	3.1	1,298,972	1,137,160
Intangible assets, net	3.2	2,469,080	2,256,670
Property, plant and equipment, net	3.4	5,421,534	5,267,667
Properties under construction	3.4	595,123	445,627
Right-of-use assets	3.5	2,334,315	
Investments in associates and joint ventures	3.6	166,853	111,136
Non-current financial assets	3.7	60,365	42,161
Deferred tax assets	3.22	93,983	43,383
Non-current assets		**12,440,225**	**9,303,806**
Inventories		12,513	9,697
Trade receivables	3.8	263,482	229,964
Other receivables, accruals and prepayments	3.9	584,060	626,626
Cash and cash equivalents	3.13	838,741	767,987
Current assets		**1,698,796**	**1,634,274**
Assets held for sale	**3.10**	**400,000**	**206,493**
TOTAL ASSETS		**14,539,021**	**11,144,573**
LIABILITIES AND EQUITY			
Share capital		80,770	80,733
Consolidated reserves		2,147,260	2,110,438
Revaluation reserves		552,021	557,720
Net profit for the financial year		233,990	220,391
Equity attributable to ORPEA's shareholders	**3.11**	**3,014,041**	**2,969,282**
Non-controlling interests		(2,918)	1,392
Total consolidated equity		**3,011,123**	**2,970,675**
Non-current financial liabilities	3.13	5,858,457	5,104,441
Long-term lease commitments		2,262,279	
Provisions	3.12	111,760	114,851
Post-employment and related benefit obligations	3.12	87,347	83,717
Deferred tax liabilities	3.22	1,027,865	930,770
Non-current liabilities		**9,347,708**	**6,233,778**
Current financial liabilities	3.13	514,945	685,224
Short-term lease commitments		237,597	
Provisions	3.12	27,253	32,489
Trade payables	3.15	253,782	268,456
Tax and payroll liabilities	3.16	237,878	363,170
Current income tax liabilities		22,988	25,374
Other payables, accruals and prepayments	3.17	485,747	358,914
Current liabilities		**1,780,190**	**1,733,627**
Liabilities associated with assets held for sale		**400,000**	**206,493**
TOTAL LIABILITIES AND EQUITY		**14,539,021**	**11,144,573**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Notes	31/12/2019	31/12/2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit of consolidated companies		233,990	220,391
Elimination of non-cash income and expense related to operating activities*		132,064	120,637
IFRS 16 lease cost		298,255	
Net finance cost	3.21	147,876	136,166
Financial expenses on lease commitments	3.21	67,076	
Gains on asset disposals not related to operating activities net of tax		(5,791)	(22,108)
Gross cash flow from operations generated by consolidated companies		**873,470**	**455,086**
Change in the operating working capital requirement			
■ Inventories		(2,791)	(956)
■ Trade receivables	3.8	(32,585)	(23,822)
■ Other receivables	3.9	(1,649)	(23,098)
■ Tax and payroll liabilities		21,642	31,004
■ Trade payables	3.15	(8,703)	34,158
■ Other payables	3.17	(42,926)	(57,260)
Net cash generated by/(used in) operating activities		**806,458**	**415,112**
CASH FLOW FROM INVESTING AND DEVELOPMENT ACTIVITIES			
Property investments		(718,123)	(718,689)
Disposals of real estate		16,027	23,258
Other acquisitions and changes		(276,151)	(264,267)
Net cash generated by/(used in) investing activities		**(978,247)**	**(959,698)**
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders of the parent	3.11	(77,539)	(71,045)
Net cash inflows/(outflows) related to bridging loans and bank overdrafts	3.13	27,783	57,279
Proceeds from new finance leases	3.13	97,217	189,861
Proceeds from other borrowings	3.13	1,642,877	1,612,412
Outflows from IFRS 16 leases		(298,255)	
Repayments of other borrowings	3.13	(720,486)	(788,691)
Repayments under finance leases	3.13	(214,102)	(164,975)
Net financial profit and other changes	3.21	(214,952)	(136,166)
Net cash generated by/(used in) financing activities		**242,543**	**698,675**
CHANGE IN CASH AND CASH EQUIVALENTS		**70,754**	**154,089**
Cash and cash equivalents at beginning of period		767,987	613,898
Cash and cash equivalents at end of period		**838,741**	**767,987**
Analysis of cash and cash equivalents at end of period		**838,741**	**767,987**
Marketable securities	3.13	10,870	77,876
Cash	3.13	827,871	690,112

* *Chiefly depreciation, amortisation, charges to provisions, deferred taxes, share in income of associates and excess of fair value of assets and liabilities, and the redevelopment costs and non-recurring expenses arising from the acquisition of facilities, other IFRS 16 expenses and income.*

The accompanying notes are an integral part of the financial statements.

INFORMATION CONCERNING CONSOLIDATED EQUITY

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of euros except for the number of shares)	Number of shares	Share capital	Share premiums	Revaluation reserves	Other reserves	Profit or loss	Total attributable to ORPEA's shareholders	Non-controlling interests	Total
31/12/2018	**64,586,323**	**80,733**	**950,642**	**557,720**	**1,159,796**	**220,391**	**2,969,282**	**1,392**	**2,970,675**
Change in fair value of properties				58,973			58,973		58,973
Post-employment benefit obligations				233			233		233
Financial instruments				(64,905)			(64,905)		(64,905)
Exchange differences					(3,515)		(3,515)		(3,515)
Impact of the measurement of deferred taxes							0		0
Changes in fair value recognised directly in equity		**0**	**0**	**(5,699)**	**(3,515)**	**0**	**(9,214)**	**0**	**(9,214)**
Reclassifications									
Appropriation of net profit					142,852	(220,391)	(77,539)		(77,539)
Net profit at 31 December 2019						233,990	233,990	(1,222)	232,768
OCEANE					51,839		51,839		51,839
Other					(477)		(477)	(3,088)	(3,565)
Other					(7,664)		(7,664)		(7,664)
Other (IFRS 16)					(145,582)		(145,582)		(145,582)
Bonus share allotment plan	29,514	37	(37)		(596)		(596)		(596)
Cancellation of treasury shares							0		0
31/12/2019	**64,615,837**	**80,770**	**950,605**	**552,021**	**1,196,655**	**233,990**	**3,014,041**	**(2,918)**	**3,011,123**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Amounts are stated in thousands of euros unless otherwise stated.

The 2019 consolidated financial statements for the ORPEA Group were approved by the Board of Directors on 23 April 2020.

1. SIGNIFICANT ACCOUNTING POLICIES

ORPEA SA is a French company that has its registered office at 12, rue Jean-Jaurès, 92800 Puteaux, France. It is the parent company of a group that operates long-term and short-term care facilities, primarily through the operation of nursing homes, post-acute and psychiatric hospitals and home care.

1.1 Accounting standards

In accordance with EC Regulation No. 1606/2002 of 19 July 2002, the ORPEA Group has prepared its 2019 consolidated financial statements in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory at the reporting date of these financial statements.

This framework, available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias_en.htm), consists of the international accounting standards (IAS and IFRS) and IFRIC interpretations (International Financial Reporting Interpretations Committee).

The accounting methods presented below have been applied consistently to all the periods presented in the consolidated financial statements, except for the new standards and interpretations described below.

The new mandatory standards and interpretations for periods beginning on or after 1 January 2019 and applicable to the ORPEA Group are:

- IFRS 16: *Leases*;
- amendments to IFRS 9: *Prepayment features with negative compensation*;
- amendments to IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- IFRIC 23: *Uncertainty over Income Tax Treatments*;
- annual improvements to IFRS (2015-2017 cycle);
- amendment to IAS 19: *Plan Amendment, Curtailment or Settlement*.

The application of these new standards and amendments did not have a material impact on the financial statements for the period with the exception of IFRS 16, the impacts of which are set out in Note 1.2.

IFRIC 23 note

The interpretation of IFRIC 23 complements the provisions of IAS 12 – *Income taxes* by specifying the methods for measuring and recognising uncertainties relating to income taxes. The application of the interpretation of IFRIC 23: *Uncertainty over Income Tax Treatments* had no impact on the financial statements at 31 December 2019.

The Group did not apply any of the new standards and interpretations that were not mandatory at 1 January 2019. These are primarily the following:

Standards adopted by the European Union that will be mandatory at 1 January 2020:

- amendment to IFRS 3: *Definition of a business*;
- amendments to References to the IFRS Conceptual Framework;
- amendments to IAS 1 and IAS 8: change to the definition of "material";
- amendments to IFRS 9, IAS 3 and IFRS 7: *Interest rate benchmark reform*.

Standard not yet adopted by the European Union:

- IFRS 17: *Insurance Contracts*.

The detailed analysis of these standards and amendments is currently under way, but no material impact is expected on the Group's financial statements.

Background information on the decision to measure operating properties in accordance with IAS 16

The Group elected, with effect from its financial statements for the year ended 31 December 2007, to measure the operating properties, land and buildings owned and operated by the Group using the revaluation model set out in IAS 16, in order to give a more accurate view of the value of its property portfolio.

Details of how this model is implemented are provided in Note 1.9.

The consolidated financial statements and notes thereto are presented in euros.

1.2 IFRS 16

The Group applied IFRS 16 at 1 January 2019 to leases existing on the transition date, using the "simplified retrospective" method. Data for the 2018 financial year, presented for comparison purposes, were therefore not restated in accordance with the transitional provisions of IFRS 16.

IFRS 16: *Leases* modifies the accounting model of leases for lessees. It replaces IAS 17 and the IFRIC 4, SIC 15 and SIC 27 interpretations. IFRS 16 imposes a single lessee accounting model that consists of recording as a liability a lease commitment equal to the sum of discounted future payments and recording right of use as an asset.

With the exception of certain intra-group leases, the Group has no material lease as a lessor. The accounting treatment of leases where the Group is a lessor was not significantly modified by IFRS 16 in relation to the applicable standards up to 31 December 2018.

The Group applies the provisions of IFRS 16 described below for all its leases of underlying assets with a significant replacement value and/or a term of more than twelve months, taking into account any renewal options provided for in the contract.

Leases entered into by the Group mainly concern real estate and certain transport equipment and materials necessary for the care of patients and residents.

The simplified retrospective method enables the simple calculation of certain impacts on the date of initial application.

This method consists in recognising:

- as a liability, a lease commitment corresponding to the discounted value of future lease payments from the transition date over the enforceable term of the contract, including any renewal and early termination options if the Group is reasonably certain of exercising them;
- as an asset, a right of use that is either equal to the lease liability restated with any provisions for onerous contracts and/or provisions for lease payments and/or prepayments, or for an amount equal to the lease commitment calculated as if the standard had been applied from the lease start date and/or the date of entry into the Group's scope.

Leases for periods less than one year or for low-value assets continue to be recognised under profit and loss without an impact on the Group's balance sheet.

To determine the incremental debt rate used when discounting flows, the Group has adopted its incremental borrowing rate as a basis for the calculation, based on the remaining term of leases as well as the impact of geographical regions to reflect the risks specific to each country and business unit.

A deferred tax was recognised for the difference between rights of use and lease commitments falling within the scope of IFRS 16, similar to the approach taken for finance leases.

The measurement of the enforceable period of the leases was carried out taking into account the final decision of the IFRIC IC on this issue, from the date of initial application.

The lease terms considered correspond to enforceable periods without extension, except when the current lease expires within the next three years. In this case, the term is adjusted to the specific situations of each of the leases, taking into account the lease extension or renewal options.

Treatment of finance leases according to IFRS 16

In the past, the Group has frequently used and continues to use finance leases with its financial partners for the financing of properties acquired, for restructuring or for the construction of new properties.

The amounts at 31 December 2019 relating to these transactions were €1,527 million in property, plant and equipment (see Note 3.4.1) and €928 million in financial debts (see Note 3.13).

Finance leases result in a legal assignment of properties but do not lead to the derecognition of the asset. This is because the Group retains control of the asset, since it is a financing transaction. As these financial arrangements are substantially asset purchases and not leases, real-estate assets are considered as property, plant and equipment in accordance with IAS 16 and the corresponding liabilities are considered as financial liabilities within the meaning of IFRS 9.

The first-time adoption of IFRS 16 at 1January 2019 therefore had no impact on the recognition and presentation of these transactions, since they are not leases under IFRS 16.

The impacts of the first-time adoption of IFRS 16 at 1 January 2019 are as follows:

Assets *(in thousands of euros)*		**Liabilities and equity** *(in thousands of euros)*	
Right-of-use assets	2,234,792	Other reserves	(145,582)
Deferred taxes	50,909	Long-term lease commitments	2,210,951
Other receivables, accruals and prepayments	(3,509)	Short-term lease commitments	216,823
TOTAL	**2,282,192**	**TOTAL**	**2,282,192**

Reconciliation of the amount of the lease commitment with off-balance sheet commitments at 1 January 2019:

Commitments given under operating leases at 31/12/2018 *(in thousands of euros)*	**3,098,153**
Effects relating to optional periods not accounted for in off-balance sheet commitments	97,923
Effects relating to short-term leases not recognised in lease commitments at 1 January 2019	(274,370)
Other effects (other IFRS 16 exemptions)	(258)
Lease commitment before discounting	**2,921,448**
Effect of discounting	**(493,674)**
LEASE COMMITMENT AT 01/01/2019	**2,427,774**

1.3 Basis of accounting

The financial statements have been prepared according to the historical cost principle. In an exception to this principle, the fully or jointly-owned properties operated by the Group are measured at fair value (see Note 1.9), as are derivatives (see Note 1.23) and cash and cash equivalents.

Available-for-sale financial assets are valued at the lower of their net carrying amount and their fair value less costs to sell.

Financial liabilities are valued at amortised cost.

The carrying amounts of hedged assets and liabilities recognised on the balance sheet are adjusted to take account of changes in the fair value of the hedged risks.

1.4 Use of estimates and assumptions

The preparation of financial statements requires management to make certain estimates and use assumptions that affect the reported amounts of assets and liabilities recognised on the consolidated balance sheet, disclosures about these assets and liabilities, the reported amounts of income and expenses on the income statement, and commitments relating to the reporting period. Actual amounts appearing in ORPEA Group's future financial statements may differ from current estimates. These estimates and assumptions are reviewed regularly.

The assumptions primarily concern:

- calculation of the revalued amount of properties (see Note 3.4);
- data used in impairment testing of intangible assets and property, plant and equipment (see Note 3.3);
- provisions for post-employment and lump-sum benefit obligations (see Note 3.12);
- provisions for liabilities and litigation (see Note 3.12);
- financial instruments (see Note 3.14).

1.5 Basis of consolidation

Entities indirectly or directly controlled by the Group are fully consolidated.

Joint arrangements classified as joint operations are consolidated line by line in relation to the Group's actual interest. Joint arrangements classified as joint ventures are accounted for using the equity method.

Entities over which the Group has significant influence, directly or indirectly, are accounted for using the equity method. Significant influence is presumed to exist when the Group holds more than 20% of the voting rights.

These investments in associates and joint ventures are accounted for using the equity method. They are recognised at cost including any goodwill at the date of acquisition.

Their carrying amount reflects the Group's share in its profits subsequent to the acquisition. If losses exceed the Group's net investment in the entity concerned, these are not recognised by the Group unless it has an obligation to recapitalise the entity or make payments on its behalf.

Investments in associates and joint ventures classified as held for sale are accounted for in accordance with IFRS 5 (see Note 1.12).

Acquisitions and disposals made during the year are included in the consolidated financial statements from the date on which control or significant influence is acquired to the date on which it ceases.

The consolidated financial statements have been drawn up on the basis of the financial statements of all consolidated entities at 31 December.

1.6 Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3: *Business combinations*, published in January 2008 by the International Accounting Standards Board (IASB) and adopted early by the Group with effect from 1 January 2009.

Acquisitions of businesses are generally contingent upon the award by the supervisory authorities of a licence to the Group as the new operator. Other conditions precedent may be provided for on a case-by-case basis.

In such cases, the acquisition goes ahead and the newly acquired entity is consolidated once the conditions precedent have been satisfied.

A business combination is accounted for using the acquisition method only as of the date on which control is acquired.

If an equity interest in the entity was held prior to acquiring control, it is re-measured at fair value and any difference is recognised in non-recurring operating profit.

Transaction costs, such as intermediaries' fees, legal, advisory, accounting, appraisal and other fees, and associated taxes and duties, are recognised in non-recurring operating expenses for the period.

Identifiable assets, liabilities and contingent liabilities of the acquired entity which meet the conditions for recognition set out in IFRS 3 are measured at fair value except for assets (or disposal groups) that qualify as non-current assets held for sale under IFRS 5, which are recognised and measured at fair value less costs to sell.

On first-time consolidation of an acquired entity, the Group has up to 12 months from the acquisition date in which to determine the fair value of identifiable assets, liabilities and contingent liabilities acquired.

In the light of current regulations, licences to operate hospitals and nursing homes are recognised and measured as identifiable intangible assets at the date of acquisition.

Acquisitions of facilities in Belgium and in Italy have given rise to the recognition of intangible assets since 1 July 2007, as have the new facilities acquired in Spain and Switzerland since 2014 and those acquired in Austria since 2015, in Poland and the Czech Republic since 2017, in Portugal since 2018 and in the Netherlands since 2019.

Operating licences for certain foreign facilities do not meet the requirements for recognition of an identifiable intangible asset and are accordingly included in goodwill.

Properties are measured at fair value taking account of their specific characteristics.

The Group also analyses any risks and obligations (employee-related, tax-related, property-related and other) that arise during the due diligence process for acquisitions.

The difference between the cost of acquisition and the Group's interest in the fair value of acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. Goodwill, measured in the functional currency of the acquired entity, is recognised as an asset on the balance sheet. It is not amortised but tested for impairment whenever there is an indication of impairment and at least once a year at the end of the financial year (see Note 1.9 below). Any impairment losses are recognised in "Other non-recurring operating expenses". Goodwill impairment cannot subsequently be reversed under any circumstances.

If the fair value of assets, liabilities and contingent liabilities acquired is higher than the cost of the acquisition, the negative goodwill is recognised immediately in profit or loss under "Other non-recurring operating income" (see Note 3.20).

Since the revised IFRS 3 was adopted, minority interests in consolidated subsidiaries can be measured at fair value or by the share of non-controlling interest in the identifiable net assets of the acquired company.

This option is available on a transaction-by-transaction basis.

Goodwill arising on entities accounted for by the equity method is included in "Investments in associates and joint ventures".

Upon disposal of a subsidiary, jointly-controlled entity or facility, the corresponding goodwill is included when determining the gain or loss on disposal recorded under non-recurring operating profit.

1.7 Translation of the financial statements of foreign entities

The consolidated financial statements are prepared in euros.

Financial statements of subsidiaries with a different functional currency are translated into euros as follows:

- at the official rate at the reporting date for assets and liabilities;
- at the average rate for the period for income statement and cash flow statement items.

Any exchange differences resulting from the application of these exchange rates are recognised under "Foreign currency translation reserves", a component of "Consolidated reserves" in consolidated equity.

The functional currency of the Swiss, Polish, Czech, Chinese, Brazilian, Uruguayan and Chilean subsidiaries is not the euro.

1.8 Intangible assets

Intangible assets mainly comprise licences to operate beds in nursing homes, post-acute hospitals and psychiatric hospitals in France, Belgium, Switzerland, Spain, Italy, Austria, Poland, the Czech Republic, Portugal, the Netherlands and Germany.

These licences are considered to have an indefinite useful life, in line with the market position adopted by the sector. This position is based on the following observations and is reinforced by the Group's past experience:

- the probability of the licences being withdrawn or not renewed is low, given that the Group adheres strictly in the management of its facilities to the guidelines and standards set by the various supervisory authorities;
- the costs incurred in maintaining licences are not material.

These intangible assets are recognised at cost. Cost is equal to the price actually paid when acquired separately or at fair value when acquired as part of a business combination.

Fair value is estimated based on the type of operation: between 100% and 125% of annual revenue in France, between 80% and 100% in Belgium and Switzerland, between 80% and 150% in Italy and Spain, between 50% and 100% in Austria and the Czech Republic, 100% in Poland and Portugal and between 75% and 100% in the Netherlands and Germany.

The annual revenue used to establish the value of assets is adjusted based on historical data and the following assumptions: licensed capacity of the facility at the date of acquisition, as well as the applicable accommodation and per diem rates; occupancy rate of the facility (projected to be 95%), number of private rooms to be available and the corresponding rates; and, for residential facilities for the elderly, the corresponding medical care or dependency care rates, as applicable. For facilities in a start-up phase, the revenue applied is that projected at maturity.

The multiples used are representative of comparable market transactions.

Intangible assets with an indefinite useful life are not amortised but tested for impairment at each reporting date or whenever there is an indication that they might be impaired. If their recoverable amount is lower than their net carrying amount, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

The amortisation period applied to other intangible assets ranges between one and ten years.

1.9 Property, plant and equipment

Property, plant and equipment mainly comprises land, buildings, fixtures and fittings, and equipment.

The Group's operating properties are either acquired, built or redeveloped by the Group.

As part of its asset management policy, the Group regularly sells operating properties it owns. These sales are carried out in a block or in lots and are then leased back from the new owner.

Disposals may include properties owned and operated by the Group for several years and also properties that have been recently acquired, redeveloped or built.

Properties retained by the Group are generally held under finance leases.

Properties that the Group intends to sell are classified as "Assets held for sale".

Measurement of property, plant and equipment

Property, plant and equipment other than operating properties are measured at their cost of acquisition or production less accumulated depreciation and any impairment, in line with the standard treatment under IAS 16: *Property, Plant and Equipment*.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset, as required by IAS 23: *Borrowing Costs.*

Revaluation of operating properties in service

Properties held mainly under finance leases, comprising land and buildings and operated by the Group are measured at fair value in accordance with IAS 16.31: *Property, Plant and Equipment*.

The revalued value of the properties is reviewed by external professionally qualified appraisers. Barring significant changes in market conditions, all the properties included in the Group's portfolio are reviewed over a three-year period, with new additions being reviewed at the end of the corresponding period.

Fair value is calculated based on location, type of operation and operating conditions.

The revalued value of each property is determined by capitalising an estimated market rent for each facility based on industry norms. The capitalisation rates applied depend on location, type of operation and form of ownership.

The difference between cost and fair value is recognised under "Revaluation reserves" net of taxes in equity.

If the revalued value of a property, land and buildings falls below historical cost, an impairment loss is recognised in profit or loss under "Other non-recurring operating expense".

Fair value adjustments to buildings are amortised over the residual life of each facility.

Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line basis. Depreciation is calculated based on the expected useful life of each asset or each of its components having different useful lives in line with the following criteria:

- Buildings, fixtures and fittings: 12 to 60 years
- Technical installations, equipment: 3 to 10 years
- Other: 3 to 10 years

Property, plant and equipment is tested for impairment whenever there is an indication of impairment. Any impairment losses are recognised in profit or loss under "Other non-recurring operating expense".

Proprietary property development projects carried out by the Group

Under its expansion policy and in order to meet its quality standards, the Group manages most of its own operating property development or redevelopment projects.

These properties are either kept by the Group or sold to investors.

The cost of new or redeveloped properties includes the cost of purchasing the land, any buildings to be redeveloped and all development and redevelopment costs. These include direct production costs and borrowing costs directly attributable to the production of the asset in accordance with IAS 23.11: *Borrowing Costs*.

Properties sold off-plan to investors are accounted for using the percentage of completion method and therefore comply with IFRS 15.

The degree of completion is determined based on accrued costs after validation by the project manager, and corresponds to the technical advancement in terms of the overall costs of the project.

Marketing expenses directly attributable to assets sold off-plan are recognised as assets under property, plant and equipment in progress and are charged back in proportion to the percentage of completion.

For real-estate projects in the process of being sold, the calls for funds amount for off-plan sales is deducted from the assets side of the balance sheet.

Gains or losses on sales of properties are recorded under "Other non-recurring operating income and expense" in order to distinguish the results linked to these operations from the results generated by the current operations of the facilities.

Leases

For operating leases, the lease payments (with the exception of service costs such as insurance and maintenance) are expensed on a straight-line basis, as long as no other systematic basis is more representative of the time pattern of the user's benefits, even if the payments are not made on this basis.

Sale and leaseback transactions followed by the conclusion of an operating lease give rise to the derecognition of the underlying asset, the recognition of a right of use corresponding to the retained share of the net carrying amount of the asset sold and the corresponding debt, as well as the recognition of part of the sale as "Other non-recurring operating income and expense" for the financial year, limited to the rights of use assigned to the buyer-lessor.

1.10 Impairment of long-term assets

In accordance with IAS 36: *Impairment of Assets*, the Group assesses the recoverability of its long-term assets as follows:

- property, plant and equipment, and intangible assets with a finite useful life are tested for impairment if there is an indication of impairment;
- intangible assets with an indefinite useful life and goodwill are tested for impairment whenever there is an indication of impairment and at least once a year at the reporting date.

Impairment testing consists of comparing the net carrying amount with the higher of the following two values: fair value less costs to sell, and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The discount rate used is equal to the Group's weighted average cost of capital, which is representative of the sector rate (see Note 3.3).

Any impairment of the assets of a cash-generating unit (CGU), or group of CGUs in the case of foreign operations, is charged primarily to the relevant goodwill, if any, the balance being allocated to the rest of the assets in proportion to their carrying amount.

Each nursing home or hospital represents a CGU. A CGU's main assets are goodwill where goodwill is allocated to the CGU, intangible assets (operating licences) and any operating properties revalued at fair value (see Note 1.9).

1.11 Non-current financial assets

Investments that are not consolidated because they do not satisfy the materiality thresholds are measured at cost.

Investments that are not consolidated because of the Group's percentage holding are recognised as available-for-sale financial assets. They are measured at cost on initial recognition and subsequently at fair value if this can be determined reliably.

Otherwise, they are measured at cost less any accumulated impairment. In this case, their recoverable amount is determined on the basis of the Group's share in the entity's net assets, its expected future profitability and growth outlook.

Changes in fair value are recognised as a separate component of equity until the investment is sold. When the impairment is material or prolonged, it is recognised in net finance costs.

Loans held at amortised cost are written down when there is objective evidence of impairment due to credit risk.

1.12 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, assets or groups of assets (disposal groups) – particularly properties or facilities which the Group intends to sell within a period of 12 months – are classified under "Non-current assets held for sale and discontinued operations". This excludes buildings held under finance leases.

This reclassification occurs if the sale is highly probable and the non-current asset or disposal group held for sale meets the criteria for such classification and, crucially, is immediately available for sale.

These assets are measured at the lower of their carrying amount and fair value less costs to sell.

The carrying amount for operating properties is the latest fair value determined in accordance with IAS 16.31 (see Note 1.9).

1.13 Trade receivables

Trade receivables are impaired in order to reflect the best estimate of expected credit losses over their life.

In accordance with IFRS 9, these impairments are recognised during the initial accounting of the corresponding assets. Initial or subsequent evaluations of these expected credit losses are made, either singly or collectively, based on various criteria, including the age of the receivables, past events and current and future economic conditions. The value adjustments to be made to trade receivables, regarding the expected credit losses over their life, are reviewed at each reporting date.

Trade receivables may be sold to banks to raise financing. An analysis is performed to assess whether the risks and rewards incidental to ownership of these receivables are transferred. If this review shows that substantially all these risks and rewards have been transferred, the trade receivables are derecognised and any rights created or retained in connection with the transfer are recognised. Otherwise, the trade receivables continue to be recognised, and a financial liability is recognised in respect of the amount transferred.

1.14 Other receivables, payables, accruals and prepayments

Current assets and current liabilities mainly comprise assets and liabilities related to development and disposals of real estate, as well as current accounts vis-à-vis associates and related parties.

1.15 Deferred taxes

Deferred taxes arising on temporary differences between the tax base and accounting base of consolidated assets and liabilities are recognised using the liability method at the rates enacted or substantially enacted at the reporting date. The tax rates used are based on the expected timing of the reversal of the temporary differences, tax losses and other tax credits. The impact of a change in tax rate is recognised in profit or loss for the period, or in equity, depending on the item to which it relates.

Most deferred taxes arise from the revaluation of operating licences and fully or jointly-owned operating properties.

Deferred tax assets arising on tax loss carryforwards are recognised if there is a reasonable probability that they will be used in the foreseeable future.

Deferred taxes are not discounted.

A provision is set aside for any taxes that may be due by the Group on dividend payments made by subsidiaries if the dividend payment has been formally agreed at the reporting date.

Deferred tax assets and liabilities are netted by tax entity when they are expected to reverse in the same period.

Current and/or deferred taxes are recognised in profit or loss for the period except when they arise on a transaction or event recognised directly in equity.

1.16 Local Economic Contribution (CET, France)

The Cotisation Foncière des Entreprises (CFE) levy is recognised as a recurring operating expense.

The Cotisation sur la Valeur Ajoutée des Entreprises (CVAE value-added levy) is recognised as an income tax pursuant to IAS 12.

1.17 Cash and cash equivalents

“Cash and cash equivalents” consist of cash in hand and at bank and short-term investments that are highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Financial assets and liabilities may be offset subject to the conditions laid down in IAS 32.

Cash and cash equivalents comprise balances on bank accounts, cash in hand, term deposits of less than three months and debt securities traded on official markets that are subject to an insignificant risk of a fall in value, which are measured at fair value, with any changes recognised in profit or loss.

1.18 Treasury shares

ORPEA SA shares held by the parent company are recognised at cost as treasury shares and deducted from equity until such time as they are sold.

Gains or losses on the sale of treasury shares are added to or deducted from consolidated reserves net of tax.

1.19 Stock option and bonus share allotment plans

Stock options are granted to certain Group employees.

In accordance with IFRS 2: *Share-based Payment*, plans set up after 7 November 2002 are measured at the date of grant and are recognised under staff costs over the period during which rights vest with grantees. This expense, which represents the option’s market value at its date of grant, is recognised as an increase in equity.

The fair value of options and rights is determined by actuaries using pricing models based on the characteristics of the plan and market data at the date of grant.

1.20 Post-employment and other employee benefit obligations

In France, the Group is governed by the single FHP (*Fédération de l'Hospitalisation Privée* — French private hospitals federation) collective bargaining agreement of 18 April 2002 for the private healthcare sector. This provides for payment of a lump-sum benefit upon retirement based on the employee's length of service, grade and salary at retirement date.

No other post-employment or long-term benefits are granted to employees in service.

Outside France, the Group applies the relevant local provisions in each country. It operates defined benefit pension plans only in Switzerland, Austria and for certain facilities in Germany and Italy.

The Group's post-employment benefit obligations are calculated on the basis of actuarial estimates and using the projected unit credit method. Actuarial assumptions include staff turnover, salary increases, inflation and life expectancy. They are presented in Note 3.12.

The actuarial obligation is provided for, less any plan assets measured at fair value.

Cumulative actuarial gains and losses arising from experience adjustments or the effects of changes in financial, economic or demographic assumptions (change of discount rate, annual salary increases, length of service life, etc.) are recognised immediately in the Group's obligation with a corresponding amount in a separate component of equity ("Other reserves"), in accordance with IAS 19 (revised).

Current and any past service cost is recognised as an operating expense.

Interest cost and expected return on plan assets, calculated at the same rate, are recognised in net finance cost.

1.21 Provisions

The Group sets aside a provision where it has a present obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of this obligation can be estimated reliably.

Where this liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Group recognises a contingent liability.

Provisions related to the operating cycle are classified as current regardless of their probable reversal date. They primarily concern employee-related risks and are estimated by the employee affairs department based on the Group's exposure and the status of any proceedings.

Provisions that are not directly related to the operating cycle and have a probable reversal date of over one year are classified as non-current. They mainly comprise provisions for litigation, taxes and related items, onerous contracts and restructuring.

1.22 Financial liabilities

Financial liabilities are recognised at nominal value net of any associated transaction costs, which are deferred over the life of the liability in net finance costs using the effective interest method.

If future interest expense is hedged, the financial liability is still measured at amortised cost, and the change in fair value of the effective portion of the hedging instrument is recognised in equity.

Changes in fair value of derivatives not held for hedging and the ineffective portion of hedging instruments are recognised in net finance costs.

Net debt comprises short- and long-term financial liabilities less the value of short-term investments and cash at that date.

It includes property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

1.23 Financial instruments and derivatives

The Group uses various financial instruments to hedge its exposure to interest rate and currency risk. They are over-the-counter instruments arranged with first-rate counterparties.

All derivatives are recognised under "Other current assets and liabilities" and measured at fair value at the transaction date (see Note 3.14.1 "Interest rate risk management strategy" and Note 3.14.2 "Currency risk").

1.24 Revenue

Revenue mainly comprises payment for accommodation and care services provided to residents and patients. This revenue is recognised when the service is provided.

The only seasonal effect is the number of business days, which is higher in H2 of each year than in H1.

1.25 Key income statement headings

The Group's main business is the operation of long-term and short-term care facilities.

Recurring operating profit derives from these operations at these facilities.

Other non-recurring operating income and expense comprises:

- income and expenditure relating to the Group's property transactions: disposals of properties, development costs and any impairment losses;
- the Group's development expenses and redevelopment costs for recently acquired facilities;
- income and expenses related to business combinations: transaction costs, negative goodwill;
- impairment of intangible assets and goodwill.

1.26 Earnings per share

Basic earnings per share are calculated using the weighted average number of shares in issue during the financial year, less any treasury shares held and deducted from equity.

Diluted earnings per share take account of all potentially dilutive instruments, such as options, warrants and convertible bonds. Options and warrants are dilutive when their exercise price is lower than the market price. In this case, the assumption is that proceeds from the exercise of rights will be used as a priority to buy back shares at the market price. The share buyback method is used to calculate the shares that are not bought back, and these are added to the number of ordinary shares outstanding to determine the dilutive impact.

1.27 Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method: it presents a reconciliation of operating profit to cash generated from operating activities.

Given that the Group funds a significant part of its construction projects with property leases, cash flow from financing activities includes advance payments by lessors and their repayments under "Proceeds from new finance leases" and "Repayments under finance leases".

Cash and cash equivalents at the beginning and end of the period include cash and other short-term investments, less any overdraft facilities that are not considered as bridge financing for operating properties recently acquired or under construction or redevelopment.

1.28 Segment information

Segment information (see Note 3.19) is provided for the segments used by management to analyse its activity and monitor its development. The operating segments are presented by geographical region:

- France Benelux: France, Belgium, Luxembourg and the Netherlands;
- Central Europe: Germany, Italy and Switzerland;
- Eastern Europe: Austria, Poland, the Czech Republic, Slovenia;
- Iberian Peninsula/Latin America: Spain and Portugal, Brazil, Uruguay, Chile;
- Other: China.

1.29 Organic growth

The Group regularly publishes the organic growth rate in its revenue.

Organic growth in revenue reflects the following factors:

- the year-on-year change in the revenue of existing facilities as a result of changes in their occupancy rates and per diem rates;
- the year-on-year change in the revenue of redeveloped facilities or those where capacity has been increased in the current or year-earlier period;
- revenue generated in the current period by facilities created during the current period or year-earlier period, and the change in revenue of recently acquired facilities by comparison with the previous equivalent period.

1.30 Growth by acquisition

This includes acquisitions of facilities in operation or under development (directly or indirectly through companies).

2. SCOPE OF CONSOLIDATION

In 2019, revenue rose by 9.4% compared with 2018, representing an increase of €320 million.

The Group has expanded through a combination of organic growth and acquisitions.

Organic growth in revenue was +4.7% over the financial year.

During 2019, the Group opened several facilities after completing construction or refurbishment work initiated in previous years and pursued its policy of acquisitions by purchasing facilities in operation or at the proposal stage.

The Group also purchased, directly or via companies, specific assets necessary for its expansion, such as intangible and real-estate operating rights, and sold certain facilities and property complexes.

Based on provisional estimates of the fair value of assets acquired, the total investment at their acquisition date breaks down as follows:

2019 *(in millions of euros)*	**Goodwill**	**Operating intangible assets**	**Properties**	**Contingent liabilities**	**Other assets and other liabilities(1)**	**Deferred taxes**	**Cost**	**2019 revenue**	**Profit or loss for 2019**
France Benelux*	(37)	108	20	(3)	(3)	(27)	44	78	(1)
Central Europe**	60	52	30	(5)	(10)	(10)	106	41	3
Iberian Peninsula/ Latin America	123	56	15	(5)	26	(10)	206	18	(3)
Eastern Europe	8	0	12	(1)	(7)	0	12	2	0
Other	0	0	0	0	0	0	0	0	0
TOTAL	**155**	**215**	**76**	**(15)**	**6**	**(47)**	**367**	**139**	**(1)**

(1) Of which intangible concession assets, where appropriate.
* *Variation in goodwill: including the provisional allocation of 2018 Netherlands goodwill to 2019 intangible assets in the amount of €61 million.*
** *Variation in goodwill: of which allocation of 2018 Germany goodwill to 2019 intangible assets in the amount of €37 million.*

As part of its strategy of growth through acquisitions, the Group carries out acquisitions on a regular basis.

During the year, the Group primarily acquired the following:

- in Germany, nursing homes (AXION);
- in the Netherlands, home care units (ALLERZORG) and nursing homes (SEPTEMBER);
- all the shares in the companies SIS BRASIL and PORT EXPLOIT that operate nursing homes in Brazil and Portugal.

Other non-recurring income and expense related to acquisitions are presented in Note 3.20.

The ORPEA group also reinforced its development in South America by acquiring a 20% stake in the Brazilian company BRAZIL SENIOR LIVING and a 50% stake in the Chilean group SENIOR SUITES.

In 2018, total investments at the date of consolidation were:

2018 *(in millions of euros)*	**Goodwill**	**Operating intangible assets**	**Properties**	**Contingent liabilities**	**Other assets and other liabilities(1)**	**Deferred taxes**	**Cost**
France Benelux	133	48	59	(5)	(48)	(15)	165
Central Europe	39	45	66	(4)	(24)	(11)	103
Iberian Peninsula	2	36	85	(2)	(41)	(7)	70
Eastern Europe	8	9	30	0	(29)	(3)	11
Other	0	0	0	0	0	0	0
TOTAL	**181**	**138**	**239**	**(11)**	**(142)**	**(35)**	**348**

(1) Of which intangible concession assets, where appropriate.

3. COMMENTARY ON THE FINANCIAL STATEMENTS

3.1 Goodwill

The main movements during the period were as follows:

(in thousands of euros)	TOTAL
Net goodwill at beginning of period	1,137,160
Business combinations	220,647
Adjustments to previous goodwill and deconsolidations	(62,766)
Exchange differences	3,932
Goodwill held for sale	0
NET GOODWILL AT END OF PERIOD	**1,298,972**

Excluding €58,133 thousand in goodwill held for sale.

Business combinations include the provisional allocation of the goodwill arising on the acquisition of sub-groups in Portugal and Brazil.

The following groups of CGUs account for significant goodwill:

(in thousands of euros)	31/12/2019	31/12/2018
MEDITER MIEUX VIVRE sub-group acquired in 2010	87,010	87,010
SENEVITA sub-group	58,280	58,280
Established German operations	341,649	341,649
DAGELIJKS LEVEN sub-group	76,735	122,860
AXION sub-group	83,084	
Brazilian sub-group	74,950	
Other	577,264	527,362
NET GOODWILL AT END OF PERIOD	**1,298,972**	**1,137,160**

No other group of CGUs accounted for more than 5% of total goodwill at the end of the period.

3.2 Intangible assets

Gross intangible assets and accumulated amortisation break down as follows:

	31/12/2019			31/12/2018		
(in thousands of euros)	Gross	Depreciation, amortisation and charges to provisions	Net	Gross	Depreciation, amortisation and charges to provisions	Net
Operating licences	2,418,543	29,624	2,388,919	2,182,651	10,356	2,172,295
Advances and downpayments	303		303	8,978		8,978
Other intangible assets	205,389	121,696	83,693	110,558	31,326	79,232
Intangible assets held for sale	(3,835)		(3,835)	(3,835)		(3,835)
TOTAL	**2,620,400**	**151,320**	**2,469,080**	**2,298,353**	**41,682**	**2,256,670**

At 31 December 2019, "Operating licences" include the intangible operating assets considered to have an indefinite useful life in France, Belgium, Italy, Spain, Switzerland, Austria, the Czech Republic, Poland, the Netherlands, Portugal and Germany.

Intangible assets held for sale correspond to operating licences held for facilities earmarked for sale within 12 months.

Groups of CGUs with material operating licences were as follows:

(in thousands of euros)	31/12/2019	31/12/2018
MEDITER MIEUX VIVRE sub-group acquired in 2010	187,125	187,125
SENEVITA sub-group	116,337	116,337
SENECURA sub-group	123,989	123,989
Other	1,961,467	1,744,844
NET OPERATING LICENCES AT END OF PERIOD	**2,388,919**	**2,172,295**

No other group of CGUs accounted for more than 5% of total operating licences at the end of the period.

Amortisation of other intangible assets is recognised in profit or loss under "Depreciation, amortisation and charges to provisions".

Impairment losses are recognised in "Other non-recurring operating expense".

The following table shows movements in intangible assets (net) by category:

(in thousands of euros)	Operating licences	Advances and downpayments	Other intangible assets	Intangible assets held for sale	TOTAL
At 31 December 2017	**2,024,496**	**2,642**	**85,705**	**(30,776)**	**2,082,066**
Increase	20,095	7,752	9,059		36,907
Decrease	(12,991)		(10,523)		(23,514)
Depreciation, amortisation and charges to provisions	(1,406)		(7,614)		(9,021)
Reclassifications and other	3,986	(1,416)	1,094	26,941	30,605
Changes in scope	138,117		1,511		139,627
At 31 December 2018	**2,172,295**	**8,978**	**79,232**	**(3,835)**	**2,256,670**
Increase	4,853	(1,342)	4,287		7,799
Decrease	(2,844)	(0)	414		(2,430)
Depreciation, amortisation and charges to provisions	(2,803)		(6,762)		(9,566)
Reclassifications and other	1,926	(7,333)	4,754		(652)
Changes in scope	215,491	0	1,768		217,259
At 31 December 2019	**2,388,919**	**303**	**83,693**	**(3,835)**	**2,469,080**

Changes in the scope of consolidation derived chiefly from acquisitions in France Benelux (€105 million), Central Europe (€52 million) and the Iberian Peninsula (€54 million).

Advances and downpayments recognised in intangible assets mainly comprise prepayments in connection with contractually agreed acquisitions of operating licences.

"Other intangible assets" include €72 million of intangible concession assets located in Spain.

3.3 Regular impairment testing

In accordance with IAS 36, the cash generating units were tested for impairment at the end of the 2019 financial year, including goodwill, intangible assets with an indefinite useful life and property, plant and equipment (see Note 1.9). The tests did not reveal any impairment.

The useful life adopted in business plans is four years. The main operating assumptions and rates used in Q4 2019 were as follows:

- perpetual growth rate: 1.5%;
- discount rate: 6.5%;
- maintenance capex: 2.5% of revenue.

Certain cash generating units may be sensitive to a potential increase in one of the aforementioned three rates.

A potential change of 100 basis points in one of the rates would not lead to the recognition of an impairment loss.

3.4 Property, plant and equipment

3.4.1 Changes in property, plant and equipment including those under construction

Gross property, plant and equipment, including those under construction, and accumulated depreciation break down as follows:

	31/12/2019			31/12/2018		
(in thousands of euros)	Gross	Depreciation, amortisation and charges to provisions	Net	Gross	Depreciation, amortisation and charges to provisions	Net
Land	1,950,670	4,433	1,946,237	1,707,985	3,183	1,704,802
Buildings	4,481,417	1,122,624	3,358,793	4,139,467	802,601	3,336,867
Technical installations	678,619	388,650	289,969	472,758	279,196	193,562
Properties under construction	596,375	1,251	595,123	446,878	1,251	445,627
Other property, plant and equipment	390,806	226,239	164,567	408,241	231,280	176,961
Property, plant and equipment held for sale	(338,032)		(338,032)	(144,525)		(144,525)
TOTAL	**7,759,855**	**1,743,197**	**6,016,657**	**7,030,805**	**1,317,510**	**5,713,294**

Depreciation is recognised in profit or loss under “Depreciation, amortisation and charges to provisions”.

Impairment losses are recognised in “Other non-recurring operating expense”.

Movements in the net carrying amounts for fixed assets are as follows:

(in thousands of euros)	Land	Buildings	Technical installations	Properties under construction	Other	Property, plant and equipment held for sale	TOTAL
At 31 December 2017	**1,439,231**	**2,962,780**	**137,204**	**369,415**	**165,874**	**(32,929)**	**5,041,574**
Purchases	37,405	189,051	99,161	235,162	32,600		593,382
Change in fair value	171,710						171,710
Disposals and retirements	(7,810)	(10,808)	(367)	(25,623)	(3,290)		(47,898)
Depreciation and charges to provisions	224	(107,746)	(43,340)		(22,221)		(173,083)
Reclassifications and other	8,297	140,384	(2,427)	(152,011)	(3,641)	(111,596)	(120,993)
Changes in scope	55,745	163,205	3,332	18,683	7,637		248,602
At 31 December 2018	**1,704,802**	**3,336,867**	**193,562**	**445,627**	**176,961**	**(144,525)**	**5,713,294**
Purchases	127,462	195,935	126,128	185,827	(4,484)		630,868
Change in fair value	79,505						79,505
Disposals and retirements		(7,655)	(1,539)	(7,037)	(2,440)		(18,672)
Depreciation and charges to provisions	(168)	(126,701)	(71,164)		908		(197,124)
Reclassifications and other	28,785	(109,854)	41,038	(29,567)	(9,398)	(193,507)	(272,503)
Changes in scope	5,850	70,202	1,944	274	3,019		81,290
At 31 December 2019	**1,946,237**	**3,358,793**	**289,969**	**595,124**	**164,567**	**(338,032)**	**6,016,657**

The main changes during the 2019 financial year were:

- the revaluation of properties (see Note 3.4.2);
- changes in scope;
- investments necessary for the continuing operation of the facilities, investments in new buildings or extensions, properties under construction, other items of property, plant and equipment acquired during the year through business combinations and those under construction.

At 31 December 2019, the amount of fixed assets financed by property leases stood at €1,527,060 thousand, representing €270,325 thousand in land and €1,256,735 thousand in buildings.

3.4.2 Revaluation of operating properties

The impact of the revaluation of operating properties in accordance with IAS 16 was as follows:

Impact of IAS 16 revaluation *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Gross revaluation reserves	941,384	861,879
Amortisation	(17,439)	(17,439)
NET REVALUATION RESERVES	**923,945**	**844,440**

The gross revaluation reserve for properties totalled €941 million at 31 December 2019, versus €862 million at 31 December 2018. The change was due to the revaluation for the year totalling €80 million.

The corresponding tax, calculated at the statutory tax rate, amounted to €244 million in the year ended 31 December 2019.

3.4.3 Operating leases

Rental costs break down as follows:

(in thousands of euros)	**31/12/2019**	**31/12/2018**
Rental expenses	33,348	308,142
TOTAL RENTAL COSTS	**33,348**	**308,142**

In accordance with IFRS 16, from 1 January 2019, rental expenses will consist solely of renewable leases with a term of less than one year or on low-value assets (see Note 1.2).

3.5 Right-of-use assets

At 31 December 2019, in accordance with IFRS 16 (see Note 1.2), the Group recognised as an asset a right of use amounting to €2,334,315 thousand.

3.6 Investments in associates and joint ventures

At 31 December 2019, investments in associates and joint ventures break down as follows:

Associates and joint ventures	**Percentage ownership at 31/12/2019**	**Carrying amount of investments** *(in thousands of euros)*
PCM (six care facilities)	45%	37,643
COFINEA (property company)	49%	5,011
IDS (property company)	50%	13,210
DANUVIUS KLINIK (psychiatric care)	49%	6,941
BRAZIL SENIOR LIVING	20%	37,685
SENIOR SUITES	49%	12,062
EXELUS	28%	2,024
Other	25% to 60%	20,735
TOTAL		**135,311**
Equity accounted profit/(loss) in previous financial years		26,033
Equity accounted profit/(loss) in current period		5,509
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**166,853**

Based on the value of the individual investments, existing cash flows with these companies and the ORPEA Group's overall strategy in and outside France, management believes that these interests are not material when taken individually.

At 31 December 2019, the main aggregates related to associates and joint ventures, presented based on the Group's percentage ownership, break down as follows:

	(in thousands of euros)
Non-current assets	222,320
Current assets	52,252
Equity	70,011
Non-current liabilities	161,984
Current liabilities	42,578
Revenue	58,799
Equity accounted profit/(loss)	5,509
Other comprehensive income	0
Net comprehensive income	5,509

3.7 Non-current financial assets

Non-current financial assets break down as follows:

(in thousands of euros)	31/12/2019 Net	31/12/2018 Net
Non-consolidated investments	11,367	11,624
Loans	34,560	22,482
Deposits and guarantees	14,437	8,055
TOTAL	**60,365**	**42,161**

Non-consolidated investments are investments in companies whose business is not material in relation to that of the Group as a whole, and investments in mutual banks.

Loans mainly consist of construction loans arranged by French subsidiaries.

Security deposits and guarantees include all types of security deposits and guarantees that the Group may be called upon to provide in the normal course of its business.

3.8 Trade receivables

(in thousands of euros)	31/12/2019	31/12/2018
Trade receivables	263,482	229,964
TOTAL	**263,482**	**229,964**

The change in 2019 was driven principally by stronger business levels and business combinations, including INOGES.

The age of financial assets at 31 December 2019 is broken down as follows:

(in thousands of euros)	31/12/2019	Receivables not yet due	Receivables between 0 and 6 months overdue	Receivables between 7 and 12 months overdue	Receivables between 1 and 2 years overdue	Receivables for more than 2 years overdue
Trade receivables	313,370	134,442	121,218	5,722	36,366	15,622
Impairments	(49,888)	(126)	(1,779)	(3,760)	(28,800)	(15,423)
TOTAL	**263,482**	**134,316**	**119,439**	**1,962**	**7,566**	**199**

3.9 Other receivables, accruals and prepayments

(in thousands of euros)	31/12/2019	31/12/2018
Development-related receivables	186,024	141,417
Receivables related to disposals of real estate	20,339	24,431
VAT receivables	74,456	41,438
Advances and downpayments made	3,061	3,514
Shareholder advances (associates and related parties)	197,548	276,249
Interest rate derivatives	5,292	7,977
Miscellaneous receivables	35,952	84,539
Receivables from suppliers	28,350	8,508
Prepaid operating expenses	33,039	38,553
TOTAL	**584,060**	**626,626**

Development-related receivables mainly comprise amounts paid in connection with acquisitions of companies, operating licences for nursing home and clinical beds, or the construction of new properties.

VAT receivables arise mainly from property construction projects forming part of the Group's growth strategy.

At the end of 2018, the Group had sold a total of €30.6 million in receivables. These receivables were deconsolidated up to the amount financed, i.e. €29.1 million. The remaining €1.5 million held as security continues to be recognised as an asset on the balance sheet.

3.10 Assets held for sale

Available-for-sale financial assets comprise €338 million in operating properties that the Group has decided to sell in a block or in lots to third-party investors.

3.11 Equity

3.11.1 Share capital

	31/12/2019	31/12/2018
Total number of shares	64,615,837	64,586,323
Number of shares issued	64,615,837	64,583,323
Nominal value of each share *(in euros)*	1.25	1.25
Share capital *(in euros)*	80,769,796	80,732,904
Treasury shares held by the Group	45,142	39,146

Since 31 December 2017, capital increases and the exercise of stock options have had the following impact on share capital and share premiums:

(in thousands of euros)	Total number of shares	Share capital	Share premiums
Share capital at 31/12/2017	**64,553,123**	**80,691**	**950,684**
Appropriation of 2017 net profit			
Capital increase	33,200	42	(42)
Share capital at 31/12/2018	**64,586,323**	**80,733**	**950,642**
Appropriation of 2018 net profit			
Capital increase	29,514	37	(37)
SHARE CAPITAL AT 31/12/2019	**64,615,837**	**80,770**	**950,605**

3.11.2 Earnings per share

Weighted average number of shares in issue:

	31/12/2019		31/12/2018	
	Basic	Diluted	Basic	Diluted
Ordinary shares	64,605,891	64,605,891	64,577,500	64,577,500
Treasury shares	5,996	5,996	3,116	3,116
Other shares		183,110		
Shares related to the conversion of OCEANE bonds		2,164,842		
WEIGHTED AVERAGE NUMBER OF SHARES	**64,611,887**	**66,959,839**	**64,580,616**	**64,580,616**

Earnings per share:

	31/12/2019		31/12/2018	
(in euros)	Basic	Diluted	Basic	Diluted
Net profit attributable to ORPEA's shareholders	3.62	3.57	3.41	3.41

3.11.3 Treasury shares

The Annual General Meeting has authorised a share repurchase programme.

This programme has a number of aims, including to allow the ORPEA Group to maintain the liquidity of and stimulate trading in its shares, to optimise its capital management and to grant shares to employees including under bonus share allotment plans.

At 31 December 2019, the Group held 45,142 treasury shares.

On 4 May 2017, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 29,514 shares. The allotment was confirmed on 4 May 2019, subject to the satisfaction of performance criteria, and the shares will be subject to a two-year lock-up period.

On 13 December 2017, the Board of Directors approved the introduction of two other bonus share allotment plans for certain employees of ORPEA or its affiliated companies, covering a total of 26,000 shares. The allotment will vest on 13 December 2020 for plan A employees and on 13 December 2021 for plan B employees, provided in both cases that the employees are still with the Group at those dates. A one-year lock-up period will apply to both plans.

On 28 June 2018, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 44,701 shares. The allotment will vest on 28 June 2021 subject to the satisfaction of performance criteria.

On 2 February 2019, the Chief Executive Officer, delegated by the Board of Directors at its meeting on 28 June 2018, decided to allot shares from two other bonus share allotment plans to certain employees of ORPEA or its affiliated companies covering a total of 101,025 shares. The allotment will vest on 2 May 2022 subject to the satisfaction of performance criteria.

On 27 June 2019, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 45,279 shares. The allotment will vest on 27 June 2022 subject to the satisfaction of performance criteria.

The fair value of the benefits provided to the grantees under IFRS 2 was measured by an actuary for each plan. This takes into account the market value of the shares, less a discount to reflect the fact that no dividend is paid until the end of the vesting period and that shares may not be sold for two years following the vesting date. The total expense is then calculated taking into account the probability that grantees will remain with the Group and the probable number of shares that they will be granted according to whether the performance criteria are satisfied.

The fair value of the plans (excluding social security contributions) under IFRS 2 amounted to €14.4 million. The amount expensed in 2019 was €4.4 million (excluding social security contributions).

3.11.4 Dividends

The Annual General Meeting on 27 June 2019 approved payment of a dividend in respect of the 2018 financial year of €1.20 per share, representing a total payout of €77,539,004 made in July 2019.

3.12 Provisions

Provisions break down as follows:

(in thousands of euros)	31/12/2018	Changes in scope and other	Equity	Reclassification	Charges in the financial year	Reversals in the financial year: Provisions used	Reversals in the financial year: Provisions not used	31/12/2019
Provisions for liabilities and charges	48,409	3,041		4,551	18,691	(18,482)	(8,875)	47,334
Provisions for restructuring	98,931	13,542	(7,810)		2,236	(15,203)	(18)	91,679
TOTAL	**147,341**	**16,583**	**(7,810)**	**4,551**	**20,927**	**(33,685)**	**(8,893)**	**139,013**
Post-employment benefit obligations	83,717		(59)	401	3,595	(223)	(84)	87,347

Group companies frequently undergo tax audits. Most of the reassessments notified by the tax authorities have been challenged by these companies, and so no provisions have been set aside for these reassessments. Tax reassessments that are not challenged are recognised in the financial year in which they are received.

The portion of provisions due in less than one year at 31 December 2019 totalled €27 million, breaking down into €19 million for labour disputes and €8 million for restructuring.

The provision for post-employment benefit obligations breaks down as follows:

(in thousands of euros)	31/12/2019	31/12/2018
France	40,739	34,414
International	46,608	49,303
TOTAL	**87,347**	**83,717**

Movements in post-employment benefit obligations in France break down as follows:

	31/12/2019			31/12/2018		
(in thousands of euros)	Provision set aside	Profit or loss	Equity	Provision set aside	Profit or loss	Equity
BEGINNING OF PERIOD	**(34,414)**			**(34,244)**		
Current service cost	(3,498)	(3,498)		(2,109)	(2,109)	
Interest expense (unwinding of the discount)	(554)	(554)		(538)	(538)	
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	(4,893)		(4,893)	(697)		(697)
Benefits paid	2,621			2,558		
Changes in scope						
Other				616		
END OF PERIOD	**(40,739)**	**(4,053)**	**(4,893)**	**(34,414)**	**(2,647)**	**(697)**

Movements in post-employment benefit obligations outside France break down as follows:

(in thousands of euros)	31/12/2019 Provision set aside	31/12/2019 Profit or loss	31/12/2019 Equity	31/12/2018 Provision set aside	31/12/2018 Profit or loss	31/12/2018 Equity
BEGINNING OF PERIOD	**(49,303)**			**(37,939)**		
Current service cost	(2,258)	(2,258)		4,535	4,535	
Interest expense (unwinding of the discount)						
Expected return on plan assets						
Employer contributions						
Actuarial gains and losses	4,952		4,952	(15,346)		(15,346)
Past service cost				2,426		
Changes in scope				(1,772)		
Exchange differences				(303)		
Other				(902)		
END OF PERIOD	**(46,608)**	**(2,258)**	**4,952**	**(49,303)**	**4,535**	**(15,346)**

The main actuarial assumptions adopted at 31 December 2019 are as follows:

	31/12/2019 France	31/12/2019 International	31/12/2018 France	31/12/2018 International
Discount rate	0.77%	between 0.85% and 1.20%	1.60%	between 0.85% and 1.20%
Annual rate of salary increase taking account of inflation	2.00%	between 1.25% and 1.75%	2.00%	between 1.25% and 1.75%
Expected rate of return on plan assets	N/A	between 1% and 1.20%	N/A	between 1% and 1.20%
Retirement age	65 years	65 years	65 years	65 years
Social security contribution rate	average actual rate		average actual rate	

3.13 Financial liabilities and cash

ORPEA's net debt breaks down as follows:

(in thousands of euros)	Net 31/12/2019	Net 31/12/2018
Bond issues	1,273,121	1,028,048
Finance lease obligations	928,109	1,044,961
Bridging loans	409,589	381,653
Other borrowings and financial liabilities	4,162,583	3,541,496
TOTAL GROSS DEBT*	**6,773,402**	**5,996,158**
Cash	(827,871)	(690,112)
Cash equivalents	(10,870)	(77,876)
TOTAL NET DEBT*	**5,934,661**	**5,228,171**

* *Of which liabilities associated with assets held for sale.*

Movements in financial liabilities in 2019 were as follows:

(in thousands of euros)	31/12/2018	Increase	Decrease	Changes in scope	31/12/2019
Bond issues	1,028,048	425,481	(180,408)		1,273,121
Finance lease obligations	1,044,961	97,217	(214,102)	33	928,109
Bridging loans	381,653	220,836	(193,053)	153	409,589
Other borrowings and financial liabilities	3,541,496	1,142,895	(540,078)	18,270	4,162,583
TOTAL GROSS DEBT*	**5,996,158**	**1,886,429**	**(1,127,641)**	**18,456**	**6,773,402**
Cash and cash equivalents	(767,987)	(70,754)			(838,741)
TOTAL NET DEBT*	**5,228,172**	**1,815,675**	**(1,127,641)**	**18,456**	**5,934,661**
Liabilities associated with assets held for sale	(206,493)	(193,507)			(400,000)
NET FINANCIAL DEBT EXCLUDING LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**5,021,679**	**1,622,168**	**(1,127,641)**	**18,456**	**5,534,661**

* *Of which liabilities associated with assets held for sale.*

Debt net of cash breaks down by maturity as follows:

(in thousands of euros)	31/12/2019	Less than one year*	One to five years	Over five years
Bond issues	1,273,121	16,895	283,000	973,226
Finance lease obligations	928,109	155,423	462,795	309,891
Bridging loans	409,589	70,017	199,335	140,237
Other borrowings and financial liabilities	4,162,583	672,610	2,486,279	1,003,694
TOTAL GROSS DEBT*	**6,773,402**	**914,945**	**3,431,409**	**2,427,048**
Cash and cash equivalents	(838,741)	(838,741)		
TOTAL NET DEBT*	**5,934,661**	**76,204**	**3,431,409**	**2,427,048**

* *Of which liabilities associated with assets held for sale.*

Debt maturing in more than one year but less than five years breaks down as follows:

(in thousands of euros)	One to five years	2020	2021	2022	2023
Bond issues	283,000	0	70,000	0	213,000
Finance lease obligations	462,795	140,223	121,405	111,105	90,062
Bridging loans	199,335	90,523	39,271	39,271	30,270
Other borrowings and financial liabilities	2,486,279	734,957	674,272	590,785	486,265
TOTAL GROSS DEBT PER YEAR	**3,431,409**	**965,703**	**904,948**	**741,161**	**819,597**

ORPEA's financing policy

The Group's development is reflected in operating and real-estate investments.

These investments are partly financed by diversified external resources:

- bilateral bank loans repayable over five, six or seven years allocated to the acquisitions of facilities, operating licences, shares in operating companies etc.;
- property bridging loans made up of financing lines dedicated to a specific project as well as general bank credit lines for the prefinancing of properties recently acquired or under redevelopment or construction and awaiting refinancing;
- finance leases and mortgages payable over 12 to 15 years that finance or refinance dedicated property transactions;
- public or private bonds as well as *Schuldscheindarlehen*, the revenue of which is generally allocated to property investments.

To finance its development, the Group also disposes of properties to real-estate investors, real-estate funds etc.

Bank covenants

Since 31 December 2006, all bilateral borrowings as well as *Schuldscheindarlehen* subscribed by the Group, are subject to the following contractually agreed covenants:

$$R1 = \frac{\text{Consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA – 6\% of property debt}}$$

and

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (i.e. deferred taxes linked to the measurement of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2019, these ratios were at 1.2x and 1.7x respectively, within the required limits of mainly 5.5x for R1 and 2.0x for R2 at 31 December 2019.

After neutralising the positive IFRS 16 effect of €299 million on EBITDA and the negative effect of €158 million on equity, the R1 and R2 ratios were 2.3x and 1.6x respectively.

Bond debt

In May 2019, ORPEA issued €500 million of eight-year OCEANE bonds (bonds convertible to and/or exchangeable for new or existing shares (due in May 2027)), with an annual fixed-rate coupon of 0.375%.

In 2018, the Group completed an inaugural public bond offering of €400 million, maturing in seven years (due in March 2025) with an annual fixed-rate coupon of 2.625%.

Mortgage debt

In 2019, the ORPEA Group took out mortgage loans amounting to €308 million, with a 12-year maturity and a 75% LTV.

Schuldscheindarlehen

In 2019, the ORPEA Group subscribed to €391 million of *Schuldscheindarlehen*.

Cash

At 31 December 2019, ORPEA's cash and cash equivalents consisted of €10,870 thousand in non-speculative short-term investments such as term deposits with first-rate financial institutions and €827,871 thousand in bank credit balances.

3.14 Financial instruments

3.14.1 Interest rate risk

Interest rate risk management strategy

Most of the Group's debt consists of domestic debt carrying floating rates of interest, and so it is exposed to the risk of an increase in short-term rates in the euro zone.

The Group's strategy is to hedge a very large proportion of its consolidated net debt against the risk of fluctuations in floating interest rates. To do so, it uses financial instruments to hedge its floating-rate financial liabilities. These include:

- interest rate swaps under which it receives mainly three-month Euribor and pays a fixed rate specific to each contract; and
- interest rate options (caps, collars etc.).

The Group applies hedge accounting under IFRS 9, and these transactions qualify as future cash flows. Unrealised gains and losses arising from the re-measurement of these derivatives at market value are recognised in equity at the end of the reporting period, except for the time value at the inception of options, which is amortised in profit and loss over the effective lives of the instruments, in accordance with the "hedging cost" approach under IFRS 9.

The use of these hedges to curb interest rate risk exposes the Group to counterparty risk. Counterparty risk is the risk of having to replace a hedge at going market prices should a counterparty default. The Group's analysis did not identify any material impact arising from this risk.

Interest rate derivatives

At 31 December 2019, the derivatives portfolio included fixed-for-floating interest rate swaps (mainly three-month Euribor) and interest rate options. These derivatives have either a constant or decreasing nominal profile.

At the end of 2019, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2020	2021	2022	2023	2024
Average notional amount *(in millions of euros)*	3,017	3,515	3,515	3,502	3,508
Interest rate	0.7%	0.6%	0.6%	0.7%	0.9%

At the end of 2018, the maturity profile of the interest rate derivatives was as follows:

	Maturity profile				
	2019	2020	2021	2022	2023
Average notional amount *(in millions of euros)*	3,006	2,999	3,001	2,999	2,987
Interest rate	0.7%	0.7%	0.6%	0.6%	0.7%

Accumulated changes in the fair value of these hedging derivatives, which came to a negative amount of €164.8 million at 31 December 2019, were recognised under interest rate hedging reserves in equity in a negative amount of €164.3 million, and through a financial expense of €0.5 million.

Accumulated changes in the fair value of these hedging derivatives, which came to a negative amount of €77.5 million at 31 December 2018, were recognised under interest rate hedging reserves in equity in a negative amount of €75.0 million, and through a financial expense of €2.5 million.

Analysis of sensitivity to fluctuations in interest rates

The impact of a +/-1% shift in the yield curve on the Group's earnings derives from:

- the amount of floating-rate debt net of cash via fluctuations in interest rates;
- changes in the fair value of hedges.

The fair value of hedging instruments is sensitive to changes in interest rates and trends in volatility. Volatility is assumed to remain unchanged for the purposes of this analysis.

At 31 December 2019, net debt amounted to €5,935 million, with approximately 45% arranged at fixed rates and the remainder at floating rates.

Including the impact of hedging arrangements:

- a 1% (100 basis point) rise in the yield curve would decrease the Group's financial expense by €2.9 million (before tax and capitalisation of financial expenses);
- the impact of a 0.1% drop (10 basis points) would increase financial expenses by €1.4 million.

Movements in the future cash flow hedging reserve

(in thousands of euros)	31/12/2019
Revaluation reserve at beginning of period	(58,820)
New instruments	5,239
Impact on net profit	(2,305)
Change in equity	(87,503)
REVALUATION RESERVE AT END OF THE PERIOD	**(143,389)**

3.14.2 Currency risk

The Group uses forward currency purchases and sales to hedge its future transactions in foreign currencies. To this end, forward currency agreements were entered into with first-rate counterparties under which euro sums are swapped for an amount in a foreign currency (Swiss franc, Polish zloty or Czech koruna) at a pre-agreed rate and date.

The Group decided not to qualify these transactions as a hedging relationship.

The principal characteristics of these instruments are as follows:

(in thousands of euros)	Notional value	Market value at 31/12/2019
Currency forwards (CHF)	158,050	(1,769)
Currency forwards (CZK)	1,318,098	(1,086)
Currency forwards (PLN)	153,100	(384)
Currency forwards (USD)	(300)	(2)
TOTAL	**1,628,948**	**(3,241)**

All these currency hedging instruments have a maturity date in Q1 of 2020.

3.14.3 Value of non-derivative financial assets

(in thousands of euros)	31/12/2019	31/12/2018
Investments in subsidiaries	11,367	11,624
Other non-current financial assets	34,560	22,482
Cash equivalents	10,870	77,876
NON-DERIVATIVE FINANCIAL INSTRUMENTS	**56,797**	**111,982**

3.15 Trade payables

(in thousands of euros)	31/12/2019	31/12/2018
Trade payables	253,782	268,456
TOTAL	**253,782**	**268,456**

3.16 Tax and payroll liabilities

The change in tax and payroll liabilities is linked to the Group's strong expansion.

3.17 Other payables, accruals and prepayments

(in thousands of euros)	31/12/2019	31/12/2018
Development-related liabilities	161,085	131,854
Security deposits	58,795	58,343
Commitments to carry out work on buildings sold	600	669
Customer accounts in credit	7,723	927
Other prepaid income	29,893	13,010
Interest rate derivatives	170,050	85,775
Currency derivatives	3,242	944
Advances and downpayments received on orders in progress	21,755	19,374
Shareholder advances (associates and related parties)	3,233	39
Miscellaneous	29,371	47,979
TOTAL	**485,747**	**358,913**

The change in development-related liabilities in 2019 relates to the present value of the deferred payment on exercising the put on the non-controlling interests in DAGELIJKS LEVEN, INOGES as well as earn-outs from shares in AXION, ALLERZORG and SEPTEMBER.

Security deposits mainly comprise the sums paid by residents at the beginning of their stay.

3.18 Liabilities associated with assets held for sale

Liabilities associated with assets held for sale reflects the debt financing these assets.

3.19 Segment information

(in thousands of euros)	31/12/2019	31/12/2018
REVENUE		
France Benelux	2,218,422	2,040,310
Central Europe	961,646	875,094
Eastern Europe	358,749	334,889
Iberian Peninsula/Latin America	198,280	167,442
Other	3,117	2,030
TOTAL	**3,740,215**	**3,419,764**
RECURRING OPERATING PROFIT BEFORE RENTS AND BEFORE DEPRECIATION, AMORTISATION AND CHARGES TO PROVISIONS		
France Benelux	640,415	591,132
Central Europe	232,216	225,760
Eastern Europe	63,796	61,990
Iberian Peninsula/Latin America	47,651	35,148
Other	(1,263)	(2,301)
TOTAL	**982,814**	**911,729**
ASSETS		
France Benelux	10,970,768	8,292,583
Excluding France Benelux	3,568,253	2,851,990
TOTAL	**14,539,021**	**11,144,573**
LIABILITIES EXCLUDING EQUITY		
France Benelux	8,215,329	5,632,050
Excluding France Benelux	3,312,568	2,541,849
TOTAL	**11,527,898**	**8,173,898**

The costs of acquiring segment assets are disclosed in Note 2.

3.20 Other non-recurring operating income and expense

(in thousands of euros)	31/12/2019	31/12/2018
Proceeds from disposals of real estate	18,441	47,896
Cost of disposals of real estate	(10,634)	(30,410)
Reversals of provisions	1,909	7,094
Charges to provisions	(2,838)	(9,384)
Other income	88,947	79,849
Other expenses	(58,786)	(77,174)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSES	**37,039**	**17,872**

Other non-recurring operating income and expense mainly comprises the €8 million net gain realised on disposals of real-estate assets, €73 million in gains (net of expenses) related to acquisitions as part of business combinations, €30 million of expenses associated with the redevelopment of recently acquired facilities and other development costs, and €14 million of miscellaneous expenses.

3.21 Net financial profit

(in thousands of euros)	31/12/2019	31/12/2018
Interest on bank debt and other financial liabilities	(114,931)	(97,145)
Interest on items held under finance leases	(15,949)	(16,087)
Net losses on interest rate derivatives	(28,150)	(35,344)
Financial expenses on lease commitments	(67,076)	
Expense arising from early redemption of ORNANE bonds		
Financial expense	**(226,107)**	**(148,576)**
Interest income	392	156
Capitalised financial expenses*	10,763	12,254
Net income on interest rate derivatives		
Financial income	**11,155**	**12,410**
NET FINANCIAL PROFIT	**(214,952)**	**(136,166)**

* *Calculated at an average rate of 3.2% in 2019.*

3.22 Income tax expense

ORPEA SA has elected to form a tax consolidation group with all its at least 95%-held subsidiaries. All subsidiaries that meet this condition are included in the tax consolidation group except for those acquired during 2019.

(in thousands of euros)	31/12/2019	31/12/2018
Current income tax	80,820	95,150
Deferred taxes	17,790	158
TOTAL	**98,610**	**95,309**

Current income tax expense for 2019 includes the CVAE value-added levy of €25,751 thousand versus €23,431 thousand in 2018.

Deferred tax assets/(liabilities) break down by type of temporary difference as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Fair value of intangible assets	(499,187)	(450,804)
Fair value of property, plant and equipment*	(428,914)	(417,007)
Capitalisation of finance leases	(138,835)	(124,776)
Temporary differences	(6,043)	(6,345)
Tax loss carryforwards	54,881	43,383
Deferral of capital gains tax on disposals	135	284
Employee benefits	10,927	9,663
CVAE deferred tax**	(4,002)	(4,408)
Financial instruments and other	77,156	62,623
TOTAL	**(933,882)**	**(887,386)**

* *Of which €244 million in deferred taxes related to the revaluation of operating properties (see Notes 1.8 and 3.4.2).*
** *Deferred taxes recognised in accordance with IAS 12 on property, plant and equipment and intangible assets with a finite useful life of French companies subject to the CVAE value-added levy on businesses with effect from 1 January 2010.*

Deferred taxes calculated based on the IFRS measurement of intangible operating assets came to €499 million at 31 December 2019.

The deferred taxes recognised on the balance sheet break down as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Assets	93,983	43,383
Liabilities and equity	(1,027,865)	(930,770)
NET	**(933,882)**	**(887,386)**

The difference between the statutory tax rate, i.e. 34.43% in 2019, and the effective tax rate in the income statement, breaks down as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Effective tax rate:	**29.76%**	**30.12%**
Permanent differences	-1.45%	1.18%
Business combinations	7.80%	2.37%
Impact of the reduced rate	-1.99%	1.00%
Impact of associates	0.58%	0.76%
Impact of foreign companies	0.68%	0.16%
Other	2.07%	1.68%
CVAE value-added levy on businesses	-3.02%	-2.84%
STATUTORY RATE	**34.43%**	**34.43%**

3.23 Commitments and contingent liabilities

3.23.1 Off-balance sheet commitments

Risks related to debt

(in thousands of euros)	31/12/2019	31/12/2018
Contractual commitments	2,069,900	1,788,451
TOTAL	**2,069,900**	**1,788,451**

Pledges, mortgages, security deposits and other collateral account for most of the debt-related commitments.

Commitments relating to the Group's operating activities

Commitments relating to companies accounted for using the equity method

Regarding the 45% interest held *via* PCM SANTÉ, in 2019, the Group activated prior agreements and took over the SINOUE GROUP.

As at the reporting date, the takeover of PCM SANTÉ was subject to the decision by the competition authorities.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 49.9%-held IMMOBILIÈRE DE SANTÉ:

- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

The following respective commitments have been given concerning the potential acquisition of a 100% interest in 20%-held BRAZIL SENIOR LIVING:

- ORPEA has received a promise to sell and given a promise to buy at the 2023 year-end reporting date with conditions;
- ORPEA has received a promise to sell and given a promise to buy at the 2024 year-end reporting date.

The following respective commitments have been entered into concerning the potential acquisition of a 100% interest in 50%-held SENIOR SUITES:

- ORPEA has received a promise to sell from the other shareholders up to 31 July 2024;
- ORPEA has given a promise to buy out the other shareholders between 1 January and 31 July 2024;
- the seller has given a promise to buy out the other shareholders between 1 August 2024 and 31 July 2025.

Commitments relating to companies accounted for using the equity method

With regard to the 74.9% stake in INOGES, the following commitments have been exchanged concerning the potential acquisition of the remaining 25% of shares:

- ORPEA has received a promise to sell from the other shareholders between 30 August 2020 and 31 October 2020;
- ORPEA has given a promise to buy out the other shareholders between 30 April 2020 and 30 June 2020.

With regard to the 75% stake in DAGELIJKS LEVEN, the following commitments have been exchanged concerning the potential acquisition of the remaining 25% of shares:

- ORPEA has received a promise to sell from the other shareholders in tranches from 2019;
- ORPEA has given a promise to buy out the other shareholders in tranches between 1 January and 15 February 2020 and 2021 if the non-controlling shareholders have not exercised their option, then from 2022.

ORPEA has granted Belgian company INTORP a lease payment guarantee covering four properties leased by its Belgian subsidiaries.

Commitments received

The Group has been given a pledge over land in Spain as collateral for a €2.2 million loan granted by ORPEA SA.

It also holds options to buy real-estate assets currently leased in Belgium.

3.23.2 Contingent liabilities

Overall, management believes that the provisions recognised for disputes involving the Group of which it is aware should be sufficient to avoid a substantial impact on the Group's financial position or results of its operations.

3.24 Analysis of financial assets and liabilities in accordance with IFRS 7

Financial assets and liabilities recognised under IFRS 7 break down as follows:

			Carrying amount		Fair value	
(in thousands of euros)	Classification	Level*	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Held-to-maturity financial assets			**0**	**0**	**0**	**0**
Bonds and negotiable debt securities	Cash and cash equivalents					
Loans and receivables			**891,247**	**879,150**	**891,247**	**879,150**
Short-term loans	Short-term loan					
Long-term loans	Non-current financial assets	2	34,560	22,482	34,560	22,482
Receivables related to asset disposals	Receivables related to asset disposals in the short term		20,339	24,431	20,339	24,431
Deposits and guarantees	Non-current financial assets	2	14,437	8,055	14,437	8,055
Other receivables	Other receivables	2	558,429	594,218	558,429	594,218
Trade receivables	Trade receivables	2	263,482	229,964	263,482	229,964
Available-for-sale financial assets			**0**	**0**	**0**	**0**
Other						
Financial assets at fair value			**844,033**	**775,965**	**844,033**	**775,965**
Interest rate derivatives		2	5,292	7,977	5,292	7,977
Currency derivatives		2			0	
Open-ended investment funds and mutual funds	Cash and cash equivalents	1	10,870	77,876	10,870	77,876
Cash	Cash and cash equivalents	1	827,871	690,112	827,871	690,112
FINANCIAL ASSETS			**1,735,280**	**1,655,115**	**1,735,280**	**1,655,115**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on an active market, for which fair value is measured using directly observable market inputs.
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

			Carrying amount		Fair value	
(in thousands of euros)	**Classification**	**Level***	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Financial liabilities at fair value			**173,292**	**86,719**	**173,292**	**86,719**
Currency derivatives	Other payables		3,242	944	3,242	944
Interest rate derivatives	Other payables	2	170,050	85,775	170,050	85,775
Change in the fair value of the entitlement to the allotment of shares embedded in the ORNANE bonds		2	0	0	0	0
Other bonds	Other payables					
Financial liabilities at amortised cost			**7,339,639**	**6,536,809**	**7,419,118**	**6,540,922**
Bonds convertible into, exchangeable for or redeemable in shares	Non-current and current financial liabilities	1	1,273,121	1,028,048	1,352,600	1,032,161
Bank borrowings	Non-current and current financial liabilities	2	4,572,172	3,923,149	4,572,172	3,923,149
Finance lease obligations	Non-current and current financial liabilities	2	928,109	1,044,961	928,109	1,044,961
Other payables	Current liabilities	2	312,455	272,195	312,455	272,195
Trade payables	Trade payables	2	253,782	268,456	253,782	268,456
FINANCIAL LIABILITIES			**7,512,931**	**6,623,528**	**7,592,410**	**6,627,641**

* *Level 1: financial assets and liabilities quoted on an active market, where fair value is the listed price.*
Level 2: financial assets and liabilities not quoted on an active market, for which fair value is measured using directly observable market inputs.
Level 3: financial assets and liabilities not quoted in an active market, for which fair value is measured using inputs not based on observable market data.

3.25 Related-party transactions

Related-party transactions

In the normal course of its business, the ORPEA Group enters into various transactions with related parties as defined by IAS 24.

During 2019, the main impacts were as follows:

- advances granted by the ORPEA Group to its associates and joint ventures and to related parties amounted to €198 million at 31 December 2019;
- advances received by the ORPEA Group from its associates and joint ventures and from related parties amounted to €3 million at 31 December 2019;
- the ORPEA Group leases certain operating properties from related parties within the meaning of IAS 24: *Related Party Disclosures*. These lease payments amounted to €12 million in 2019.

Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during the 2019 financial year to ORPEA SA's corporate officers was €3,480 thousand, including €131 thousand of directors' fees.

The carrying amount of the shares allotted in 2019 is €1,400 thousand.

3.26 Headcount

The ORPEA Group had 65,020 employees at 31 December 2019.

3.27 Statutory Auditors' fees

Fees paid in 2019 to the Statutory Auditors for the services they provided to ORPEA break down as follows:

	Deloitte & Associés				Saint-Honoré BK&A			
	Statutory Auditor	Network	Statutory Auditor	Network	Statutory Auditor	Network	Statutory Auditor	Network
(in thousands of euros)	2019	2019	2018	2018	2019	2019	2018	2018
Certification and half-year limited review of corporate and consolidated financial statements	1,280	1,456	1,181	1,399	959	0	1,027	0
■ ORPEA SA	982	0	890	0	725	0	710	0
■ Fully consolidated subsidiaries*	298	1,456	291	1,399	234	0	317	0
Services other than the certification of accounts**	33	44	73	100	0	0	7	0
■ ORPEA SA	33	0	73	0	0	0	7	0
■ Fully consolidated subsidiaries*	0	44	0	100				

* *The controlled entities taken into account are fully consolidated subsidiaries as well as jointly controlled entities once the fees are recognised in the consolidated income statement.*

** *The services provided cover the non-audit services required by statutory and regulatory provisions, along with the non-audit services provided at the Group's request. They correspond primarily to the report of the independent verifier on labour-related, environmental and social information provided for in Article L. 225-102-1 of the French Commercial Code (€33,000) and to various additional certificates and/or reports within the network (€44,000).*

3.28 Subsequent events

Since 1 January 2020, the Group has continued to expand, in particular by acquiring the TLC group, a major nursing home player in Ireland.

As at 23 April 2020, ORPEA had taken steps to ensure that the Covid-19 pandemic was under control within its network of facilities.

Given the uncertainty about how long the epidemic will last, it is, however, too early to assess the possible impact on the Group's future financial results.

In any event, ORPEA is not expecting any impairment of its assets or the revaluation of its liabilities.

3.29 Scope of consolidation at 31 December 2019

The main companies involved in ORPEA Group activities and management of its property portfolio are:

Consolidated companies	Percentage control	Percentage ownership	Method of consolidation
SA ORPEA	100%	100%	Parent
SAS CLINEA	100%	100%	Full
SARL NIORT 94	100%	100%	Full
DOMIDOM – ADHAP	100%	100%	Full
SA ORPEA BELGIUM	100%	100%	Full
ORPIMMO	100%	100%	Full
ORPEA ITALIA SRL	100%	100%	Full
CASAMIA IMMOBILIARE	100%	100%	Full
ORPEA IBERICA	100%	100%	Full
SL DINMORPEA	100%	100%	Full
SENEVITA AG	100%	100%	Full
ORPEA DEUTCHLAND	100%	100%	Full
ORPEA NETHERLAND	100%	100%	Full
CELENUS	100%	100%	Full
SENECURA	100%	100%	Full
MEDISYSTEM	100%	100%	Full
CEESCH	100%	100%	Full
GCSE	100%	100%	Full
NIORPEA	100%	100%	Full
ORPEA LATAM	100%	100%	Full

6.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

To the shareholders of ORPEA,

OPINION

In accordance with our appointment as Statutory Auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of ORPEA for the year ended 31 December 2019. The financial statements were prepared by the Board of Directors on 23 April 2020 on the basis of the information available against the backdrop of the unfolding health crisis related to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the assets and liabilities, and the results of the Group formed by the persons and entities included in the consolidation, in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

BASIS OF OUR OPINION

AUDIT

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under those standards are stated in the *"Responsibilities of the Statutory Auditors in relation to auditing the consolidated financial statements"* section of this report.

INDEPENDENCE

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the code of conduct of the Statutory Auditors' profession in France.

OBSERVATION

Without qualifying the opinion expressed above, we draw your attention to Note 1.2 ("IFRS 16") to the consolidated financial statements, which sets out the impacts of the application at 1 January 2019 of IFRS 16 – *Leases*.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgement, the main risks of material misstatement in relation to our audit of the year's consolidated financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the consolidated financial statements taken as a whole, prepared as described above, and in the formation of our opinion stated above. We express no opinion on items of the consolidated financial statements taken in isolation.

VALUATION OF PROPERTIES, LAND AND BUILDINGS OWNED AND OPERATED BY THE GROUP

RISKS IDENTIFIED

At 31 December 2019, the Group's property, plant and equipment had a net value of €5,427 million, or 37% of total assets. They predominantly comprise land, buildings, fixtures and fittings.

As specified in Note 1.9. ("Property, plant and equipment") to the consolidated financial statements, properties, land and buildings owned and operated by the ORPEA Group are revalued at fair value in line with IAS 16.31: *Property, Plant and Equipment*.

To assess the fair value of operating properties, the property appraisers appointed by management use the capitalisation-based method. The value of these properties is determined on the basis of the income they generate, i.e. their estimated market rent, to which a capitalisation rate is applied (expected rate of return). The estimated market rent is projected using an operating expense ratio in line with standard practice in each country. The capitalisation rates applied depend on the location, type of operation and form of ownership of the assets.

Owing to the material value of the relevant assets and the estimates inherent in the valuation methods adopted by the property appraisers appointed by management, we considered that the appropriate measurement of these assets was a key audit matter.

AUDIT PROCEDURES IMPLEMENTED TO ADDRESS THE RISKS IDENTIFIED

To assess the reasonableness of the estimate of the fair value of the properties, land and buildings owned and operated by the Group, we:

- obtained the valuations produced by the property appraisers appointed by management;
- assessed the competence and independence of those appraisers;
- verified that the valuations match the amounts recognised in the financial statements;
- verified that the procedure covering the valuation of all the properties was applied correctly over a three-year period;
- assessed the reasonableness of the assumptions adopted by the property appraisers (estimated market rent, capitalisation rates) with input from our property experts, where appropriate.

Lastly, we checked that Notes 1.9. ("Property, plant and equipment") and 3.4.2. ("Revaluation of operating properties") to the consolidated financial statements provide appropriate disclosures.

VERIFICATION OF INFORMATION RELATING TO THE GROUP PROVIDED IN THE MANAGEMENT REPORT

We also verified, in accordance with the professional standards applicable in France and as required by law, the information concerning the Group presented in the management report prepared by the Board of Directors on 23 April 2020. With respect to events that occurred or are known after the reporting date relating to the effects of the Covid-19 crisis, the management has informed us that a message will be communicated at the Annual General Meeting called to approve the financial statements.

We have no comments to make as to its fair presentation and its consistency with the consolidated financial statements.

INFORMATION RESULTING FROM OTHER STATUTORY AND REGULATORY OBLIGATIONS

APPOINTMENT OF THE STATUTORY AUDITORS

Deloitte et Associés was appointed as Statutory Auditors of ORPEA by the Annual General Meeting of 29 June 2006, and Saint-Honoré BK&A by the Annual General Meeting of 27 June 2008.

At 31 December 2019, Deloitte et Associés was in its 14th year of uninterrupted engagement and Saint-Honoré BK&A in its 12th year of uninterrupted engagement, or 14 and 12 years respectively since the Company's shares were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN CORPORATE GOVERNANCE IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements that present a true and fair view, in accordance with IFRS as endorsed by the European Union, and for setting up the internal controls it deems necessary for preparing consolidated financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in its financial statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the Company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS IN RELATION TO AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OBJECTIVE AND PROCEDURE

Our responsibility is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free of material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your Company or the quality of its management.

When conducting an audit in accordance with professional standards in France, Statutory Auditors use their professional judgement throughout the audit. In addition:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether through fraud or error, define and implement audit procedures to address those risks, and collect information that they regard as sufficient and appropriate as the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;
- they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;
- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the consolidated financial statements;
- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the Company's ability to continue as a going concern. That assessment is based on information collected until the date of the auditors' report, although it should be noted that subsequent circumstances or events may call into question the Company's status as a going concern. If the auditors conclude that there is a material uncertainty, they draw attention to information provided in the consolidated financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they certify the financial statements with reservations or refuse to certify them;
- they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying operations and events and present a true and fair view;
- regarding financial information relating to persons or entities included in the scope of consolidation, they collect the information that they regard as sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and conducting the audit of the consolidated financial statements and for the opinion expressed on those financial statements.

REPORTING TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee that includes the extent of audit work and the schedule of work performed, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the year's consolidated financial statements, and which are therefore the key points of the audit. It is our role to describe those points in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

Paris and Paris-La Défense, France, 24 April 2020

The Statutory Auditors

Saint-Honoré BK&A	Deloitte & Associés
Emmanuel Klinger	Jean-Marie Le Guiner

7 PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2019

7.1 ORPEA SA'S FINANCIAL STATEMENTS AT 31 DECEMBER 2019

ORPEA SA'S INCOME STATEMENT

(in euros)	31/12/2019	31/12/2018
Revenue	**943,200,804**	**866,262,327**
Production transferred to inventories	(3,440,095)	(2,507,492)
Other operating income	43,928,600	35,391,089
Purchases and other external charges	(363,709,412)	(317,381,881)
Taxes other than on income	(55,250,090)	(52,291,487)
Staff costs	(454,092,856)	(432,312,492)
Depreciation, amortisation and charges to provisions	(31,107,120)	(22,139,094)
Other operating expenses	(3,147,873)	(1,238,504)
Operating income	**76,381,958**	**73,782,467**
Financial income	135,465,835	94,099,184
Financial expense	(137,289,875)	(138,058,576)
Net finance cost	**(1,824,040)**	**(43,959,393)**
Pre-tax profit on ordinary activities	**74,557,918**	**29,823,075**
Net non-recurring items	(613,094)	25,085,146
Employee profit-sharing		
Income tax	(13,156,217)	(17,537,186)
NET PROFIT	**60,788,607**	**37,371,035**

ORPEA SA'S BALANCE SHEET

	31/12/2019			31/12/2018
Assets *(in euros)*	**Gross**	**Depreciation, amortisation and charges to provisions**	**Net**	**Net**
NON-CURRENT ASSETS				
Intangible assets	420,087,690	22,672,307	397,415,383	290,498,358
Property, plant and equipment	502,028,760	204,186,682	297,842,078	276,846,859
Financial assets	1,823,844,267	31,836,592	1,792,007,675	1,701,982,694
Total non-current assets	**2,745,960,718**	**258,695,582**	**2,487,265,136**	**2,269,327,913**
CURRENT ASSETS				
Inventories and work-in-progress	15,323,659	1,188,655	14,135,004	9,933,672
Advances and downpayments made	4,909,309		4,909,309	4,399,087
Trade receivables	37,336,522	7,184,950	30,151,572	14,397,422
Other receivables	3,248,385,404	4,655,178	3,243,730,226	2,860,791,097
Marketable securities	4,433,208		4,433,208	64,777,225
Cash	546,251,857		546,251,857	101,177,583
Prepaid expenses	19,489,115		19,489,115	12,343,550
Total current assets	**3,876,129,074**	**13,028,783**	**3,863,100,292**	**3,067,819,636**
Bond repayment premiums	2,255,619		2,255,619	2,690,096
Unrealised foreign currency losses			-	42,738
TOTAL ASSETS	**6,624,345,410**	**271,724,365**	**6,352,621,046**	**5,339,880,383**

Equity and liabilities *(in euros)*	**31/12/2019**	**31/12/2018**
EQUITY		
Share capital	80,769,796	80,732,904
Share premiums and reserves	663,373,834	703,522,567
Net profit for the financial year	60,788,607	37,371,035
Tax-regulated provisions	9,391,664	8,990,449
Total equity	**814,323,901**	**830,616,956**
Provisions for liabilities and charges	**12,088,000**	**17,189,824**
LIABILITIES		
Borrowings and financial liabilities	4,424,964,068	3,860,454,225
Advances and downpayments received	(167,241)	248,362
Trade payables	47,811,185	43,750,885
Tax and payroll liabilities	103,907,884	129,921,780
Other payables	932,155,158	446,345,969
Deferred income	8,934,301	8,330,921
Total liabilities	**5,517,605,356**	**4,489,052,140**
Unrealised foreign currency gains	8,603,789	3,021,463
TOTAL LIABILITIES AND EQUITY	**6,352,621,046**	**5,339,880,383**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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1. SIGNIFICANT ACCOUNTING POLICIES, MAJOR EVENTS OF THE PERIOD AND SUBSEQUENT EVENTS

1.1 Basis of preparation

The Company applies the provisions of ANC regulation no. 2014-03 relating to French generally accepted accounting principles.

Generally accepted accounting principles have been adopted, in accordance with the conservatism principle and based on the following basic assumptions:

- the going concern basis of accounting;
- consistency of accounting policies;
- the accrual principle;

and the general rules for preparing and presenting financial statements.

Historical cost is the basic method used to measure items recorded in the financial statements. As an exception to the above, the operating licences and investments in subsidiaries held prior to that date were revalued in connection with the merger transactions recognised in 1998.

The parent company financial statements apply the provisions of ANC regulation 2015-05 relating to forward financial instruments and hedging transactions, which have been mandatory since financial year 2017. That regulation had no impact on the financial year's parent company financial statements.

1.2 Significant accounting policies

The significant accounting policies used are as follows:

1.2.1 Intangible assets

Intangible assets mainly comprise:

- licences to operate beds in nursing home facilities, shown under "Commercial goodwill".

  These licences are considered to have an indefinite useful life, in line with the market position adopted by the sector. This status is underpinned by the Group's observations and past experience that the probability of licences being withdrawn or not renewed is limited, since ORPEA operates its facilities in strict compliance with the terms and conditions and the standards set by the various healthcare authorities, and since the costs incurred in maintaining these licences are not material;
- technical losses, shown under "Other intangible assets".

  Technical losses arising on mergers reflect unrealised gains on assets, which may or may not be recognised in the absorbed company's financial statements, less any unrecognised liabilities in the absorbed company's financial statements. They are recognised as the difference between the carrying amount of the previously held investment and the absorbed subsidiary's net assets.

  Pursuant to Article 745-5 of ANC regulation no. 2015-06 amending ANC regulation no. 2014-03 relating to French generally accepted accounting principles, technical losses are allocated in proportion to reliably estimated unrealised gains, with any remaining portion allocated to business goodwill.

  These technical losses are then amortised or impaired using the same methods as are applicable to the underlying assets to which they are assigned.

  The "Other intangible assets" heading includes technical losses assigned to the licences to operate nursing home beds and any other unallocated technical losses.

Groups of assets to which unamortised commercial goodwill and/or a technical loss have been assigned are tested annually for impairment, which consists in comparing their carrying amount with the higher of:

1) value in use, which is determined by discounting expected future cash flows from each of the facilities in which these assets are operated and adjusted for net debt.

   The discount rate used for this impairment testing is the ORPEA Group's weighted average cost of capital, which is representative of the sector's rate, and the terminal value is determined using a perpetual growth rate reflecting the growth outlook for the Company in the light of likely trends in its sector of activity (respectively 6.5% and 1.5% as at 31 December 2019);
2) fair value less costs to sell, where appropriate.

An impairment loss is recognised in respect of the difference if the carrying amount is higher than value in use or fair value less costs to sell.

Other intangible assets are amortised on a straight-line basis over a period of 1 to 5 years.

1.2.2 Property, plant and equipment

Property, plant and equipment, comprising land, buildings, fixtures and fittings, equipment and furnishings, is measured at cost (purchase price plus transaction costs), production cost or contribution value.

These assets are depreciated by the Company on a straight-line basis. Depreciation is calculated based on the expected useful life of each asset or each of its components having different useful lives in line with the following criteria:

- buildings, fixtures and fittings: 12 to 60 years
- plant and equipment: 3 to 10 years
- other: 3 to 10 years

Other property, plant and equipment includes the technical merger losses assigned to property, plant and equipment, which are depreciated using the same rules and useful lives as the underlying assets.

1.2.3 Investments in subsidiaries, long-term investments and related receivables

The values of investments in other companies are recognised under this item.

In accordance with decree no. 2005-1702 of 28 December 2005, the Company has elected to capitalise all transfer taxes, professional fees or commissions and other contract expenses related to the acquisition of long-term investments and securities held for sale as part of the cost of the acquisition.

Expenses related to investments in subsidiaries are amortised on an accelerated basis over a period of 5 years for tax purposes.

Investments in subsidiaries are measured at cost or contribution value.

Other financial assets include the technical merger losses assigned to investments in subsidiaries.

An impairment loss is recognised in respect of the difference if the value in use of investments in subsidiaries and of the associated technical merger losses falls below the gross amount.

Value in use is determined according to the investee company's equity value or an enterprise value calculated on the basis of:

- the present value of future cash flows expected to be generated by its continued operation, adjusted for net debt (see section 1.2.1);
- or realisable value net of selling costs.

Impairment losses are also recognised in respect of any related receivables.

1.2.4 Inventories and work in progress

This item includes various supplies, materials, small items of equipment and work in progress on property projects, which are all measured at historical cost.

Work in progress on property projects comprises land and construction costs incurred to support the expansion of the Company and of its subsidiaries.

Cost includes the purchase and/or production cost incurred in bringing the asset to its present condition and location. Production cost includes direct production costs and borrowing costs directly attributable to the production of the property asset.

Marketing costs directly attributable to the assets sold are recognised in property work in progress during the construction period and expensed at the date of completion of the property.

Property development programmes are:

- either transferred to third parties as a block or in lots;
- or transferred to leasing organisations.

Revenue, construction costs and the corresponding margins are recognised in the income statement at the date of completion of the works.

Changes in work in progress are posted to "Production transferred to inventories".

Inventories are written down if their value in use falls below their carrying amount.

1.2.5 Trade and other receivables

Receivables and payables are measured at nominal value. Receivables are written down if their estimated fair value falls below their nominal value.

An impairment loss is recognised on doubtful trade receivables when there is objective evidence that the Company may be unable to recover the full amount on the original terms and conditions due under the transaction. The age of a receivable and failure to pay within the usual payment period are indicators of impairment.

Based on past experience, the following impairment rates are applied:

- receivables less than 6 months past due: 20% for cases handled by the disputes department;
- receivables more than 6 months past due: 50% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.);
- receivables more than 1 year past due: 100% or less depending on the resident's financial status (joint and several guarantee, own assets, etc.).

However, amounts due from residents receiving social support are impaired as follows:

- receivables more than 30 months past due: 50%;
- receivables more than 36 months past due: 100%.

1.2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and risk-free, short-term investments such as term deposits.

1.2.7 Provisions

The Company recognises a provision when it has an obligation to a third party, it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation, without any economic benefits with at least an equivalent value being received in return, and its amount can be estimated reliably.

Where this liability is not probable and the amount of the obligation cannot be measured sufficiently reliably, but an outflow may be required to settle the obligation, the Company recognises a contingent liability.

Provisions for labour disputes are estimated by the employee affairs department based on the Company's exposure and the status of any proceedings.

Provisions for tax disputes are estimated by the finance department after a full review of any tax audits in progress.

Where applicable, a provision may be set aside for certain investments in subsidiaries depending on the investee's net assets and its commitments to the Company at the end of the financial year.

Tax-regulated provisions relate to accelerated depreciation for acquisition-related expenses on investments in subsidiaries.

1.2.8 Borrowings

Borrowings and financial liabilities are recognised at nominal value net of any associated issue costs, which are recognised in operating profit then spread over the same term as underlying borrowings.

Where future interest expense is hedged, the hedged future liability is still measured at amortised cost.

Financial liabilities include short- and long-term borrowings, and property bridging loans, which are bank loans allocated specifically to finance operating properties recently acquired or under construction.

Borrowing costs are recognised over the term of the corresponding liability, except where they are directly attributable to the acquisition, construction or production of an asset. In this case, they are included in the cost of the asset.

1.2.9 Financial instruments and derivatives

Interest rate derivatives

The Company's financial liabilities mainly comprise floating rate domestic debt, and it is therefore exposed to the risk of an increase in short-term rates in the euro zone.

As part of its risk management policy, the Company uses derivatives such as interest rate swaps and options under which it receives the Euribor rate and pays a fixed rate specific to each contract and linked to the Euribor rate.

The purpose of these transactions is to convert floating into fixed-rate liabilities and to optimise the risk profile of the Company's debt based on expected trends in interest rates.

During the financial year, the Company continued its interest rate risk management policy, which is to build up a portfolio of financial instruments that qualify for hedge accounting.

Financial income and expenses associated with interest rate derivatives are recognised in the same manner and period as the income and expenses generated by the hedged item.

Premiums paid for caps are recognised in financial expenses over the period of the hedge.

Currency derivatives

The Company uses forward currency purchases and sales to hedge its future transactions in foreign currencies. Currency gains and losses on these derivatives are recognised in profit or loss in the same manner and period as the items they hedge. As a general principle, the Company uses derivatives solely for hedging purposes.

Any premiums and discounts on forward currency agreements are recognised in the income statement as financial income and expenses over the period of the hedge.

1.2.10 Foreign currency transactions

Foreign currency assets and liabilities are translated at year-end exchange rates when they are not covered by a specific hedge. Any exchange gains and losses are recognised under the relevant balance sheet headings. Unrealised foreign exchange losses are provided for, after the effects of any hedging.

1.2.11 Revenue

Revenue mainly derives from:

1) accommodation and care services provided to residents. This revenue is recognised when the service is provided.

   Per diem rates are payable as follows:

   - the accommodation component is paid for by the resident,
   - the long-term care allowance component is paid for by the resident and the local authority (the daily charge is set by the local authority depending on the level of care required and forecast expenses),
   - the medical care component is paid for by the regional health insurance fund (the daily charge is set according to the level of care required and forecast expenses);

2) sales to third parties of properties built or redeveloped by the Company. Corresponding changes in work in progress are posted to "Production transferred to inventories".

1.2.12 Income tax

ORPEA is the head of a tax consolidation group formed with subsidiaries that are at least 95%-owned.

ORPEA, like each subsidiary in the tax group, pays the income tax calculated on its own earnings.

1.3 Internal restructuring

To streamline its organisation structure, the Company carried out mergers of the following subsidiaries during the financial year: SAS ORGANIS, SAS HMV, SAS CA CANTE, SARL IDF Résid. RETRAITE SOPHORA, SAS HOLDING MANDRES.

The various assets and liabilities of these subsidiaries were absorbed and recognised in ORPEA's financial statements at the effective date of their transfer in 2019.

These transactions led to the recognition of technical merger losses amounting to €36 million, with losses of €30 million allocated to "Other intangible assets" and losses of €6 million allocated to "Other financial assets".

1.4 Significant events of the period

Since 1 January 2019, the Company has continued to expand in France and abroad by opening facilities following the completion of construction projects launched in previous financial years. As part of its acquisitions policy, ORPEA has also acquired new facilities and made some bolt-on acquisitions, directly or via companies, of individual assets necessary for its expansion, such as intangible rights and operating properties.

In H1 2019, ORPEA Group completed the placement of an 8-year public bond issue of €500 million (due in May 2027) with an annual fixed-rate coupon of 0.375%.

1.5 Subsequent events

Since 1 January 2020, the Company has continued to expand in France and abroad.

As at 23 April 2020, ORPEA had taken steps to ensure that the Covid-19 pandemic was under control within its network of facilities.

Due to the uncertainty about how long the pandemic will last, it is too soon to gauge the potential impact on the Company's future financial results.

In any event, ORPEA is not expecting any impairment of its assets or the revaluation of its liabilities.

2. COMMENTARY ON THE FINANCIAL STATEMENTS

N.B.: Amounts are stated in euros unless otherwise indicated.

2.1 Balance sheet

2.1.1 Non-current assets

Intangible assets

Movements in gross intangible assets were as follows:

Gross	Beginning of financial year	Increase	Decrease	Reclassification	Merger	End of financial year
Set-up costs	21,481				4,341	25,821
Concessions, patents	1,350,099	66,464			3,798	1,420,363
Commercial goodwill	81,710,725	4,237,477			46,885,732	132,833,934
Other intangible assets	209,588,467	38,500	0	(38,500)	75,944,137	285,532,604
Advances on intangible assets	298,469	(23,500)				274,968
TOTAL	**292,969,241**	**4,318,941**	**0**	**(38,500)**	**122,838,007**	**420,087,690**

Amortisation of gross intangible assets broke down as follows:

Amortisation	Beginning of financial year	Increase	Decrease	Merger	End of financial year
Set-up costs	9,421	295		4,343	14,058
Concessions, patents	1,253,157	52,131		3,798	1,309,087
Commercial goodwill	240,001			20,008,095	20,248,096
Other intangible assets	968,303	130,748		2,015	1,101,067
Advances on intangible assets	0				0
TOTAL	**2,470,883**	**183,174**	**0**	**20,018,251**	**22,672,307**

Property, plant and equipment

Movements in gross property, plant and equipment were as follows:

Gross	Beginning of financial year	Increase	Decrease	Reclassification	Merger	End of financial year
Land	13,412,520				13,105	13,425,624
Buildings	299,949,565	199,730	1,420,199	27,868,439	8,465,350	335,062,886
Plant and facilities	62,836,708	4,033,552	8,416	(24,022)	6,541,811	73,379,632
Vehicles	505,139	123,353			63,160	691,652
Property, plant and equipment in progress	29,495,198	98,634,415	71,677,712	(35,049,134)	975,324	22,378,089
Other property, plant and equipment	42,228,042	2,158,514	7,599	7,243,217	5,468,699	57,090,871
TOTAL	**448,427,172**	**105,149,565**	**73,113,926**	**38,500**	**21,527,450**	**502,028,760**

Depreciation and impairment of gross property, plant and equipment were as follows:

Amortisation	Beginning of financial year	Increase	Decrease	Reclassification	Merger	End of financial year
Land	11,214		4,302			6,912
Buildings	88,990,505	11,775,113	420,545		3,169,019	103,514,093
Plant and facilities	51,407,593	3,676,088	1,110		6,798,104	61,880,675
Vehicles	664,927	15,564			2,151,391	2,831,882
Other property, plant and equipment	30,506,073	2,483,104	387		2,964,330	35,953,120
TOTAL	**171,580,313**	**17,949,870**	**426,345**	**0**	**15,082,844**	**204,186,682**

Financial assets

Movements in gross financial assets were as follows:

Gross	Beginning of financial year	Increase	Decrease	Reclassification	Merger	End of financial year
Investments in subsidiaries	1,594,421,491	184,456,175	10,000		(56,488,348)	1,722,379,318
Other investments	6,985					6,985
Receivables related to investments in subsidiaries	63,791,126					63,791,126
Loans	12,957,316	593,780	14,662		287,743	13,824,177
Other financial assets	53,725,467	1,280,022	7,043		(31,155,786)	23,842,660
TOTAL	**1,724,902,385**	**186,329,978**	**31,705**	**0**	**(87,356,392)**	**1,823,844,267**

The change in investments in subsidiaries is derived principally from:

- an increase of €122 million related to capital increases of subsidiaries within the Group;
- an increase of €62 million following the acquisition of shares in new subsidiaries;
- a decrease of €56 million related to mergers.

The changes in "Other financial assets" is derived primarily from movements in treasury shares and the appropriation of the technical merger losses.

"Loans" and "Other financial assets" break down as follows:

	31/12/2019	Up to 1 year	Over 1 year
Loans	13,824,177	55,540	13,768,636
Deposits and guarantees	4,186,333		4,186,333
Allocation of technical losses	15,536,959		15,536,959
Treasury shares	4,119,368	4,119,368	
TOTAL	**37,666,837**	**4,174,909**	**33,491,928**

The Annual General Meeting of 29 June 2006 authorised a share repurchase programme. This programme has a number of aims, including to allow the Company to provide liquidity and stimulate trading in its shares, and to optimise its capital management.

A total of 45,142 shares with a carrying amount of €4.1 million were held in treasury at 31 December 2019.

Movements in provisions for financial assets were as follows:

Provisions	Beginning of financial year	Increase	Decrease	Merger	End of financial year
Investments in subsidiaries	22,834,814	10,148,675		(1,232,039)	31,751,450
Loans	84,877	265			85,142
TOTAL	**22,919,691**	**10,148,940**	**0**	**(1,232,039)**	**31,836,592**

2.1.2 List of subsidiaries and investments

Company	2019 revenue	Share capital	Percentage ownership	Percentage ownership (as a %)	Profit or loss for the last financial year ended	2019 equity	Carrying amount of investments in 2019	
							Gross	Net
SCI Route des Écluses	234,239	303,374	300,340	99%	210,183	3,036,820	303,374	303,374
SCI Les Rives d'Or	35,316	1,524	1,509	99%	2,911	1,997,561	933,755	933,755
SCI du Château	0	1,524	1,509	99%	156,084	8,374,121	1,353,340	1,353,340
SCI Tour Pujols	152,880	1,524	1,509	99%	197,066	2,952,339	1,364,795	1,364,795
SCI La Cerisaie	70,673	1,524	1,509	99%	48,444	2,376,643	47,224	47,224
SCI Val de Seine	154,219	6,300,000	6,238,012	99%	(1,815,113)	(1,069,644)	6,946,798	6,946,798
SCI Cliscouet	528,852	1,524	1,509	99%	471,286	2,869,904	1,494	1,494
SCI Âge d'Or	231,647	2,549,161	2,523,669	99%	229,612	13,082,974	6,234,540	6,234,540
SCI Gambetta	97,544	1,524	1,509	99%	25,652	5,448,693	1,509	1,509
SCI Croix Rousse	1,929,588	1,524	1,509	99%	687,574	5,657,000	1,509	1,509
SCI Les Dornets	34,215	1,524	1,509	99%	23,932	1,335,283	1,494	1,494
SCI Château d'Angleterre	106,121	1,646	1,630	99%	214,799	9,037,986	1,763,577	1,763,577
SCI Montchenot	561,085	1,524	1,509	99%	296,193	11,332,647	1,286,933	1,286,933
SCI 115 rue de la Santé	5,222,110	3,300,000	2,970,000	90%	1,870,254	15,108,224	2,970,000	2,970,000
SCI Abbaye	3,240,965	6,000,000	5,400,000	90%	1,128,519	3,649,706	5,743,038	5,743,038
SCI Les Tamaris	2,359,164	1,524	1,509	99%	185,008	2,579,926	1,357	1,357
SCI Passage Victor Marchand	4,157,166	1,524	1,509	99%	(1,598,521)	(3,582,330)	1,509	1,509
SCI Fauriel	11,941,578	36,200,000	35,843,815	99%	4,916,692	30,159,820	37,455,332	37,455,332
SCI Port Thureau	30,574	1,524	1,509	99%	(4,777)	1,218,165	63,708	63,708
SCI de l'Abbaye	150,000	1,524	1,509	99%	107,445	1,280,922	1,509	1,509
SCI Les Maraîchers	150,000	1,524	1,509	99%	150,733	2,606,560	99,595	99,595
SCI Bosguerard	50,000	1,524	1,509	99%	52,479	1,422,639	1,274,306	1,274,306
SCI Le Vallon	4,264,079	12,000,000	10,800,000	90%	(3,380,834)	6,776,359	12,831,856	12,831,856
SCI Brest Le Lys Blanc	6,093,371	16,000,000	15,680,000	98%	(1,792,988)	(2,167,909)	15,840,000	15,840,000
SCI Bel Air	112,476	1,524	1,509	99%	(106,162)	(538,559)	335,837	335,837
SAS CLINEA	769,560,313	194,008,608	194,008,608	100%	48,314,634	349,428,685	203,855,563	203,855,563
SARL Les Matines	2,983,006	18,500,000	18,500,000	100%	1,219,046	16,378,853	18,500,000	18,500,000
SARL Bel Air	362,440	1,265,327	1,265,327	100%	171,539	4,463,217	840,604	840,604
SARL Amarmau	30,000	7,622	7,622	100%	(30,942)	(1,230,406)	7,622	7,622
SARL 94 Niort	33,735,131	231,000,000	231,000,000	100%	(3,323,415)	292,049,487	231,000,000	231,000,000
SARL 95	0	7,700	7,700	100%	(25,564)	(886,393)	7,700	0
SCI Sainte Brigitte	0	1,525	1,524	100%	(29,200)	(779,708)	1,524	1,524
SARL VIVREA	2,978,514	4,050,000	4,050,000	100%	(17,596)	(623,857)	4,050,000	4,050,000
SA LES CHARMILLES	5,418,225	76,225	74,701	98%	404,738	5,619,952	3,094,117	3,094,117
SCI KOD'S	0	22,650	22,650	100%	(12,791)	613,592	68,116	68,116
SARL LA BRETAGNE	212,500	277,457	277,457	100%	102,265	(1,370,999)	41,300	41,300
SA BRIGE	0	9,200,000	9,200,000	100%	(21,304)	7,578,176	670,000	670,000
SRLORPEA ITALIA	28,190,803	3,350,000	3,350,000	100%	(6,495,045)	35,250,517	60,087,393	60,087,393
SCI LES TREILLES	30,000	15,245	15,243	100%	51,968	2,454,104	2,363,698	2,363,698

Company	2019 revenue	Share capital	Percentage ownership	Percentage ownership *(as a %)*	Profit or loss for the last financial year ended	2019 equity	Carrying amount of investments in 2019	
							Gross	Net
SCI LES MAGNOLIAS	(451,101)	4,477,400	4,433,360	99%	(863,393)	(117,878)	4,474,450	4,474,450
SCI le Barbaras	190,000	182,939	146	0%	142,290	7,106,486	821	821
SARL DOMEA	186,750	100,000	100,000	100%	(3,690)	138,165	100,000	100,000
SARL 96	5,431,488	7,084,000	6,375,600	90%	3,416,936	11,471,068	20,975,600	20,975,600
SCI BEAULIEU	0	3,049	3,049	100%	(22,253)	(146,145)	30,490	0
SAS LA SAHARIENNE	550,000	1,365,263	1,365,263	100%	(325,820)	(1,948,755)	5,712,440	5,712,440
SARL ORPEA DEV	0	100,000	100,000	100%	(823)	869,887	100,000	100,000
SARL Maison de Louise	0	2,625,000	2,625,000	100%	(55,788)	263,720	2,625,000	256,220
SARL Maison de Lucile	13,253	3,900,000	3,860,000	99%	(103,662)	265,012	3,900,000	257,512
SARL Maison de Mathis	16	4,425,000	4,425,000	100%	(104,605)	295,093	4,425,000	287,593
GRUPO CARE	11,431,635	63,921	63,921	100%	(8,206,735)	(5,338,851)	20,328,321	20,328,321
DINMORPEA	334,620	5,000	5,000	100%	(1,237)	202,825	5,000	5,000
SRL CASA MIA IMMOBILIARE	1,890,464	20,000,000	20,000,000	100%	(331,265)	13,969,340	13,089,120	13,089,120
SA ORPEA BELGIUM	11,320,988	131,500,000	131,486,850	100%	2,963,721	225,883,012	115,479,233	115,479,233
SA DOMAINE DE CHURCHILL	278,223	815,012	815,012	100%	(116,139)	15,089,164	12,135,729	12,135,729
SA DOMAINE DE LONGCHAMP	1,465,398	65,026	6,503	10%	528,435	2,831,480	1,414,449	1,414,449
SA LONGCHAMPS LIBERTAS	10,052,019	1,740,000	1,740,000	100%	(2,454,921)	(9,212,814)	554,719	554,719
SA RS DOMAINE DE CHURCHILL	2,540,637	265,039	265,039	100%	168,296	602,102	3,075,311	3,075,311
TRANSAC CONSULTING CORPORATION	0	3,009	3,009	100%	0	10,352	1,823,231	1,823,231
SAS Résidence Saint-Luc	237,947	37,200	37,200	100%	6,874	(4,845,901)	2,644,007	0
SARL Benian	0	1,000	200	20%	(1,000)	(48,834)	300,200	0
SCI JEM II	(279,480)	152	137	90%	(223,211)	465,368	883,500	883,500
SARL La Doyenne de Santé	589,000	8,000	4,000	50%	127,407	638,035	1,267,425	1,267,425
SCI Douarnenez	1,115,283	2,000,000	2,000,000	100%	(176,127)	(523,912)	1,980,000	1,980,000
SCI Barbacane	30,000	1,524	15	1%	24,422	1,050,332	15	15
SCI Selika	87,947	10,671	15	0%	(10,370)	5,720,373	15	15
SCI SLIM	0	762	762	100%	6,568	781,042	1,830	1,830
SCI SAINTES BA	1,329,939	1,524	15	1%	2,009,010	5,164,027	15	15
SCI Les Ânes	856,299	2,000,000	2,000	0.1%	(400,540)	505,879	2,000	2,000
SARL L'Ombrière	0	8,000	8,000	100%	(40,131)	(970,420)	822,027	0
SNC les Jardins d'Escudie	201,600	4,800,000	4,800,000	100%	(85,722)	(295,554)	5,524,310	5,524,310
SC Les Praticiens	0	87,600	70	0.08%	847	69,881	67,009	0
SARL Résidence du Parc	0	18,560	18,560	100%	(13,474)	(67,620)	5,810	5,810
SCI du Fauvet	(727,517)	3,600,000	360,000	10%	(2,448,133)	(968,486)	104,291	104,291
OPCI	0	5,301,885	266,155	5%	237,632	5,540,414	479,732	479,732
SAS SFI France	0	4,000,000	2,040,000	51%	(227,070)	556,311	23,305,520	23,305,520

Company	2019 revenue	Share capital	Percentage ownership	Percentage ownership *(as a %)*	Profit or loss for the last financial year ended	2019 equity	Carrying amount of investments in 2019	
							Gross	Net
SCI Ansi	44,607	22,867	4,573	20%	118,037	5,862,639	40,399	40,399
SNC des Parrans	0	7,622	7,622	100%	(34,192)	(1,036,944)	1,399,856	0
SNC Les Acanthes	0	7,622	7,622	100%	(19,106)	(428,910)	1,468,434	0
SA Le Clos Saint-Grégoire	0	38,173	38,173	100%	4,273	1,791,360	4,676,964	4,676,964
SA Immobilière de Santé	9,318,000	7,828,400	3,835,916	49%	6,288,000	60,630,000	13,210,000	13,210,000
SARL Domidom	18,553,566	19,970,100	19,970,100	100%	(1,171,022)	10,411,593	27,543,657	27,543,657
GCS	NP	100,000	12,500	13%	NP	NP	23,300	23,300
SAS Immo Nevers	132,802	5,000	5,000	100%	(44,520)	4,575,650	5,000	5,000
SCI Castelviel	1,338,636	152	150	99%	(791,930)	(4,756,436)	5,192,113	4,428,463
SCI Super Aix	9,986	228,674	162,358	71%	(74,621)	1,740,303	478,537	478,537
SAS Actiretraite Montgeron	0	4,000	4,000	100%	(42,205)	(1,477,025)	746,843	0
SCI Parc Saint-Loup	0	150,000	150,000	100%	(26,178)	(544,710)	149,079	0
SCI Larry	0	150,000	150,000	100%	38,225	3,403,501	150,621	150,621
SA China Holding	0	10,000,000	10,000,000	100%	(212,580)	8,615,357	10,000,000	9,269,982
SARL Résidence de Balbigny	0	10,000	10,000	100%	(1,109)	8,635	10,000	10,000
SARL Résidence Parc de Royat	0	10,000	10,000	100%	(253)	8,959	10,000	10,000
SARL Maison de l'AAR	NP	10,000	5,000	50%	NP	NP	5,000	5,000
SARL Résidence Malka (formerly SARL Résidence L'Angélique)	1,719,394	10,000	10,000	100%	(13,495)	(4,459)	35,000	35,000
SARL Résidence Saint-Martial	0	10,000	10,000	100%	(252)	8,960	10,000	10,000
SARL Résidence Marquisat	0	10,000	10,000	100%	(423)	9,495	10,000	10,000
SARL Résidence Parce des Noues	0	10,000	10,000	100%	(82)	9,495	10,000	10,000
SARL Résidence Les Pergolas	0	10,000	10,000	100%	(211)	8,824	10,000	10,000
SARL Résidence du Lac	0	10,000	10,000	100%	(250)	8,963	10,000	10,000
SARL Résidence Saint-Honorat	0	10,000	10,000	100%	(213)	8,999	10,000	10,000
SARL Résidence L'Atrium	0	10,000	10,000	100%	(275)	9,210	10,000	10,000
SARL Les Jardins d'Aurillac	0	10,000	10,000	100%	(250)	8,963	10,000	10,000
CEECSH	306,511	438,063,728	438,063,728	100%	434,792	428,370,198	497,490,952	497,490,952
CHINA CO.	654,267	12,534,773	6,392,734	51%	(1,335,477)	4,136,218	6,617,377	2,722,041
Retirement Services Co. Ltd	2,753,614	23,736,335	12,105,531	51%	(2,211,942)	6,058,962	7,751,353	0
MEDI-SYSTÈME	14,966,976	151,745	151,745	100%	1,502,775	33,320,321	43,477,338	43,477,338
SARL Primavera Saint-Marc	2,241,599	100,000	100,000	100%	(483,251)	(5,648,435)	18,001	18,001
Gevea Senior	0	921,300	451,437	49%	345,562	(1,298,143)	682,251	682,251
Gevea Immo	0	921,300	451,437	49%	23,424	862,806	406,945	406,945

Company	2019 revenue	Share capital	Percentage ownership	Percentage ownership *(as a %)*	Profit or loss for the last financial year ended	2019 equity	Carrying amount of investments in 2019	
							Gross	Net
SAS Familisanté	7,326,090	4,851,200	2,787,500	57%	1,859,640	2,273,380	18,771,865	18,771,865
NIORPEA	0	100,000	100,000	100%	(1,864,991)	(4,153,447)	100,000	100,000
ORPEA NETHERLANDS BV	NP	5,590,900	5,590,900	100%	NP	NP	5,590,900	5,590,900
ORPEA SUISSE SA	12,140,030	92,130	92,130	100%	(3,228,852)	59,651,369	63,993,829	63,993,829
ORPEA Latam	0	32,844,489	32,844,489	100%	(20,283)	32,816,314	32,844,935	32,844,935
Gevea Morges 49%	0	92,130	45,144	49%	57,570	149,700	42,281	42,281
Reine Bellevue	(1,282,049)	5,520,000	5,520,000	100%	(5,097,990)	(8,135,907)	5,514,000	5,514,000
Cuxac	495	7,622	7,622	100%	115,448	1,207,432	400,000	400,000
SCI Mediter Foncier	0	1,000	1,000	100%	(2,377)	(53,865)	990	990
SARL Les Grands Pins	325,000	50,000	50,000	100%	188,586	2,337,999	4,000,000	4,000,000
SAS Bellevue	150,000	40,138	40,138	100%	62,990	985,524	723,498	723,498
SASU Château de Champlatreux	476,701	38,112	38,112	100%	283,013	(1,257,363)	676,693	676,693
SARL Les Clos Saint-Jacques	(38,381)	7,622	7,622	100%	(17,358)	425,460	796,800	796,800
SARL Le Clos de Beauvais	677,403	1,000	1,000	100%	229,942	1,687,495	1,000	1,000
SARL M DE G et R Berny	408,300	38,112	38,112	100%	172,753	512,694	771,014	771,014
SARL Résidence du Port	370,241	7,622	7,622	100%	94,971	408,593	4,512,622	3,709,622
SIS BRASIL	0	20,000	20,000	100%	(307,637)	(694,513)	45,000,200	45,000,200
SIS Portugal	0	18,600	18,600	100%	(15,467)	(20,112)	45,000,200	45,000,200
Excelus	752,036	60,423	18,127	30%	0	1,299,470	2,000,046	2,000,046
Other securities							886,775	863,002
Other securities (access)							0	0
TOTAL							**1,722,379,318**	**1,690,627,868**

NP: Not Provided.

2.1.3 Inventories and work in progress

	Gross at 31/12/2019	Provisions at 31/12/2019	Net at 31/12/2019	Net at 31/12/2018
Small items of equipment and supplies	2,320,611		2,320,611	2,241,767
Property projects in progress	13,003,048	1,188,655	11,814,393	7,691,905
TOTAL	**15,323,659**	**1,188,655**	**14,135,004**	**9,933,672**

The €11,814,393 in net property projects in progress include borrowing costs incurred over the construction period, which amounted to €330,081, compared with €279,341 at end-2018.

These borrowing costs have been capitalised at an average rate of 3.2%, versus 3.50% in 2018.

2.1.4 Trade and other receivables

	Gross	Provisions	Net	Net
	31/12/2019	31/12/2019	31/12/2019	31/12/2018
Trade receivables	37,336,522	7,184,950	30,151,573	14,397,422
Tax and payroll receivables	74,915,598		74,915,598	24,874,832
Group and associates	2,904,870,223		2,904,870,223	2,539,185,432
Miscellaneous receivables	268,599,584	4,655,178	263,944,406	296,730,834
TOTAL	**3,285,721,926**	**11,840,128**	**3,273,881,798**	**2,875,188,519**

Movements in impairment provisions for receivables were as follows:

	Beginning of financial year	Charges in the financial year	Reversals in the financial year	Mergers	End of financial year
Trade receivables	6,939,510	4,462,675	4,217,235	0	7,184,950
Other miscellaneous receivables	4,743,499	840,226	993,602	65,055	4,655,178
TOTAL	**11,683,009**	**5,302,901**	**5,210,837**	**65,055**	**11,840,128**

2.1.5 Marketable securities

Net carrying amount	31/12/2018	Acquisitions	Disposals	Reclassification	31/12/2019
Term deposits*	64,777,225	167,495,673	76,164,691	151,675,000	4,433,207
Employee share issues *(number)*	0				0

* *No impairment was recognised in respect of these accounts as their fair value was higher than their carrying amount.*

2.1.6 Composition of the share capital

Changes in share capital

	Number of shares issued	Share capital	Share premiums and reserves	Net profit for the financial year	Tax-regulated provisions	Dividend payments	Total equity
At 31/12/2018	**64,586,323**	**80,732,904**	**703,522,567**	**37,371,035**	**8,990,449**	**0**	**830,616,956**
Appropriation of net profit			(40,167,968)	(37,371,035)		77,539,004	0
Other			56,129				56,129
Bonus share allotment plan	29,514	36,892	(36,892)				0
Dividend payments						(77,539,004)	(77,539,004)
Tax-regulated provisions					401,215		401,215
Net profit at 31 December 2019				60,788,607			60,788,607
AT 31/12/2019	**64,615,837**	**80,769,796**	**663,373,834**	**60,788,607**	**9,391,664**	**0**	**814,323,901**

The share capital stood at €80,769,796 at the end of the financial year. It consisted of 64,615,837 shares each with a par value of €1.25.

The Annual General Meeting on 27 June 2019 approved payment of a dividend in respect of the 2018 financial year of €1.20 per share, representing a total payout of €77,539,004 made in July 2019.

Bonus share allotment plan

On 4 May 2017, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 29,514 shares. The allotment was confirmed on 4 May 2019, subject to the satisfaction of performance criteria, and the shares will be subject to a 2-year lock-up period.

On 13 December 2017, the Board of Directors approved the introduction of 2 other bonus share allotment plans for certain employees of ORPEA or its affiliated companies, covering a total of 26,000 shares. The allotment will vest on 13 December 2020 for plan A employees and on 13 December 2021 for plan B employees, provided in both cases that the employees are still with the Group at those dates. A 1-year lock-up period will apply to both plans.

On 28 June 2018, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 44,701 shares. The allotment will vest on 28 June 2021 subject to the satisfaction of performance criteria.

On 2 February 2019, pursuant to the delegation of authority granted by the Board of Directors on 28 June 2018, the Chief Executive Officer allotted shares from 2 other bonus share allotment plans for certain employees of ORPEA or its affiliated companies covering a total of 101,025 shares. The allotment will vest on 2 May 2022 subject to the satisfaction of performance criteria.

On 27 June 2019, the Board of Directors approved the introduction of a new bonus share allotment plan for corporate officers covering a total of 45,279 shares. The allotment will vest on 27 June 2022 subject to the satisfaction of performance criteria.

The shares granted may consist of newly issued shares or existing shares purchased in the market.

The expense recorded in the financial statements for the financial year reflects solely the social security charges.

The value of the shares adopted as the base for the relevant employer's contribution reflects the closing share price at 31 December 2019.

2.1.7 Provisions

	Beginning of financial year	Merger	Charges in the financial year	Reversals in the financial year (provisions used)	Reversals in the financial year (provisions not used)	End of financial year
Labour disputes	8,160,912	(251,960)	2,845,471	1,446,037	3,052,844	6,255,542
Other	9,028,912	9,838,520	1,359,373	14,394,347		5,832,458
PROVISIONS FOR LIABILITIES AND CHARGES	**17,189,824**	**9,586,560**	**4,204,843**	**15,840,384**	**3,052,844**	**12,088,000**

ORPEA and some of its subsidiaries in its tax consolidation group are undergoing tax audits. Most of the adjustments notified by the tax authorities have been challenged, and so no provisions have been booked for these reassessments. Tax reassessments that are not challenged are recognised in the financial year in which they are received.

2.1.8 Financial liabilities

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
Borrowings and financial liabilities	4,424,964,068		3,860,454,225	
Financial liabilities maturing in 1 year or less		643,966,739		792,402,033
Financial liabilities maturing in more than 1 year and less than 5 years		2,245,892,496		1,843,835,773
Financial liabilities maturing in more than 5 years		1,535,104,833		1,224,216,419
Trade payables	47,811,185		43,750,885	
Financial liabilities maturing in 1 year or less		47,811,185		43,750,885
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in more than 5 years				
Tax and payroll liabilities	103,907,884		129,921,780	
Financial liabilities maturing in 1 year or less		103,907,884		129,921,780
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in more than 5 years				
Group and associates	814,049,141		366,767,118	
Financial liabilities maturing in 1 year or less		814,049,141		366,767,118
Financial liabilities maturing in more than 1 year and less than 5 years				
Financial liabilities maturing in more than 5 years				
Miscellaneous liabilities	135,476,867		79,827,211	
Financial liabilities maturing in 1 year or less		91,328,373		37,468,447
Financial liabilities maturing in more than 1 year and less than 5 years		44,148,494		42,358,764
Financial liabilities maturing in more than 5 years				
TOTAL	**5,526,209,145**	**5,526,209,145**	**4,480,721,219**	**4,480,721,219**

New borrowings arranged during the financial year amounted to €1,176 million and borrowings of €950 million were repaid.

The "Group and associates" item comprises advances to the Group's subsidiaries.

"Other financial liabilities" chiefly comprise security deposits provided by residents (€44 million).

Borrowings and financial liabilities

ORPEA Group's financing policy

Financing requirements have increased as a result of the Group's strong growth momentum. ORPEA not only finances its own expansion operations, but also those of its subsidiaries, and principally CLINEA.

Bond issues

In H1 2019, ORPEA Group completed the placement of an 8-year public bond issue of €500 million (due in May 2027) with an annual fixed-rate coupon of 0.375%.

The issue fits with the Group's financing strategy, which it initiated in 2012 and involves diversifying its funding sources. After private bond placements and *Schuldscheindarlehen* issues, issuing bonds in the public market will further expand its base of credit investors.

Bank covenants

Various loans arranged by the Company are conditional on compliance with financial ratios that are assessed based on the Group's financial liabilities.

The agreed ratios are as follows:

$$R1 = \frac{\text{Consolidated net debt (excluding property debt)}}{\text{Consolidated EBITDA – 6\% of property debt}}$$

and

$$R2 = \frac{\text{Consolidated net debt}}{\text{Equity + quasi equity (\textit{i.e.} deferred tax liabilities linked to the measuremen of intangible operating assets under IFRS in the consolidated financial statements)}}$$

At 31 December 2019, these ratios were at 1.2x and 1.7x respectively, within the required limits of mainly 5.5x for R1 and 2.0x for R2 at 31 December 2019.

2.1.9 Financial instruments

At 31 December 2019, the following hedges were in place:

(in thousands of euros)	Notional value	Fair value at 31/12/2019
Effective caps	928,000	(11,409)
Caps with forward start date	500,000	(3,970)
Effective fixed-for-Euribor IRS	2,095,587	(58,293)
Forward dated fixed-for-Euribor IRS	4,372,000	(90,079)
TOTAL	**7,895,587**	**(163,752)**

(in thousands of euros)	Notional value	Fair value at 31/12/2019
Currency forwards (CHF)	158,050	(1,769)
Currency forwards (CZK)	1,318,098	(1,086)
Currency forwards (PLN)	153,100	(384)
Currency forwards (USD)	(300)	(2)
TOTAL	**1,628,948**	**(3,241)**

2.1.10 Other liabilities

Accrued expenses

	31/12/2019	31/12/2018
Borrowings and financial liabilities	28,028,332	34,617,125
Trade payables	30,531,313	19,878,374
Tax, payroll and miscellaneous liabilities	44,301,318	42,709,581
TOTAL	**102,860,963**	**97,205,080**

Accrued income

	31/12/2019	31/12/2018
Financial receivables	6,934	20,655
Trade receivables	13,622,679	2,917,157
Other receivables	36,035,115	47,979,181
TOTAL	**49,664,727**	**50,916,993**

Prepaid expenses

	31/12/2019	31/12/2018
Operating	1,917,870	519,503
Financial	17,571,246	11,824,047
Non-recurring		
TOTAL	**19,489,115**	**12,343,550**

The change was mainly caused by prepaid expenses arising on the bond issues carried out during the year.

Prepaid income

	31/12/2019	31/12/2018
Operating	8,934,301	8,330,921
TOTAL	**8,934,301**	**8,330,921**

Unrealised foreign currency gains

	31/12/2019	31/12/2018
Subsidiaries	8,603,789	3,021,463
TOTAL	**8,603,789**	**3,021,463**

2.1.11 Related-party disclosures

Entities	Other receivables	Other payables	Other financial income	Financial expense
Wholly-owned Group subsidiaries	2,904,870,223	814,049,141	70,873,257	14,029,203
Other subsidiaries	60,544,537	260,810	992,098	0
TOTAL	**2,965,414,760**	**814,309,951**	**71,865,355**	**14,029,203**

2.2 Income statement

2.2.1 Revenue

	31/12/2019	31/12/2018
Operation of nursing homes	939,635,840	863,552,906
Disposals of properties	3,564,964	2,709,421
TOTAL	**943,200,804**	**866,262,327**

2.2.2 Operating income

	31/12/2019	31/12/2018
Operation of nursing homes	939,635,840	863,552,906
Revenue from operating activities	**939,635,840**	**863,552,906**
Disposals of properties	3,564,964	2,709,421
Capitalised production of properties	22,208	2,753
Production transferred to inventories	(3,440,095)	(2,507,492)
Income from property activities	**147,077**	**204,682**
Other capitalised production	6,819,035	4,705,054
Operating subsidies	110,626	226,547
Reversals of provisions and expense transfers	35,644,077	30,394,603
Other income	1,332,654	62,132
Other operating income	**43,906,392**	**35,388,336**
TOTAL OPERATING INCOME	**983,689,308**	**899,145,924**

2.2.3 Expense transfer

	31/12/2019	31/12/2018
Restructuring and development costs	1,560,609	1,427,840
Capitalised expenses	4,237,477	2,969,389
Borrowing costs	10,640,071	
Insurance payments	1,991,710	1,380,868
Provident fund payouts	5,644,694	5,693,991
Training refunds	961,720	3,166,355
Sickness payouts	259,696	143,593
Capitalised borrowing costs on property projects	104,094	42,790
Miscellaneous	2,842	155,134
TOTAL	**25,402,913**	**14,979,960**

2.2.4 Net finance cost

	31/12/2019	31/12/2018
Interest on bank borrowings and other financial expenses	(77,427,719)	(77,898,056)
Net expense on financial instruments	(28,771,637)	(31,812,357)
Foreign exchange losses	(6,324,993)	(4,941,843)
Provisions for impairment losses on securities	(722,133)	(9,407,755)
Other expenses	(5,066)	(55,369)
Income from investments	50,015,488	
Net gains on inter-company current accounts	57,836,152	67,984,666
Capitalised borrowing costs	104,094	42,790
Net income from sale of short-term investments	206,399	138,543
Foreign exchange gains	1,412,393	6,061,497
Other income	1,852,981	5,928,491
NET FINANCE COST	**(1,824,040)**	**(43,959,392)**

2.2.5 Net non-recurring items

	31/12/2019		31/12/2018	
Non-recurring income		**83,615,231**		**107,995,658**
On management transactions	1,068,770		10,814,713	
of which technical merger gains			9,891,906	
On capital transactions	79,244,029		84,438,762	
of which disposal of financial assets	10,000		5,490	
Reversals of provisions and expense transfers	3,302,431		12,742,183	
Non-recurring expenses		**84,228,324**		**82,910,511**
On management transactions	4,028,991		4,661,080	
of which cost of acquisitions	1,560,609		1,427,840	
of which caretaking costs	711,408		203,671	
of which property expenses	23,965		192,834	
On capital transactions	78,522,050		75,442,765	
of which disposal of financial assets	10,000		5,490	
Non-recurring depreciation, amortisation and charges to provisions	1,677,283		2,806,666	
of which development-related receivables			0	
NET NON-RECURRING ITEMS		**(613,094)**		**25,085,146**

	31/12/2019	31/12/2018
Capital gains and losses on asset retirements	721,979	8,995,997
Restructuring and development expenses	(2,693,960)	(3,148,409)
Provisions for miscellaneous receivables	2,027,371	10,615,133
Accelerated tax depreciation/amortisation	(401,215)	(679,617)
Miscellaneous	(267,269)	(589,864)
Technical merger gain/(loss)		9,891,906
NET NON-RECURRING ITEMS	**(613,094)**	**25,085,146**

2.2.6 Income tax

As the head company of the ORPEA tax consolidation group, ORPEA calculates its subsidiaries' taxable income.

The tax group has no further tax loss carryforwards, although certain subsidiaries have tax losses that can be set off against their own taxable income.

At 31 December 2019, the ORPEA tax consolidation group's aggregate taxable income was €112,390,138, including ORPEA SA's taxable income of €31,252,165 in its capacity as a member company.

As provided for under the group tax consolidation agreement, each subsidiary is responsible individually for paying its own income tax and contributions due on taxable income and capital gains, less any tax credits arising on tax loss carryforwards.

The €13,156,217 in tax expense shown in ORPEA SA's financial statements breaks down as follows:

	Before income tax	Income tax	After income tax
Operating income	76,381,958	(24,791,853)	51,590,105
Net finance cost	(1,821,998)	12,351,704	10,529,706
Net non-recurring items	(615,137)	85,362	(529,775)
Income tax on dividends and other		(801,428)	(801,428)
BOOK PROFIT/(LOSS)	**73,944,823**	**(13,156,217)**	**60,788,607**

Timing differences between the tax treatment and accounting treatment of various transactions are likely to affect the future tax liability as follows:

- add-backs to be made in future financial years:
  - unrealised gains on the business goodwill subject to a tax deferral as a result of mergers: €80,808 thousand,
  - unrealised gains on securities subject to a tax deferral as a result of mergers: €29,362 thousand;
- deductions to be made in future financial years:
  - corporate social solidarity contribution (*Organic*): €1,469 thousand,
  - exchange difference: €8,604 thousand.

3. FINANCIAL COMMITMENTS AND OTHER DISCLOSURES

3.1 Off-balance sheet commitments

Financing-related commitments

Financial commitments

Contractual commitments *(in thousands of euros)*	31/12/2019
Receivables sold not yet matured (Dailly regime, etc.)	0
Pledges, mortgages and other security	70,598
TOTAL	**70,598**

Contractual commitments *(in thousands of euros)*	31/12/2019	Payments due by period		
		less than 1 year	from 1 to 5 years	over 5 years
Long-term borrowings	4,434,964	895,615	1,891,531	1,647,817
Finance lease obligations	175,290	46,824	124,961	3,504
TOTAL	**4,610,254**	**942,439**	**2,016,493**	**1,651,321**

Finance leases

	Real estate	Equipment
Value at inception of lease	36,200,001	232,994,249
Lease payments during the financial year	4,433,385	41,698,028
Total lease payments in previous financial years	14,989,228	62,329,161
Theoretical depreciation for the financial year	761,045	27,242,200
Accumulated depreciation in respect of previous financial years	3,491,590	77,345,561
Lease payments outstanding – due in 1 year or less	4,550,004	42,274,038
Lease payments outstanding – due in more than 1 year but less than 5 years	11,479,088	113,482,331
Lease payments outstanding – due in more than 5 years	3,504,228	0
Buyout value	4,860,000	125,457

Commitments to employees

Lump-sum benefits payable upon retirement calculated using the projected unit credit method totalled €17,306 thousand in 2019, compared with €13,249 thousand at end-2018.

The main actuarial assumptions adopted at 31 December 2019 are as follows:

- salary increase rate: 2% including inflation;
- discount rate: 0.77%;
- retirement age: 65;
- social security contribution rate: in line with 2019 figures.

The amount paid by the Company in lump-sum retirement benefits amounted to €489,396 in 2019.

There were no material commitments in respect of long-service awards.

Other commitments

In 2002, ORPEA waived, subject to a clawback provision, €1,915,487 in debt due from its subsidiary SA Clinique du Docteur Courjon, in order to support it. This subsidiary was subsequently absorbed by CLINEA SAS.

ORPEA has entered into the following commitments concerning its 49.9% interest in Immobilière de Santé with a view to gaining full control of the company:

- ORPEA has given a promise to buy out the other shareholders between 1 July 2019 and 30 June 2020.

ORPEA has granted Belgian company INTORP a lease payment guarantee covering 4 properties leased by its Belgian subsidiaries.

3.2 Employees

At 31 December 2019, ORPEA SA's headcount on a full-time equivalent basis was as follows:

	31/12/2019	31/12/2018
Managers	1,140	1,032
Other employees	10,806	10,112
TOTAL	**11,946**	**11,145**

3.3 Benefits granted to corporate officers

The total amount of gross remuneration, fees (excluding all taxes) and benefits paid during financial year 2019 to ORPEA SA's corporate officers was €2,119 thousand, including €131 thousand in directors' attendance fees.

The carrying amount of the shares allotted in 2019 is €1,400 thousand.

7.2 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2019

To the shareholders of ORPEA,

OPINION

In accordance with our appointment as Statutory Auditors by your Annual General Meeting, we have audited the accompanying parent company financial statements of ORPEA for the year ended 31 December 2019. The financial statements were prepared by the Board of Directors on 23 April 2020 on the basis of the information available against the backdrop of the unfolding health crisis related to Covid-19.

In our opinion, the parent company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at the end of the financial year and of the results of its operations for the year in accordance with French accounting principles.

The opinion formulated above is consistent with the content of our report to the Audit Committee.

BASIS OF OUR OPINION

AUDIT

We conducted our audit in accordance with professional standards applicable in France. We believe that the information that we collected provides a sufficient and appropriate basis for our opinion.

Our responsibilities under these standards are described in the section "Responsibilities of the Statutory Auditors in relation to auditing the parent company financial statements" of this report.

INDEPENDENCE

We conducted our audit in accordance with the independence rules applicable to us between 1 January 2019 and the date on which we issued our report, and in particular we did not provide any services forbidden by Article 5, paragraph 1 of Regulation (EU) no. 537/2014 or by the Code of professional conduct for Statutory Auditors in France.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

As required by Articles L. 823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters, relating to what were, in our professional judgement, the main risks of material misstatement in relation to our audit of the financial year's parent company financial statements, and our responses to those risks.

Those assessments were made in the context of our audit of the parent company financial statements as a whole, prepared according to the aforementioned conditions, and in the formation of our opinion stated above. We express no opinion on items of the parent company financial statements taken separately.

RISKS IDENTIFIED

Investments in subsidiaries including the associated technical merger losses and related receivables, which are shown on the balance sheet at 31 December 2019 at a net amount of €1,770 million, represent one of the largest items on the balance sheet.

They are recognised at the date of acquisition at cost plus related expenses. At the end of the financial year, they are stated at their value in use, which represents what the Company would agree to pay to obtain them if it had to purchase them, less any impairment. As stated in Note 1.2.3. to the financial statements, value in use is determined by management according to the class of securities:

- either based on the proportion of equity at the end of the financial year;
- or based on the present value of future cash flows expected to be generated by its continued operation, adjusted for net debt;
- or realisable value net of selling costs.

Estimating the value in use of these securities requires management to exercise its judgement in its choice of parameters to be considered according to the relevant investments. Depending on the circumstances, these parameters may be historical figures (equity, for certain entities, or revaluation at fair value of operating licences attached to each company and/or property assets) or forecasts.

Given the material nature and characteristics of the parameters to be considered by management when valuing investments in subsidiaries, we considered that the valuation of investments in subsidiaries and related receivables represented a key audit matter.

AUDIT PROCEDURES IMPLEMENTED TO ADDRESS THE RISKS IDENTIFIED

When assessing the reasonableness of the estimate of the value in use of investments in subsidiaries, and based on the information presented to us, our work principally consisted of the following:

- for valuations based on historical information, checking that the equity figures agreed with the financial statements of entities and that any adjustments made to equity were based on appropriate documentation;
- for valuations based on forecasts:
  - obtaining and ensuring that the cash flow forecasts of the relevant entities, prepared under the oversight of executive management, are documented appropriately in line with the economic environment,
  - assessing the reasonableness of the assumptions adopted, including the discount rate and perpetual growth rate for future cash flows,
  - comparing the forecasts adopted for previous periods with corresponding actual figures to consider attainment of past objectives,
  - testing the arithmetic accuracy of calculations of the value in use adopted by the Company,
  - ensuring that the value produced by cash flow projections has been adjusted by the amount of the relevant entity's debt.

Where the value in use is lower than the cost of the investments in subsidiaries, including associated technical losses, we verified that an impairment loss was recognised in respect of the difference.

Aside from assessing the value in use of investments in subsidiaries, our work also consisted of:

- assessing the recoverability of the related receivables with respect to the analysis conducted on the investments in subsidiaries;
- checking that a provision has been recognised to cover risks where the Company has undertaken to incur the losses on an investment with negative equity.

Lastly, we checked that Notes 1.2.3, 2.1.1 and 2.1.2 provided appropriate disclosures.

SPECIFIC VERIFICATIONS

We also performed the specific verifications required by statutory and regulatory provisions, in accordance with professional standards applicable in France.

INFORMATION PROVIDED IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS CONCERNING THE FINANCIAL POSITION AND PARENT COMPANY FINANCIAL STATEMENTS ADDRESSED TO THE SHAREHOLDERS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors approved on 23 April 2020 and in the other documents with respect to the parent company financial position and financial statements addressed to shareholders. With respect to events that occurred or are known after the reporting date relating to the effects of the Covid-19 crisis, the management has informed us that a message will be communicated at the Annual General Meeting called to approve the financial statements.

We confirm that the information relating to payment times, provided for under Article D.441-4 of the French Commercial Code, is accurate and agrees with the parent company financial statements.

INFORMATION RELATING TO CORPORATE GOVERNANCE

We confirm that the information required pursuant to Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code is contained in the section of the Board of Directors' report on corporate governance.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to the remuneration and benefits received by or granted to the corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by the Company from companies that are controlled by it and are included in the consolidation scope. Based on this work, we confirm that this information is accurate and fairly presented.

For the information regarding the factors that your Company considered likely to have an impact in the event of a takeover bid or public exchange offer, provided pursuant to the provisions of Article L. 225-37-5 of the French Commercial Code, we have verified their consistency with the documents from which they were produced and which were provided to us. Based on our audit, we have no matters to report concerning these disclosures.

OTHER INFORMATION

In accordance with French law, we verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or the holders of voting rights has been properly disclosed in the management report.

INFORMATION RESULTING FROM OTHER STATUTORY AND REGULATORY OBLIGATIONS

APPOINTMENT OF THE STATUTORY AUDITORS

Deloitte et Associés was appointed as Statutory Auditors of ORPEA by the Annual General Meeting of 29 June 2006, and Saint-Honoré BK&A by the Annual General Meeting of 27 June 2008.

At 31 December 2019, Deloitte et Associés was in its 14th year of uninterrupted engagement and Saint-Honoré BK&A in its 12th year.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN CORPORATE GOVERNANCE IN RELATION TO THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for preparing parent company financial statements that present a true and fair view, in accordance with generally accepted accounting principles in France, and for setting up the internal controls it deems necessary for preparing parent company financial statements that do not contain any material misstatements, whether due to fraud or error.

When preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for presenting in those financial statements any necessary information relating to its status as a going concern, and for applying the accounting concept of going concern, except where there is a plan to liquidate the Company or discontinue its operations.

The Audit Committee is responsible for monitoring the process of preparing the financial information and for monitoring the effectiveness of internal control and risk management systems, and internal audit systems as the case may be, as regards procedures relating to the preparation and treatment of accounting and financial information.

The annual financial statements are the responsibility of the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS IN RELATION TO AUDITING THE PARENT COMPANY FINANCIAL STATEMENTS

AUDIT OBJECTIVE AND PROCEDURE

Our responsibility is to prepare a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance means a high level of assurance, although there is no guarantee that an audit conducted in accordance with professional standards will systematically detect all material misstatements. Misstatements may arise from fraud or error, and are regarded as material when they can reasonably be expected, individually or together, to influence the economic decisions that users of the financial statements take on the basis of those statements.

As stated by Article L. 823-10-1 of the French Commercial Code, our audit assignment does not involve guaranteeing the viability of your Company or the quality of its management.

When conducting an audit in accordance with professional standards in France, Statutory Auditors use their professional judgement throughout the audit. In addition:

- they identify and assess the risks that the parent company financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address those risks, and obtain audit evidence that they regard as sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, falsification, voluntary omissions, false statements or the circumvention of internal controls;
- they familiarise themselves with the internal controls relevant to the audit, in order to define audit procedures appropriate to the situation in hand, and not in order to express an opinion on the effectiveness of internal control;

- they assess the appropriateness of accounting policies adopted and the reasonableness of accounting estimates made by management, along with information about those estimates provided in the parent company financial statements;
- they assess whether management has applied appropriately the going concern convention and, based on information collected, whether or not there is a material uncertainty arising from events or circumstances likely to call into question the Company’s ability to continue as a going concern. That assessment is based on information collected until the date of the auditors’ report, although it should be noted that subsequent circumstances or events may call into question the Company’s status as a going concern. If the auditors conclude that there is a material uncertainty, they draw the attention of those reading their report to information provided in the parent company financial statements in relation to that uncertainty or, if that information is not provided or is not relevant, they issue a qualified opinion or a disclaimer of opinion;
- they assess the overall presentation of the parent company financial statements and assess whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORTING TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee to present, among other things, the scope of the audit conducted and the audit work programme, along with the conclusions arising from our work. We also make it aware, as the case may be, of any material internal control weaknesses that we have identified regarding procedures for preparing and treating accounting and financial information.

The information in the report to the Audit Committee includes what we regard as the main risks of material misstatements with respect to the audit of the financial year’s parent company financial statements, and which are therefore the key points of the audit. Our role is to describe those points in the present report.

We also provide the Audit Committee with the declaration provided for by Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France, as determined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of conduct of the statutory audit profession in France. As the case may be, we discuss with the Audit Committee any risks to our independence and the safeguard measures applied.

Paris and Paris-La Défense, France, 24 April 2020

The Statutory Auditors

Saint-Honoré BK&A	**Deloitte & Associés**
Emmanuel Klinger	Jean-Marie Le Guiner

8 ADDITIONAL INFORMATION

8.1 KEY PROVISIONS OF THE ARTICLES OF ASSOCIATION

The following section presents how ORPEA operates (hereinafter referred to as the "Company"), a public limited company (*société anonyme*) with a Board of Directors governed by the French Commercial Code and its implementing decrees and by its Articles of Association, which were not amended in 2019.

The Company's Articles of Association have been updated to reflect the decisions made by the Company's Chief Executive Officer on 4 May 2019 formally recording the increase in its share capital following the bonus allotment of shares to senior executive officers.

The Articles of Association are available on request from the Company's registered office.

The Company was incorporated on 22 May 1995 with a corporate life of 99 years. It was registered in Paris on 22 June 1995 under No. 113-6-3-358. The Company's registered office is located at 12, rue Jean-Jaurès, 92813 Puteaux Cedex, France (tel.: +33 (0)1 47 75 78 07). The Company's unique identification code (LEI number) is 969500LHIH3NT7PK1V89.

8.1.1 REGISTERED OFFICE

ARTICLE 4 OF THE ARTICLES OF ASSOCIATION – REGISTERED OFFICE

The registered office is located at 12, rue Jean-Jaurès, 92813 Puteaux Cedex, France.

The Board of Directors may decide to transfer the registered office to any location in France, subject to ratification of the decision by shareholders at the subsequent Ordinary Annual General Meeting.

The transfer of the registered office to a location outside France would entail a change in the Company's nationality.

8.1.2 CORPORATE PURPOSE

ARTICLE 2 OF THE ARTICLES OF ASSOCIATION – PURPOSE

The Company's corporate purpose is:

- creating, developing, acquiring, managing and operating, directly or indirectly, all types of care facilities, post-acute and rehabilitation hospitals, all types of residential facilities for the elderly, all types of residential facilities for disabled people of any age, and all hotel, serviced accommodation and leisure accommodation facilities;
- providing technical, commercial, administrative and financial assistance to all companies whose business activity is directly or indirectly related to the foregoing;
- acquiring and subscribing for equity instruments in all existing or future companies and managing all financial investments;
- incidentally, the purchase, upgrade, exchange and sale after division and/or improvements, as the case may be, of the real estate property complex owned by the Company and which is located in Viry-Châtillon (Essonne) at 2, rue Horace Choiseul;

and more generally, conducting any and all commercial, industrial, financial, real and non-real property transactions that are directly or indirectly related to or likely to facilitate the development of the foregoing activities.

8.2 SHARE CAPITAL

8.2.1 CHANGES IN AND OWNERSHIP OF THE SHARE CAPITAL AND VOTING RIGHTS

At 31 December 2019, the Company's share capital stood at €80,769,796.25; it consisted of 64,615,837 shares with a par value of €1.25, fully paid up and belonging to the same class. The total gross number of voting rights was 82,800,030 and the number of exercisable voting rights was 82,754,888. Shares are either in registered or bearer form, at the choice of the shareholder.

Pursuant to Article 223-11 of the AMF General Regulation, voting rights are presented according to their "theoretical" calculation, based on the total number of shares to which a voting right is attached, including shares stripped of voting rights (treasury shares). The theoretical voting rights are used to calculate the shareholding disclosure thresholds.

The table below shows changes in the share capital, voting rights and their ownership between 31 December 2017 and 31 December 2019.

	31/12/2019(1)				31/12/2018(2)				31/12/2017			
Shareholders	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights	Number of shares	% of the share capital	Number of voting rights	% of voting rights
J-C. Marian(3)	4,080,420	6.31%	8,160,840	9.86%	3,894,000	6.03%	7,788,000	9.34%	4,133,109	6.40%	8,266,218	9.80%
CPPIB	9,374,186	14.51%	18,567,378	22.42%	9,374,186	14.51%	18,245,038	21.89%	9,193,192	14.24%	18,245,038	21.64%
FFP Invest	3,261,353	5.05%	6,522,706	7.88%	3,261,353	5.05%	6,522,706	7.82%	3,811,353	5.90%	7,622,706	9.04%
Sofina Group	1,298,000	2.01%	2,596,000	3.14%	2,380,000	3.68%	4,760,000	5.71%	2,380,000	3.69%	4,760,000	5.64%
Treasury shares	45,142	0.07%	-	0.00%	39,146	0.06%	-	0.00%	36,030	0.06%	-	0.00%
Free float	46,556,736	72.05%	46,953,106	56.71%	45,637,638	70.66%	46,048,351	55.24%	44,999,439	69.71%	45,429,720	53.88%
TOTAL	**64,615,837**	**100.00%**	**82,800,030**	**100.00%**	**64,586,323**	**100.00%**	**83,364,095**	**100.00%**	**64,553,123**	**100.00%**	**84,323,682**	**100.00%**

(1) In 2019, the Company's share capital was increased by €36,892.50 through the issuing of 29,514 new shares following the bonus allotment of shares to senior executive officers.
(2) In 2018, the Company's share capital was increased by €41,500 through the issue of 33,200 new shares following the bonus allotment of shares to some members of the senior management team.
(3) On 22 January 2020, Dr Jean-Claude Marian sold all of his shares through an accelerated book building procedure.

The Company is not aware of any shareholders' agreement or other agreement related to its share capital.

8.2.2 FINANCIAL INSTRUMENTS CONFERRING RIGHTS TO THE SHARE CAPITAL

At the date of the Universal Registration Document, of all the marketable securities giving access to the share capital and financial instruments issued by the Company to date, the total number of common shares that can be fully subscribed or vested, as applicable, stood at 3,633,621 shares, corresponding to a maximum dilution of 5.62% based on the share capital at the date of the Universal Registration Document and of approximately 5.32% on the basis of the fully-diluted share capital.

The table here below summarises all the existing dilutive instruments as well as the potential resulting dilution at the date of filing of this Universal Registration Document.

Dilutive instruments	The maximum number of shares that can be issued(1)	Maximum potential dilution *(as a % of the share capital(2))*
Convertible bonds and/or bonds with warrants for new or existing shares(3)	3,450,511	5.34%
Option to purchase or to subscribe to shares issued	-	0.00%
Bonus share allotments	183,110	0.28%
TOTAL	**3,633,621**	**5.62%**

(1) If only the new shares were allotted but not a combination of new and already existing shares.
(2) On the basis of share capital divided into 64,615,837 shares.
(3) Number of shares adjusted to account for the adjustment of the allotment ratio made on 12 July 2019 in accordance with stipulations provided for in Article 2.6.B.10 under the terms set for convertible bonds and/or for bonds with warrants for new or existing shares.

CONVERTIBLE BONDS AND/OR BONDS WITH WARRANTS FOR NEW OR EXISTING SHARES

On the occasion of a private placement with institutional investors on 17 May 2019, the Company issued 3,412,969 convertible bonds and/or bonds with warrants for new or existing Company shares (**OCEANEs**) for a total amount of €499,999,958.50. The nominal per-unit value of the OCEANEs was set at €146.50 on the basis of a 47.5% premium at issue compared to the Company's reference share price. The OCEANEs are traded on Euronext Access (the free market of Euronext in Paris) using the ISIN code FR0013418795.

The OCEANEs carry entitlement to new and/or existing Company shares at the exchange ratio of 1.011 shares for 1 OCEANE (according to the 12 July 2019 adjusted allotment ratio as stipulated and provided for by Article 2.6.B.10 of the Terms and Conditions of the OCEANEs).

Under certain conditions, the OCEANEs are callable for early redemption at the Company's discretion. If they have not been converted, exchanged, redeemed or bought back and cancelled, the OCEANEs will be redeemed at par value on 17 May 2027.

The conversion of all the OCEANEs could lead to the issuing of a maximum number of 3,450,511 new shares if the Company decides to only allot new shares.

STOCK OPTIONS, BONUS SHARE ALLOTMENTS AND EMPLOYEE SHARE OWNERSHIP

Over the past four years, the Board of Directors has approved the introduction of several bonus share allotment plans for the senior executive officers as well as for some members of the executive management team. The bonus share allotment is contingent on meeting demanding performance conditions and aims to reward a high level of performance, retain the loyalty of key managers and align the interests of executive management with those of shareholders.

The table below shows the main features of these plans.

Information on bonus share allotments[1]	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6	Plan No. 7	Plan No. 8	Plan No. 9
Date of Annual General Meeting	23/06/2016	23/06/2016	23/06/2016	28/06/2018	28/06/2018	28/06/2018	28/06/2018
Date of Board of Directors' Meeting	04/05/2017	13/12/2017	13/12/2017	28/06/2018	28/06/2018	28/06/2018	27/06/2019
Decisions taken by the Chief Executive Officer	N/A	N/A	N/A	N/A	01/02/2019	01/02/2019	N/A
Maximum total number of bonus shares that may be allotted	29,514	13,000	13,000	44,701	66,105	1,025	45,279
Vesting date of the shares	04/05/2019	13/12/2020	13/12/2021	28/06/2021	02/05/2022	02/05/2022	27/06/2022
End date of holding period	04/05/2021	13/12/2021	13/12/2021	28/06/2021	02/05/2022	02/05/2022	N/A
Performance conditions	Change in ORPEA's total shareholder return (TSR)[2]	Revenue and EBITDA[3]	Revenue, EBITDA and organic growth[4]	Change in ORPEA's total shareholder return (TSR)[5]	Changes in revenue and NOP[6]	Change in ORPEA's total shareholder return (TSR)[7]	Change in ORPEA's total shareholder return (TSR)[7]
Number of shares vested at 31 December 2019	29,514	N/A	N/A	N/A	N/A	N/A	N/A
Total number of shares cancelled or lapsed	0	N/A	N/A	N/A	N/A	N/A	N/A
Bonus shares allotted not yet vested at 31 December 2019	N/A	13,000	13,000	44,701	66,105	1,025	45,279

(1) Information concerning Plan No.1 is contained in the 2017 Registration Document (page 249); information concerning Plan No. 2 is contained in the 2018 Registration Document (page 271).

(2) Should the change in ORPEA's share price plus dividends (TSR) exceed the average performance of the MSCI Europe ex. UK index and the CAC 40 index, including dividend payments by 10 percentage points or more in the 2 financial years 2017 and 2018, all bonus ORPEA shares that may be received will vest.
Should the change in ORPEA's share price plus dividend (TSR) be equal to or lower than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in the 2 financial years 2017 and 2018, no bonus shares will be allotted.
Should the change in ORPEA's share price plus dividend (TSR) be between 0 and 10 percentage points higher than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in the 2 financial years 2017 and 2018, the number of ORPEA bonus shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those 2 boundaries. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2019 to 30 April 2019, plus the dividend paid for FY 2018, as compared with the same average over the period from 1 January 2017 to 30 April 2017, plus the dividend paid for FY 2016.

(3) Revenue and EBITDA targets set in the 2018 and 2019 budgets, as presented in meetings of ORPEA's Board of Directors.

(4) Revenue and EBITDA targets set in the 2018 and 2019 budgets, as presented in meetings of ORPEA's Board of Directors, average rate of organic growth in 2018 and 2019, average EBITDA for 2018 and 2019.

(5) Should the change in ORPEA's share price plus dividend (TSR) be 10 percentage points or more higher than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in financial years 2018, 2019 and 2020, all bonus ORPEA shares that may be received will vest.
Should the change in ORPEA's share price plus dividends (TSR) be equal to or below the average performance of the MSCI Europe excl. UK index and the CAC 40 index, including dividend payments, in financial years 2018, 2019 and 2020, no bonus ORPEA shares will be allotted.
Should the change in ORPEA's share price plus dividend (TSR) be between 0 and 10 percentage points higher than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in financial years 2018, 2019 and 2020, the number of ORPEA bonus shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those 2 boundaries. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2021 to 30 April 2021, plus the dividend paid for FY 2020, compared with the same average over the period from 1 January 2018 to 30 April 2018, plus the dividend paid for FY 2017.

(6) Annual growth of revenue and NOP, during the period 1 October 2018 to 30 September 2021, of the scope for which the grantee is responsible (2/3 of the shares) and of the scope to which the grantee belongs (1/3 of the shares).

(7) Should the change in ORPEA's share price plus dividends (TSR) be 10 percentage points or more higher than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in financial years 2019, 2020 and 2021, all bonus ORPEA shares that may be received will vest.
Should the change in ORPEA's share price plus dividend (TSR) be equal to or below the average performance of the MSCI Europe excl. UK index and the CAC 40 index, including dividends paid, in financial years 2019, 2020 and 2021, no bonus ORPEA shares will be allotted.
Should the change in ORPEA's share price plus dividend (TSR) be between 0 and 10 percentage points higher than the average change in the MSCI Europe excl. UK and CAC 40 indexes, including dividend payments, in financial years 2019, 2020 and 2021, the number of ORPEA bonus shares to be allotted to each grantee will be calculated proportionally on a straight-line basis between those 2 boundaries. Where a full number of ORPEA shares is not produced by this calculation, the number will be rounded down.
The reference period used to assess the fulfilment of this condition is the average of ORPEA's share price performance over the period from 1 January 2022 to 30 April 2022, plus the dividend paid for financial years 2019, 2020 and 2021 compared with the same average over the period from 1 January 2019 to 30 April 2019, plus the dividend paid for FY 2018.

There are no stock option plans or Group savings plans (or similar plans) that would allow ORPEA to know the exact number of shares held by employees.

8.3 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

8.3.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Yves Le Masne, Chief Executive Officer.

8.3.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Having taken all reasonable care to ensure that such is the case, I certify that to the best of my knowledge all of the information contained in the Universal Registration Document is in accordance with the facts and contains no omissions likely to distort the scope of its contents.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all consolidated companies, and that the management report in this Universal Registration Document presents a true and fair view of the business trends, results and financial position of the Company and all consolidated companies and that it describes the main risks and uncertainties to which they are exposed.

Puteaux, 12 May 2020

8.3.3 INVESTOR RELATIONS CONTACTS

ORPEA

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Steve Grobet – General Secretary of Finance – Tel.: +33 (0)1 47 75 74 66 – s.grobet@orpea.net

8.4 STATUTORY AUDITORS

8.4.1 PRINCIPAL STATUTORY AUDITORS

- Saint-Honoré BK&A

  Represented by Emmanuel Klinger

  140, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Saint-Honoré BK&A was first appointed at the Annual General Meeting of 27 June 2008 for a term of six financial years. Its appointment was renewed at the Annual General Meeting of 25 June 2014 for a term of 6 financial years ending at the close of the Ordinary Annual General Meeting to be held to approve the financial statements for the year ended 31 December 2019.

It will be proposed at the Annual General Meeting to be held on 23 June 2020 that the appointment of the Statutory Auditors, Saint-Honoré BK&A, be renewed for six financial years, that is until the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2025.

- Deloitte & Associés

  Represented by Jean-Marie Le Guiner

  6, place de la Pyramide, 92908 Paris-La Défense Cedex, France

Deloitte & Associés was first appointed at the Combined Annual General Meeting of 29 June 2006 to replace VADEMECUM, which stood down for personal reasons. Its appointment ran from 1 January 2006 until the end of its predecessor's term, that is until the close of the Annual General Meeting held to approve the financial statements for the year ended 31 December 2009.

Deloitte & Associés was reappointed at the Combined Annual General Meeting of 23 June 2016 for a term of six years ending at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

8.4.2 ALTERNATE STATUTORY AUDITORS

- Saint-Honoré SEREG

  Alternate to Saint-Honoré BK&A

  140, rue du Faubourg-Saint-Honoré – 75008 Paris, France

Appointed at the Annual General Meeting of 25 June 2014 for a term of six years ending at the close of the Ordinary Annual General Meeting held to approve the financial statements for the year ended 31 December 2019.

In conformity with the provisions of Article L. 823-1, paragraph 2, of the French Commercial Code, the reappointment of Saint-Honoré Sereg as alternate Statutory Auditors will not be put forward at the Annual General Meeting to be held on 23 June 2020.

- BEAS

  Alternate to Deloitte & Associés

  7-9, villa Houssay – 92200 Neuilly-sur-Seine, France

Reappointed at the same time and for the same term as Deloitte & Associés, replacing Françoise Vainqueur, joint alternate Statutory Auditor, who resigned for personal reasons.

8.5 PUBLIC DOCUMENTS

This Universal Registration Document is published on the Company's website (www.orpea-corp.com) and the AMF's website (www.amf-france.org). Upon request, copies of this Universal Registration Document are available from the Company at no charge.

During the period of validity of this Universal Registration Document, the Company's Articles of Association, its parent company and consolidated financial statements, and its press releases on financial and regulatory matters are available on the Company's website.

ORPEA's legal and financial documents that must be made available to shareholders in accordance with the regulations in force may be viewed either on the Company's website or at the Company's registered office.

8.6 CROSS-REFERENCE TABLE

The following cross-reference table shows the basic information provided by Annex I of the EU Regulation No. 809/2004 of 29 April 2004 with references to the pages of this Universal Registration Document.

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