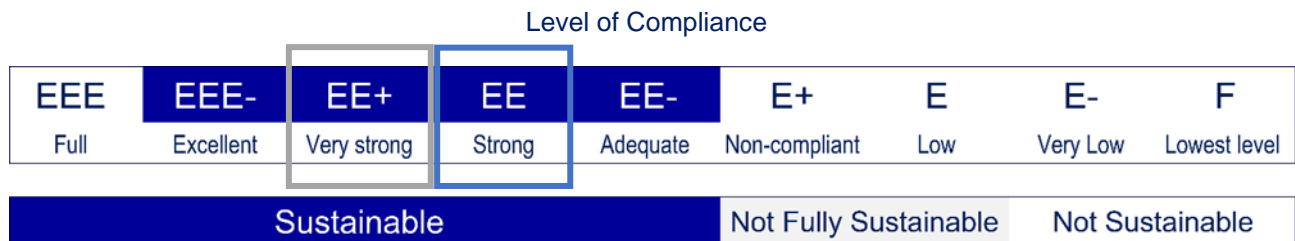


Standard Ethics Rating [corpSER]: **EE**
 Long Term Expected corpSER [2y to 3y]: **EE+**

Issuer: Garofalo Health Care S.p.A.
Listing: Borsa di Milano
ISIN: IT0005345233
Market Capitalisation: 387.9 Mln EUR
Sector: Health Care
Industry: Health Care and Services
Type of rating: Corporate Standard Ethics Rating [SER]
Date: 12 September 2023
Expiry Date: 12 September 2024
Last action: 12 September 2023
Previous SER: EE- *Outlook Positive*
Type of document: Rating Report



Summary

Garofalo Health Care has been operating since 2000 in the field of private accredited healthcare in Italy. Listed since 2018, in 2021 it was included in Euronext STAR Milan.

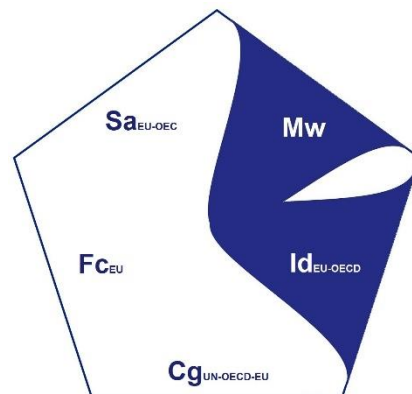
The Company maintains a constant focus on innovation and over the years has strengthened its ESG (Environmental, Social, Governance) system. Medium- and long-term (mainly environmental) goals have been identified in accordance with the UN, OECD and EU voluntary guidelines. The non-financial reporting system appears to be well established and in line with good practices in the sector.

Sustainability governance is structured through policies that cover the main issues highlighted at international level, supported by an adequate steering, control and ESG Risk Management system.

In 2021 GHC introduced a long-term incentive plan connected to its sustainability rating (Standard Ethics) and its environmental and energy performance. Steps were also taken to better protect the interests of minority shareholders, such as the waiver of the majority vote by the controlling shareholder.

The Long Term Expected Rating is raised from 'EE' to 'EE+'.

Snapshot (adj.)



Each side of the diamond represents one of the five “standards” measured by the Standard Ethics Algorithm. The symbolic representation of a normal (Gaussian) distribution provides an intuitive indication of those areas where the Company probably will, or should, take action. See below for further details.

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BACKGROUND, METHODOLOGY, RATING

New elements – such as the evolution of the Internet – have created open and transparent financial markets, in which growing segments of the population participate. This has resulted in:

- greater attention to **extra-financial** factors, both tangible and intangible, with repercussions on the level of trust and credibility of issuers;
- new assessments of the quality and long-term durability of listed financial products, related to both companies (stocks, bonds, green bonds) or institutional issuers (such as government bonds).

Standard Ethics has ascertained that we have reached the end of the classic financial era, which was focused exclusively on economic variables. Despite their fallibility and volatility, regulated markets have evolved and are proving to be the most important and independent system in assessing the long-term **sustainability**¹ of numerous human activities.

The Standard Ethics Rating helps refine the strategies, language and ways in which an issuer operates on the market.

STANDARD ETHICS

Standard Ethics Ltd (SE) is a Self-Regulated Sustainability Rating Agency that issues Non-Financial Solicited Ratings to companies and sovereign nations. The Standard Ethics® brand has been around since 2004 in the world of “sustainable finance” and ESG (Environmental, Social and Governance) studies.

Standard Ethics is supervised by internal control and audit offices. The composition of the Board complies with the international guidelines on diversity of nationality, professional skills, independence and gender equality.

STANDARD ETHICS RATING

The Standard Ethics Rating, which has been put to the test over the last 15 years, is a Solicited Sustainability Rating (SSR). It has 3 main characteristics:

- **Solicited:** it is issued only at the request of an applicant, by means of a direct, bilateral and regulated agreement.
- **Standard:** it is always comparable to other ratings, as the methodology and issuance parameters are aligned to pre-established guidelines, and the algorithm takes into account the size and typology of the issuer.
- **Independent:** in order to remain third party to investors, Standard Ethics does not provide any individual investor with advice, analysis or data regarding companies under rating, it does not use the data gathered for asset management advisory services (to banks or funds) and it does not share it with third parties.

In short, the Standard Ethics Rating indicates the level of compliance by companies (and sovereign nations) in the field of sustainability on the basis of documents and guidelines published by:

- The European Union;
- The Organisation for Economic Cooperation and Development (OECD);
- The United Nations (UN).

Standard Ethics uses an analyst-driven rating process, meaning the analysis performed does not require applicants to fill out forms and questionnaires or to provide

¹ Standard Ethics synthesizes its vision in three cornerstones of sustainability:

1. Sustainable development policies are about the generations of the future; they have taken on a global dimension; and they are implemented on a voluntary basis. It is up to the main supranational organisations, officially recognised by nations across the globe, to establish the definitions, guidelines and strategies related to sustainable development through science.
2. Economic entities do not define the guidelines, goals and strategies on sustainability: they pursue them to the extent deemed possible.
3. Measuring the sustainability of economic entities means providing comparable and third-party data on their overall compliance with international guidelines.

any documents other than those already available and that Standard Ethics does not use artificial intelligence or software either in data analysis or in decision-making.

SE ANALYSIS UNIT

According to the methodology, guidelines and procedures of Standard Ethics, the Analysis Unit working on this rating has carefully analysed the following areas based on the set-up of the Client (the areas have been divided into about **220** analysis points):

- MARKET AND COMPETITORS (13 analysis points)
- MARKET AND DOMINANT POSITIONS (10 analysis points)
- CONTRACTS, FINANCINGS AND PUBLIC AIDS (7 analysis points)
- MARKET DISTORTIONS, FAVOURITISM & CORRUPTION (8 analysis points)
- OWNERSHIP, SHARE CAPITAL AND SHAREHOLDERS (8 analysis points)
- INTERNAL VOLUNTARY RULES ON OWNERSHIP EXERTION (8 analysis points)
- INDEPENDENCE AND CONFLICT OF INTERESTS (12 analysis points)
- MINORITY MEMBERS PROTECTIONS AND DIRECTORS APPOINTMENT (7 analysis points)
- COMMUNICATION, INFORMATION AND TRANSPARENCY (5 analysis points)
- BOARD OF DIRECTORS AND EXECUTIVE GROUP TRANSPARENCY (9 analysis points)
- INTERNAL VOLUNTARY RULES REGARDING MANAGEMENT (10 analysis points)
- INDEPENDENCE AND CONFLICT OF INTERESTS (13 analysis points)
- DISCLOSURE AND TRANSPARENCY (22 analysis points)
- PARTICIPATION AND VOTE IN GENERAL MEETINGS (5 analysis points)
- EMPLOYMENT AND HUMAN RESOURCES SELECTION (11 analysis points)
- HEALTH, SAFETY AT WORK AND SOCIAL DIALOGUE (16 analysis points)
- ADAPTATION TO CHANGES (6 analysis points)
- ENVIRONMENT (17 analysis points)
- CONSUMERS AND QUALITY (9 analysis points)
- SCIENCE AND TECHNOLOGY (4 analysis points)
- LOCAL COMMUNITIES (3 analysis points)
- BUSINESS PARTNERS (9 analysis points)
- HUMAN RIGHTS (6 analysis points)
- EUROPEAN STRATEGIES (2 analysis points)

RESEARCH OFFICE AND RATING COMMITTEE

The Research Office compiles a Final Report and issues a rating based on its review of the work of the Analysis Unit.

The Rating Committee analyses the conformity of the collected data and the ensuing conclusions and it approves the issued rating.

Chinese Walls between the Analysis Unit, the Research Office, the Rating Committee and all other company offices ensure maximum transparency. A Compliance Officer oversees all steps and processes.

SE ALGORITHM OF SUSTAINABILITY®

Standard Ethics has developed a proprietary algorithm based on five “standards” and a premium variable – “k” – to process the data provided by the Analysis Unit (F_{CEU} ; $S_{aEU-OECD}$; Mw ; $I_{dEU-OECD}$; $C_{gUN-OECD-EU}$). The balance between the five “standards” is the final pre-assessment underlying the rating.

F_{CEU} = Fair competition.

Main areas: Fair competition, including analysis of dominant positions, market distortions, cartels. Factors that can affect the other variables (Sources: the EU, and the main OECD regulators).

$S_{aEU-OECD}$ = Shareholders’ agreements.

Main areas: Shareholders’ agreements, rights of minority shareholders, access to information (Sources: the EU and OECD, and the main OECD regulators).

Mw = Market weight.

Main areas: Shareholding structure, weight and type of major shareholders, potential conflicts of interest in relation to other variables (Sources: mainly OECD regulators).

$I_{dEU-OECD}$ = Independent directorship.

Main areas: Structure and quality of boards and executive groups, ESG Risk and Control Management system, Risk Analysis. This standard is most likely to mitigate the risks associated with other variables and can increase the “k” variable. (Sources: the EU and the OECD).

$C_{gUN-OECD-EU}$ = Corporate Governance and Sustainability.

Main areas: Overall assessment of applicant’s ESG strategies and corporate governance (in terms of

shareholding structure and sustainability) by weighting the various elements also in relation to the balance of the other variables (Sources: the EU, OECD and UN).

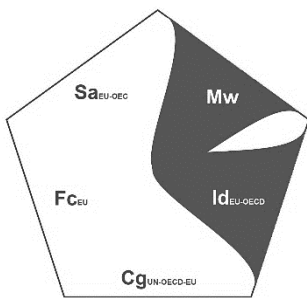
k = Sustainability at Risk (SaR). Statistical projections.

$$\frac{(F_{cEU} + S_{aEU-OECD} + I_{dEU-OECD} + M_w * f(S_{aEU-OECD}) * f(I_{dEU-OECD}) + C_{gUN-OECD-EU} * f(F_{cEU}) * f(I_{dEU-OECD}))}{10} + k$$

ISSUED RATING

Standard Ethics Rating [corpSER]: **EE**
 Long Term Expected corpSER [2y to 3y]: **EE+**

ALGORITHM – INPUT VALUES (SUMMARY)



The values for each standard are between **0 and 2**.

Assigned and input values are as follows:

- F_{cEU}** = 1.9
- S_{aEU-OECD}** = 1.8
- M_w** = 0
- I_{dEU-OECD}** = 0.7
- C_{gUN-OECD-EU}** = 1.9

NB: The variable Mw may be neutral, when below 1, indicating the presence of a major shareholder restraining the influence of a controlling shareholder. The MW value assigned indicates the type of shareholding and related risks.

Each side of the diamond represents one of the five “standards” measured by the Standard Ethics Algorithm. The symbolic representation of a normal (Gaussian) distribution provides an intuitive indication of those areas where the Company probably will, or should, take action.

GAROFALO HEALTH CARE REPORT

1. MARKET AND DOMINANT POSITIONS

Garofalo Health Care S.p.A. (hereinafter, the 'Company', the 'Group', or 'GHC') is an Italian group operating in the field of private accredited health services.²

The Group was founded in Rome, in the second half of the 1950s, thanks to the professional and entrepreneurial activities of brothers Raffaele, Antonio and Mario Garofalo. It was set up as an accredited private healthcare group mainly operating in the acute sector through five healthcare facilities.

Garofalo Health Care S.p.A. was established in 2000 under the leadership of Maria Laura Garofalo, the Group's current CEO. This Company launched a process of geographical and sectorial diversification led by an internal and external growth strategy.

The Group has been listed on Euronext Milan since 2018. It has been listed on Euronext STAR Milan since 2021.

The GHC falls into the category of providers of so-called 'general interest' public services.³

GHC operates in a strictly **regulated** market where companies need to be accredited and authorised to exercise healthcare activities. When necessary, they also have to have their budgets agreed upon.⁴

As at 30 June 2023, GHC is present in **8** regions in Northern and Central Italy where it operates through **33** health facilities, plus **4** facilities owned by Il Fiocco S.c.a.r.l. (40% owned by GHC through Fi.d.es Medica S.r.l.).⁵

GHC does not hold any important shareholdings in other industrial groups competing in the same market.

There is no evidence that the Group holds a dominant position or enjoys privileged regimes.

On the subject of **fair competition**, the Group's Code of Ethics is formally inspired by the **OECD Guidelines for Multinational Enterprises**.⁶

In 2022, the Company drew up its guidelines on transactions performed by the Company and its subsidiaries that have a significant strategic, economic, equity or financial significance.⁷

2. CONTRACTS, FINANCING AND PUBLIC AID

The Company has **not** benefited from State aid that could have distorted fair competition or the market.

² The Italian State funds healthcare through the National Healthcare Fund and through funds allocated to Regions. The State is also responsible for managing most health services.

³ As defined by the European Commission's 2003 Green Paper. In Italy access to the market by new operators depends on new authorisations being granted and new agreements being reached. The State and the Regions have concurrent powers to issue new authorisations.

⁴ The health sector is well covered by national and regional legislation and, for some aspects, especially related to competition, by EU legislation as well. As far as Italy is concerned, the activities of private healthcare companies (called nursing homes or private hospitals) need authorisations that are governed by regional legislation (healthcare is a shared competence between the State and the Regions) which also regulates supervision over such activities. In order to be authorised to provide services on a par with public healthcare facilities, Italian legislation now provides for an accreditation system whereby Regions (usually) assess compliance with specific requirements that are deemed necessary to provide hospitalisation and treatment and issue related authorisations. These requirements are of the same standard as those for State-owned facilities (public hospitals and scientific research institutions providing hospitalisation and treatment). According to Article 117, paragraph 3 of the Constitution, the State has the legislative power to establish the fundamental principles, whereas Regions are vested with similar legislative powers, and may regulate matters in compliance with the above-mentioned principles established by State laws. Source: Prospectus, p. 241 (only available in Italian).

⁵ Source: H1 2023 Directors' Report, pages 5-6.

⁶ The reference also includes environmental and taxation issues. Source: Code of Ethics, p. 3.

⁷ Source: Company source.

GHC collaborates actively with the Italian State and the Regions where its facilities are located, and is remunerated according to clearly defined tariff schedules.⁸ This practice does not harm competition and complies with the overarching European regulations.

3. MARKET DISTORTIONS, FAVOURITISM AND CORRUPTION

Given its type of business, GHC's financial results also **depend** on its relationships with the public administration.

The **risk of corruption**, favouritism and conflicts of interest is monitored and mainly regulated by the Code of Ethics⁹ and the Organisational Model as defined by Legislative Decree no. 231/01 (the 231 Model).¹⁰

In January 2023, the new Group **Anti-Corruption Policy** was adopted.¹¹ The Policy expressly refers to **international parameters**¹² and is based on the principle of 'zero tolerance' towards any type of corruption.¹³

Taxation is dealt with according to current legislation.¹⁴

4. INTERNAL VOLUNTARY RULES ON OWNERSHIP

GHC has been **listed on Euronext STAR Milan** since 2021.¹⁵ It is a member of the FTSE Italia Small Cap index.

At 31 December 2022, GHC's share capital amounted to EUR **31,570,000**, divided into **90,200,000** ordinary shares with no nominal value.¹⁶

GHC's largest shareholder is Maria Laura Garofalo who holds (directly and indirectly) **65.88%** of the voting shares. It is followed by **Pil 4 S.a.r.l.**,¹⁷ with a share of **9.19%**. The remaining share capital is floating.¹⁸

No significant shareholder of GHC is an off-shore company.

Increased voting rights can be used. In 2021, the controlling shareholder waived this privilege.¹⁹

⁸ Source: Company source.

⁹ The Code of Ethics devotes a specific point (3.3) to relations with public administrations and, in particular, prohibits any "conduct, direct or through any nominee, aimed at improperly influencing the decisions of the public administration or acquiring preferential treatment, even indirectly (e.g. issuing of a provision to the detriment of a competitor of GHC), is permitted in the conduct of any company activity. (...) These prohibitions may not be circumvented or evaded through sponsorships or donations to public administrations or bodies, or through the assignment of roles to persons in any way related to those working in the public administration". Furthermore, "considering the activities that GHC carries out, every transaction performed on behalf of the National Healthcare Service ('SSN') must also be legitimate, congruous, and adequately documented, such as to allow, at any time, the performance of controls that make it possible to (a) verify the characteristics of and reasons for the transaction, and (b) identify the individuals who authorised, carried out, and recorded, and verified the transaction". Source: Code of Ethics, p. 13.

¹⁰ The Company has revised the structure of the Supervisory Bodies of the group companies pursuant to Legislative Decree no. 231/01, moving (in most cases) from predominantly monocratic bodies to collegial bodies that include, as per best practice, an external criminal lawyer specialised in the 231 Model according to Italian Legislative Decree no. 231/2001, a member of the Board of Statutory Auditors or a single auditor and an internal member. A structured information flow has also been introduced between the Parent Company's Supervisory Body and those of its subsidiaries. Source: Company source. The 231 Model was last updated in 2022. Source: Corporate Governance and Ownership Structure Report – 2022, pages 74 and 76.

¹¹ It should be noted that this Policy "has been enacted by all administrative bodies of subsidiaries and distributed to all Group employees". The implementation of the Policy includes further communication activities towards various parties with which GHC has relations, as well as specific training activities for personnel. Source: Consolidated Non-Financial Statement for the Year 2022, p. 77.

¹² Such as the 'OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)', the 'Criminal Law Convention on Corruption of the Council of Europe (1999)' and the 'United Nations Convention against Corruption (2004)'. In addition to these references, which are expressly defined as non-exhaustive, the Policy also refers to best practices and guidelines developed by private international organisations (ICC – International Chamber of Commerce, Transparency International, PACI – Partnering Against Corruption Initiative, and the UN Global Compact). Source: Anti-Corruption Policy, p. 5 (only available in Italian).

¹³ Source: Anti-Corruption Policy, p. 3 (only available in Italian).

¹⁴ With the clarification that GHC "seeks to comply with the applicable tax law and to interpret it so as to observe substance as well as their form, while maintaining a transparent relationship with the tax authorities". Source: Consolidated Non-Financial Statement for the Year 2022, p. 57.

¹⁵ Source: Corporate Governance and Ownership Structure Report – 2022, p. 12.

¹⁶ Of which "88,254,600 Shares with simple voting right and 1,945,400 Shares that have accrued additional voting rights (two votes for each Share) (...). Of the 88,254,600 Shares with simple voting rights, 1,400,110 have suspended voting rights as treasury shares held by the Issuer". Source: Corporate Governance and Ownership Structure Report – 2022, pages 12 and 13.

¹⁷ Special Purpose Vehicle of the Peninsula Investments II S.C.A. fund.

¹⁸ Source: Corporate website. 2022 Directors' Report, p. 22.

¹⁹ The Company "announced that it had received from the majority shareholder Ms. Maria Laura Garofalo communication of her waiver of the multi-vote rights accruing to her". Source: Press Release, 1 March 2021. For general considerations on increased voting, please

Employee Financial Participation (**EF**P) in the Company's share capital is provided for certain categories of employees.²⁰

The Company has not issued bond nor do there appear to be any plans to issue bonds with ESG characteristics. There do not appear to be any listed derivative instruments with GHC shares as underlying assets.

5. OWNERSHIP AND CONFLICTS OF INTEREST

No significant shareholder is a public authority whose functions include regulating the market in which GHC operates.

The Code of Ethics addresses **conflicts of interest**, including those arising from **family relationships**.²¹

Both the Code of Ethics and the Anti-Corruption Policy²² deal with issues related to gifts, prohibiting their acceptance in principle.²³

6. PROTECTION OF MINORITY SHAREHOLDERS AND APPOINTMENT OF DIRECTORS

Protection of minority shareholders appears to be dealt with according to the rules and principles of the regulated market.

There are no policies or other documents of a voluntary nature in existence.²⁴

The body with strategic and management functions (the Board of Directors) and the body with control functions (the Board of Statutory Auditors) are appointed by the Shareholders' Meeting through the submission of **slates**.²⁵

7. INTERNAL VOLUNTARY RULES FOR DIRECTORS

As indicated in previous Reports, the **management** and control **system** adopted by GHC is the so-called '**traditional**' one.²⁶

The **Board of Directors** is granted the broadest powers to ensure the Company's ordinary and extraordinary management.²⁷

The current Board of Directors has **11** members.²⁸ **Gender parity** has been achieved.²⁹

refer to the corporate documents and the appropriate section of the corporate website. Source: Corporate Governance and Ownership Structure Report – 2022, pages 14 and 15.

²⁰ The reference is to the 2021-2023 Performance Share Plan which will be discussed later in this Report. It should be noted that the Plan "does not provide for the voting rights linked to the Shares granted to be exercised by persons other than the recipients of the Plan". Source: Corporate Governance and Ownership Structure Report – 2022, p. 15.

²¹ The commitment to avert "conflicts of interest – even potential ones" is one of the Group's values laid down in its Code of Ethics (point 1.7). This means that there are some specific obligations including averting "any conflict of interest between personal and family economic activities and the role held at GHC, and any form of collaboration that conflicts with the responsibilities assumed towards it" (point 2.2). Source: Code of Ethics, pages 6-8.

²² Source: Anti-Corruption Policy, p. 9 (only available in Italian).

²³ Except in certain cases that are part of business practice. There are exceptions, such as "Acts of business courtesy, including gifts or forms of hospitality (...) of modest value or such that they do not compromise the integrity or reputation of either party" as long as "An impartial observer must not be able to interpret such gifts as an attempt to acquire improper advantages". Source: Code of Ethics, pages 8 and 9.

²⁴ However, the step taken in 2021 towards protecting minority shareholders by waiving the majority vote by the controlling shareholder is worth highlighting.

²⁵ With regard to the Board of Statutory Auditors, it should be noted that it consists of "three Statutory Auditors and two Alternate Auditors. The Statutory Auditors remain in office for three years and may be re-elected. Their mandate expires at the date of the Shareholders' Meeting called to approve the financial statements relating to their third year of office". The statutory auditors currently in office are Sonia Peron (Chairperson), Alessandro Musai and Francesca Di Donato. Alternate members of the Board of Statutory Auditors are Andrea Bonelli and Marco Salvatore. Sources: Corporate Governance and Ownership Structure Report – 2022, pages 80-87; Corporate website.

²⁶ It is based on two bodies appointed by the Shareholders' Meeting: the Board of Directors (BoD), with management and strategic functions, and the Board of Statutory Auditors, with control functions. Source: Corporate Governance and Ownership Structure Report – 2022, p. 8.

²⁷ Except those powers that the Italian legislation exclusively vests in Shareholders' Meetings.

²⁸ Appointed by the Shareholders' Meeting of 30 April 2021 and in office until the approval of the Financial Statements for the year ending 31 December 2023, its composition is as follows: Alessandro Maria Rinaldi (Chairperson), Maria Laura Garofalo (Chief Executive Officer), Claudia Garofalo, Guido Dalla Rosa Prati, Giuseppe Giannasio, Alessandra Rinaldi Garofalo, Javier de la Rica, Federico Ferro-Luzzi, Giancarla Branda, Franca Brusco and Nicoletta Mincato. Source: Corporate website.

²⁹ There are 5 male directors. The number of female directors is 6 out of a total 11 members. Source: Corporate website.

Directors who meet the **independence** requirements are in the minority.³⁰

No employee representatives are board members or expected to become board members.

As already mentioned in the previous Report, the Board of Directors has duly established the **Appointments and Remuneration Committee**³¹ and the **Control, Risks and Sustainability Committee**.³² Their functions include providing advice, carrying out investigations and submitting recommendations.

Directors operate in accordance with the provisions of the **Code of Ethics**, the main instrument containing voluntary ethical and behavioural rules (Internal Voluntary Rules or IVR). The Group Code of Ethics is **explicitly and formally** inspired by the main **international guidelines**.³³

Set up *ad hoc*, the **Supervisory Board** is the body that receives and monitors reports on alleged violations. **All the functions of the Company**, including top management, are subject to supervision.³⁴

8. DIRECTORS, CONFLICT OF INTERESTS AND RELATED COMMITTEES

None of the current Directors are members of local or national government institutions, judiciary bodies, or entities awarding concessions or licences or performing market control functions. There are no cases of cross-directorship nor of **interlocking directorship** within the Group.

There is evidence of **family ties** among board members.³⁵

Diversity requirements in the composition of management and supervisory bodies are laid down in a special group **policy**, updated in 2022.³⁶ Directors' independence requirements are those envisaged in the TUF (the Italian Consolidated Law on Financial Intermediation) and in market regulations.³⁷

The **remuneration** of members of the management and control bodies and top management is reported annually and paid on the basis of the Group's Remuneration Policy.³⁸ There are staff **incentive mechanisms** in long-term remuneration policies linked to the achievement of **ESG objectives**.³⁹

³⁰ The Company has outlined (on its website as well) the criteria whereby Board members can be defined as independent. There are 4 independent directors out of a total of 11 (an increase of 1 over the previous year). They are: Federico Ferro-Luzzi, Nicoletta Mincato, Giancarla Branda and Franca Brusco. Source: Corporate website.

³¹ The members of the Appointments and Remuneration Committee are the following non-executive and independent directors: Federico Ferro-Luzzi (Chairperson), Giancarla Branda and Franca Brusco. Source: Corporate Governance and Ownership Structure Report – 2022, pages 51-52.

³² The members of the Control, Risks and Sustainability Committee are the following non-executive and independent directors: Franca Brusco (Chairperson), Federico Ferro-Luzzi and Nicoletta Mincato. Source: Corporate Governance and Ownership Structure Report – 2022, p. 64.

³³ Sources: Code of Ethics, p. 3; Consolidated Non-Financial Statement for the Year 2022, p. 42.

³⁴ Source: Corporate Governance and Ownership Structure Report – 2022, pages 76 and 77.

³⁵ See previous Reports for details.

³⁶ Adopted by the Board of Directors in March 2021, the Diversity Policy provides non-binding guidelines on aspects such as gender, age, educational and professional background, to be taken into account in order to identify an optimal qualitative and quantitative composition of the Company's Board of Directors and Board of Statutory Auditors. The policy thus guarantees an effective performance of tasks and responsibilities entrusted to the management and control bodies. Source: Policy on ensuring diversity within the management and control bodies, pages 3 and subsequent (only available in Italian).

³⁷ With the clarification that the independent members of the Board of Directors that are "*in office at the date of the* [Corporate Governance Report] *have also declared their independence pursuant to the Corporate Governance Code*". Source: Corporate Governance and Ownership Structure Report – 2022, p. 25.

³⁸ See the Report on the Remuneration Policy 2023 and the remuneration paid in 2022, regularly published on the corporate website.

³⁹ The reference is to the 2021-2023 Performance Share Plan which is reserved for the CEO and other senior figures of the Company and/or the Group identified at the sole discretion of the Board of Directors, taking into account the remuneration policy adopted by the Company. The weight of the ESG component among the performance targets reaches 15%. Source: *Informativa al pubblico ex Art. 84-bis, comma 5, del regolamento emittenti in tema di piani di compensi basati su strumenti finanziari relativa al Piano di Performance Share 2021-2023* (Disclosure to the public pursuant to Article 84-bis, paragraph 5 of the Issuers' Regulation on compensation plans based on financial instruments relating to the 2021-2023 Performance Share Plan), pages 2 and 4 (only available in Italian).

9. DISCLOSURE,
TRANSPARENCY AND
INTERESTED PARTIES

Reporting appears suitable and aligned with industry best practices.

The Company adopts **integrated non-financial reporting** in line with the 2023 **update** of the **Global Reporting Initiative (GRI) Standards** and “in accordance with” option.⁴⁰

Information on environmentally sustainable activities in application of **Regulation (EU) 2020/852 (European Taxonomy)** is provided in a dedicated section of the Non-Financial Statement (NFS) itself.⁴¹

GHC recently revamped its **institutional website** in order to further improve transparency and communication with its stakeholders.⁴²

The **comply or explain** principle is formally referred to in the Code of Ethics.⁴³

On the subject of internal controls and risk management, the Group has adopted the **Enterprise Risk Management Procedure**.⁴⁴

The system aims at identifying critical issues and mitigating **risks**, including **ESG risks**.⁴⁵

In 2022, a **comprehensive mapping** exercise was conducted for the first time on all Group facilities and was followed by the adoption of specific **Action Plans**.⁴⁶

10. PARTICIPATION AND
VOTE IN GENERAL
MEETINGS

According to the By-Laws, shareholders may participate, speak and vote remotely at general meetings.⁴⁷ There are no other means of facilitating attendance to general meetings.

11. EMPLOYMENT AND
HUMAN RESOURCES
SELECTION

As at 31 December 2022, the Group had **1,907** employees, up from **1,862** in 2021.⁴⁸

The principles of equal opportunities, merit and non-discrimination, as laid down in the Code of Ethics, must be complied with in human resources selection and management processes. These principles must also be complied with for remuneration.⁴⁹

⁴⁰ The reference is to the “revision work carried out by the Global Sustainability Standards Board, an independent operating entity under the auspices of the Global Reporting Initiative. In view of the changes that have taken place, GHC has therefore drafted its NFS 2022 consistent with the new ‘GRI System of Standards’ which require simultaneous compliance with Standards of a general nature (regardless of the business sector), Sector Standards (planned but not yet published for the healthcare sector), and Specific Standards related to reporting on economic, environmental, and social sustainability”. Source: Consolidated Non-Financial Statement for the Year 2022, p. 10.

⁴¹ It is entitled ‘Disclosure required by the European Regulation on the Taxonomy of Environmentally Sustainable Activities’. Source: Consolidated Non-Financial Statement for the Year 2022, pages 90 and subsequent.

⁴² Source: Corporate website.

⁴³ In fact, the point devoted to ‘Investor and Market Relations’ (3.5) provides for GHC’s commitment “to gradually defining and implementing a well-organised and homogeneous system of rules on its organisational structure and relations with shareholders, in accordance with the most advanced Corporate Governance standards, with which the Group complies, including the ‘comply or explain’ principle”. Source: Code of Ethics, p. 14. The adoption of the principle can also be inferred (for reporting purposes) from non-financial and standardised reporting.

⁴⁴ Adopted in May 2022, the Procedure aims to contribute “to the Group’s management in the direction of sustainable development and value maximisation by supporting the definition of the nature and level of risk compatible with the strategic objectives pursued”. Identification and mapping of risks – currently under way for all companies – follows a bottom-up approach engaging and connecting individual Risk Owners identified in the subsidiaries with the main functions of the parent company. Sources: PA RM 01 – Enterprise Risk Management Procedure Garofalo Health Care, pages 3 and subsequent (only available in Italian); Company source.

⁴⁵ Examples are: potential environmental impacts, risks related to labour disputes or violations of human rights (including the right to health, thus linked to the quality of services offered), as well as violations of the 231 Model and the Code of Ethics. Source: Company source.

⁴⁶ Source: Company source.

⁴⁷ As per Art. 19 of the By-Laws.

⁴⁸ It has to be specified that “the Group’s total workforce stood at approximately 4,110, of which (...) 2,203 freelance professionals (e.g., doctors, consultants, psychologists, health technicians), up from 2021, partly due to the acquisition of GVDR in the year”. It should be noted that 93% of employees (as opposed to 90% in the previous year) are on permanent contracts; 77% of employees are female. Source: Consolidated Non-Financial Statement for the Year 2022, pages 67-69.

⁴⁹ Source: Code of Ethics, p. 12.

The Group also has a **Diversity & Inclusion Policy** with explicit references to relevant **international guidelines** and **standards**.⁵⁰ Compliance with this policy is ensured by the presence of an *ad hoc* channel for reports.⁵¹

As required by the Group's sustainability goals, an **analysis of the selection processes** was carried out in 2022 to verify compliance with the principle of **equal opportunity**.⁵²

During the same year, GHC also conducted an **internal climate analysis** for the first time.⁵³

Training is regularly provided.⁵⁴

12. HEALTH AND SAFETY AT WORK AND SOCIAL DIALOGUE

The areas of occupational health and safety are mainly addressed by processes aimed at ensuring compliance with national legislation,⁵⁵ which is rather stringent and with little room for voluntary measures.

In any case, these issues are also addressed by the **Code of Ethics** through commitments on **preventive** actions, the involvement of employees in risk management processes and the streamlining of corporate structures.⁵⁶

13. ADAPTATION TO CHANGES

Entry barriers to the market and all the Italian legislation in this field are very strict and reduce the impact of possible corporate changes. Therefore, the absence of specific provisions and/or initiatives does not have a negative impact, despite the central nature of the issue within the EU and OECD.

14. ENVIRONMENT

Environmental protection is pursued in explicit alignment with the **OECD Guidelines for Multinational Enterprises**.⁵⁷

During 2022, the Company implemented a Group-wide **energy efficiency analysis project**.⁵⁸ GHC has also made concrete progress towards the goal of energy supply from **renewable sources**.⁵⁹

⁵⁰ Sources referred to by the Policy in question: the principles of the United Nations Global Compact, with particular reference to those pertaining to Human Rights and Labour; the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and its follow-ups; the eight Core Conventions of the International Labour Organisation; the Universal Declaration of Human Rights and subsequent international conventions on civil and political rights and on economic, social and cultural rights; the United Nations Conventions on the Rights of Women, on the Elimination of All Forms of Racial Discrimination, on the Rights of the Child, on the Rights of Persons with Disabilities; the United Nations 2030 Agenda for Sustainable Development Goals (SDGs), with a particular focus on SDGs nos. 3, 9, 10 and 16. Source: Diversity & Inclusion Policy, p. 4 (only available in Italian).

⁵¹ Source: Diversity & Inclusion Policy, p. 6 (only available in Italian).

⁵² This audit "included all healthcare facilities with a Corporate Procedure pertaining to the recruitment and selection of staff ('HR Procedure'), which accounted for approximately 93% of the Group's total facilities". It is worth specifying that the "analysis was conducted jointly by the Chief Sustainability Officer and the Risk Manager, so as to integrate the 'ESG view' with the 'Risk view' (...). The analysis conducted made it possible to highlight respect for equal opportunities in the personnel selection process". For example, the existence of an HR Procedure, reference to the principles of the Code of Ethics, traceability and accountability mechanisms, and the involvement of external stakeholders were deemed to be positive factors. Source: Consolidated Non-Financial Statement for the Year 2022, pages 74-75.

⁵³ The analysis was carried out using a questionnaire, and involved more than half of the employees and showed a "level of satisfaction [that] was virtually identical across all Group healthcare facilities. Quality of care had the highest levels of perceived satisfaction (mean score of 3.8/5.0)". Source: Consolidated Non-Financial Statement for the Year 2022, p. 72.

⁵⁴ During the year just ended, "a total of 24,818 hours of training were delivered (...), of which 19,106 were provided to employees and 5,712 hours to non-employees". Source: Consolidated Non-Financial Statement for the Year 2022, pages 73 and 74.

⁵⁵ Source: Consolidated Non-Financial Statement for the Year 2022, p. 74.

⁵⁶ See point 2.7, entitled 'Respect for the environment and safety protection'. Source: Code of Ethics, p. 11.

⁵⁷ Source: Code of Ethics, p. 3.

⁵⁸ Source: Consolidated Non-Financial Statement for the Year 2022, pages 82-84.

⁵⁹ In fact, in June 2023 GHC signed with Iren Mercato S.p.A. (Iren), a company of the Iren Group selling energy and services, "the preliminary binding agreement ('Term Sheet') preparatory to the signing of a corporate Power Purchase Agreement ('PPA') for the supply of electricity from renewable sources in the period 2024-2028 intended to meet the energy consumption of GHC. As part of the agreement, approximately 60% of GHC's energy needs are expected to be covered by the 18.4 MW Iren Group photovoltaic plant located in Palo del Colle (BA) on the basis of a fixed price lower than the average values of 2021 (year before the energy shock)". This "transaction allows GHC to continue achieving its ESG objectives, by virtue of a 100% renewable supply certified by Guarantees of Origin". The supply will start on 1 January 2024. Source: Press Release, 21 June 2023.

Both of these profiles are the subject of specific sustainability commitments adopted by GHC.⁶⁰ GHC's environmental strategy includes reporting on consumption⁶¹ and CO₂ emissions.⁶²

Finally, given GHC's activity, special attention is paid to the issue of **waste management**, which is dealt with by specific procedures.⁶³

15. CONSUMERS AND QUALITY

The topic is of central importance to GHC which consistently deals with it with various instruments and measures.⁶⁴

First and foremost, this approach derives from the **Code of Ethics** which repeatedly reaffirms the fundamental character of health as a personal right and, therefore, the **centrality of the patient**.⁶⁵

The quality of services is also reflected in the accreditation of the Group's facilities with the Italian national health system. In addition, some of the Group's facilities hold ISO 9001 quality certification.⁶⁶

During 2023, the Company conducted an in-depth analysis of its customer satisfaction and complaints management processes aimed at defining best practices and high service quality standards.⁶⁷

16. SCIENCE AND TECHNOLOGY

The Group is committed to promoting innovation, scientific research, training and education.⁶⁸

Given the nature of GHC's activity, the issue (also on the investment side) is closely linked to **quality of care**.⁶⁹ In this context, it should also be noted that since 2018 GHC has had a **Scientific Committee** performing advisory functions and composed of professionals from the scientific world.⁷⁰

Finally, actions in the area of **digitisation**⁷¹ and cyber security are planned from 2023.⁷²

17. LOCAL COMMUNITIES

GHC's By-Laws lay down that the Company may deduct a maximum of 1% annually from net profits to allocate to a fund for scientific and/or charitable purposes. The

⁶⁰ Source: Consolidated Non-Financial Statement for the Year 2022, pages 32-33.

⁶¹ Source: Consolidated Non-Financial Statement for the Year 2022, pages 79-80.

⁶² Source: Consolidated Non-Financial Statement for the Year 2022, pages 80-81.

⁶³ These set out "for each subsidiary (...) the roles and responsibilities within the process". In addition, "each clinic has service contracts with specialised and authorised waste transportation and disposal companies that periodically collect the waste stored in temporary storage facilities". Source: Consolidated Non-Financial Statement for the Year 2022, pages 85-86.

⁶⁴ See also the 'Science and Technology' section of this Report on the relationship between investments in innovation and standards of quality of care.

⁶⁵ Already the preamble outlines the " 'patient-centered' model, i.e. based on the centrality of the patient considered in terms of all their physical, psychological and social needs". The model is embedded in GHC's mission statement itself. The Group's values also include several commitments on 'Respect and care for patients' (point 1.2); striving for 'Excellence and improving services and facilities' (point 1.4); Confidentiality (point 1.8). Source: Code of Ethics, pages 3, 6-7.

⁶⁶ Source: Consolidated Non-Financial Statement for the Year 2022, p. 63.

⁶⁷ Source: Company source. It should be noted that monitoring and active management of customer satisfaction are among the 'sustainability commitments' undertaken by GHC in the 2022 NFS. Source: Consolidated Non-Financial Statement for the Year 2022, pages 32-33.

⁶⁸ According to section 1.5 of the Code, which outlines the Group's values. Source: Code of Ethics, p. 6.

⁶⁹ The 2022 NFS states that "the Group is committed to not only maintaining the best quality standards, but also investing in technological innovation and facility improvements. Despite the difficulties of the COVID-19 emergency over the last three years, this commitment has led the Group to invest over Euro 50 million to support the quality of care and services". Source: Consolidated Non-Financial Statement for the Year 2022, pages 59-60.

⁷⁰ Set up by the Board of Directors, this Committee "has the objective, among others, to make available to the clinics and the researchers of the GHC Group a 'forum' for the sharing and synergy of their scientific activities; to act as a promoter of common guidelines for the planning and presentation of research projects to domestic and international funding agencies for medical research and health services; to map the excellences at the clinics within the scope of the GHC Group". Source: Consolidated Non-Financial Statement for the Year 2022, p. 64.

⁷¹ Digitisation concerns patient and staff relations. Source: Consolidated Non-Financial Statement for the Year 2022, p. 65.

⁷² These aspects are also among the sustainability commitments undertaken by GHC in the 2022 NFS. Source: Consolidated Non-Financial Statement for the Year 2022, p. 33.

Board of Directors independently decides how to use this fund.⁷³

As in previous years, in 2022 GHC provided support to the public system in connection with the Sars-Cov-2 health emergency.⁷⁴

18. BUSINESS PARTNERS

The **Code of Ethics** is the initial instrument governing the relationship between GHC and its suppliers and is a reference for all the parties concerned. In fact, this Code binds, on the one hand, the suppliers themselves⁷⁵ and, on the other hand, it establishes various obligations on the part of the Group's personnel to ensure fairness, transparency and impartiality in the procurement processes.⁷⁶

Procurement management and supplier selection procedures are internal to each facility, except for the most significant cases, which are dealt with by the parent company.⁷⁷

The Company reports and publishes the timing of payments to suppliers.⁷⁸

19. HUMAN RIGHTS

The Code of Ethics is inspired by the **Universal Declaration of Human Rights** (1948), the **UN Global Compact** and other international conventions on fundamental human rights⁷⁹ and workers' rights.⁸⁰

20. EUROPEAN AND INTERNATIONAL STRATEGIES

The Company formally pursues several Sustainable Development Goals (**SDGs**) which are considered in the Materiality Matrix.⁸¹

Since it was listed (2018), GHC has been publishing its **sustainability commitments** annually in the NFS, where the achievement of the previous year's commitments is also reported.⁸²

21. CONCLUSIONS (SUMMARY)

Garofalo Health Care has been operating since 2000 in the field of private accredited healthcare in Italy.

Listed since 2018, in 2021 it was included in Euronext STAR Milan.

The Company maintains a constant focus on innovation and over the years has strengthened its ESG (Environmental, Social, Governance) system. Medium- and long-term (mainly environmental) goals have been identified in accordance with the UN, OECD and EU voluntary guidelines. The non-financial reporting system appears to be well established and in line with good practices in the sector.

Sustainability governance is structured through policies that cover the main issues

⁷³ According to Art. 40 of the By-Laws.

⁷⁴ In particular, by providing beds or other spaces in various facilities. Source: Consolidated Non-Financial Statement for the Year 2022, p. 64.

⁷⁵ They are among the recipients. Source: Code of Ethics, p. 4.

⁷⁶ See point 3.4. Source: Code of Ethics, p. 13.

⁷⁷ The criteria for selecting suppliers include technical and quality aspects, including adherence to delivery times and economic/financial conditions. In particular, assessment of suppliers is based – where applicable – on the following elements: that the supplier is a leader in the sector for that specific type of product; that it produces a catalogue including the products in question; that the price it offers is competitive; that its delivery times are acceptable. Source: Consolidated Non-Financial Statement for the Year 2022, pages 84-85.

⁷⁸ The average time taken to pay suppliers is 101 days (a slight increase since 2021 when the number of days amounted to 97). The average time is defined as the ratio between Accounts payable, as reported in the Group's yearly Consolidated Financial Statement, and the sum of all Costs for goods and materials, the Costs for services and use of third parties' assets, and other Costs, as shown in the Group's yearly Consolidated Financial Statement, multiplied by the number of working days in that year. Source: 2022 Directors' Report, p. 35.

⁷⁹ Such as "the UN Conventions on the Rights of Women, the Elimination of All Forms of Racial Discrimination, the Rights of the Child, and the Rights of Persons with Disabilities". Source: Code of Ethics, p. 3.

⁸⁰ Such as the "Declaration on Fundamental Principles and Rights at Work and the eight Core Conventions of the International Labour Organisation (ILO)". Source: Code of Ethics, p. 3.

⁸¹ Source: Consolidated Non-Financial Statement for the Year 2022, p. 52.

⁸² Please refer to the NFS for details. Please note that, without claiming to be exhaustive, some of the objectives have already been addressed in this Report. Source: Consolidated Non-Financial Statement for the Year 2022, pages 32-33.

highlighted at international level, supported by an adequate steering, control and ESG Risk Management system.

In 2021 GHC introduced a long-term incentive plan connected to its sustainability rating (Standard Ethics) and its environmental and energy performance. Steps were also taken to better protect the interests of minority shareholders, such as the waiver of the majority vote by the controlling shareholder.

The Long Term Expected Rating is raised from 'EE' to 'EE+'.

* * *

SOURCES

(Where there are no dates, the most recent versions prevail)

The documents that have been consulted were approved and communicated at least twenty days before the publication of this document.

Main sources (but not exclusively): Code of Ethics; Report on Corporate Governance and Ownership Structures; Financial Report; ESG and non-financial reporting (in all its forms); Procedures; Internal Regulations; Policies; Press Releases.

Data and information given during conversations and through correspondence with internal functions were also used. In this case, the source is 'the Company'.

OTHER SOURCES

Documents supplied by national and international regulatory bodies, the Italian stock exchange and independent websites were also considered.

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