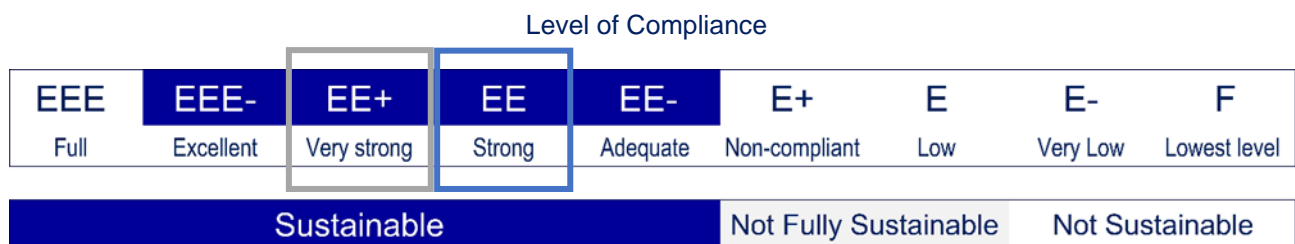


Standard Ethics Rating [corpSER]: **EE**
 Long Term Expected corpSER [1y to 2y]: **EE+**

Issuer: Garofalo Health Care S.p.A.
Listing: Borsa di Milano
ISIN: IT0005345233
Market Capitalisation: 510.5 Mln EUR
Sector: Health Care
Industry: Health Care and Services
Type of rating: Corporate Standard Ethics Rating [SER]
Date: 23 October 2024
Expiry Date: 30 September 2025
Last action: 12 September 2023
Previous SER: EE- *Outlook Positive*
Type of document: Rating Report



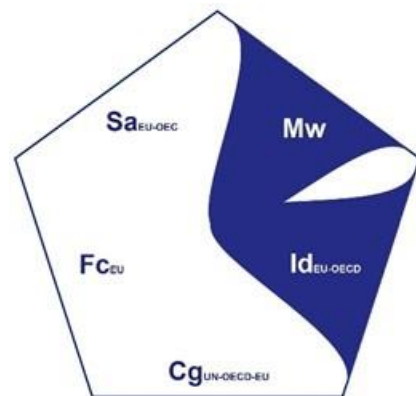
Summary

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

New acquisitions, with a significant expansion in size, have characterised the Group's recent development. It has therefore increased the number of facilities that have to follow its sustainability policies that are supported by an adequate system of guidance, control and ESG Risk Management. Coinciding with the strengthening of activities, GHC has taken measures in the area of energy efficiency and procurement from renewable sources. It has also made progress in the area of digitalisation.

The medium- and long-term ESG targets, selected according to the main voluntary UN, OECD and EU guidelines, are to be considered suitable. The non-financial reporting system appears to be well established and in line with good practices in the sector. The Company demonstrates a solid system of corporate governance and protection of minority shareholders. The management of sustainability strategies pursues constant alignment with international guidelines. Further gradual measures to be introduced in its sustainability policies are expected.

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 any

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.

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} ; $Sa_{EU-OECD}$; Mw ; $Id_{EU-OECD}$; $Cg_{UN-OECD-EU}$). 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).

$Sa_{EU-OECD}$ = 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).

$Id_{EU-OECD}$ = 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).

$Cg_{UN-OECD-EU}$ = 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).

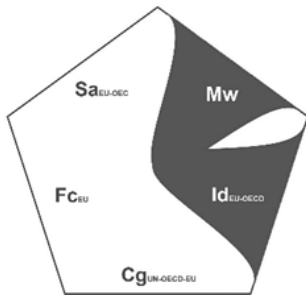
k = Sustainability at Risk (SaR). Statistical projections.

$$\frac{(\mathbf{Fc}_{EU} + \mathbf{Sa}_{EU-OECD} + \mathbf{Id}_{EU-OECD} + \mathbf{Mw} * \mathbf{f}(\mathbf{Sa}_{EU-OECD}) * \mathbf{f}(\mathbf{Id}_{EU-OECD}) + \mathbf{Cg}_{UN-OECD-EU} * \mathbf{f}(\mathbf{Fc}_{EU}) * \mathbf{f}(\mathbf{Id}_{EU-OECD}))}{10} + k$$

ISSUED RATING

Standard Ethics Rating [corpSER]: **EE**
 Long Term Expected corpSER [1y to 2y]: **EE+**

ALGORITHM – INPUT VALUES (SUMMARY)



The values for each standard are between **0 and 2**. Assigned and input values are as follows:

- Fc_{EU}** = 1.9
- Sa_{EU-OECD}** = 1.8
- Mw** = 0
- Id_{EU-OECD}** = 0.7
- Cg_{UN-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” or 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. After establishing five healthcare facilities and operating mainly in the acute care sector, over the years the Group has diversified from a geographical and sectoral point of view.

Starting in the 2000s, under the leadership of Maria Laura Garofalo, who currently holds the position of Chief Executive Officer (CEO) of the Group, a process of geographic and sectoral diversification was initiated, guided by a strategy of internal and external growth.

The Group was listed in 2018 on Euronext Milan, and since 2021 has been listed on Euronext STAR Milan.

GHC’s activity falls into the category of so-called “general interest” public services.³

The market in which the Company operates is characterised by particularly high regulatory standards. Practising healthcare requires authorisation, accreditation and budget agreement, and requirements may vary on a regional basis.⁴

As at 30 June 2024, GHC was present in **8** regions in Northern and Central Italy where it operates through **37** 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

Compared to the previous Report, the growth in the number of facilities⁶ is due to the **acquisitions** of Sanatorio Triestino S.p.A. and the Aurelia Hospital Group in the second half of 2023.⁷

There is no evidence that GHC is involved in other groups operating in the same market or that it holds a dominant position or enjoys privileged treatments.

The issue of **fair competition** is addressed in various internal documents, starting with the Code of Ethics. In this recently updated Code, the Group states its adherence to several international guidelines.⁸ In particular, GHC’s approach to this issue is formally inspired by the **OECD Guidelines for Multinational Enterprises**.⁹

A special document entitled “Guidelines on Transactions of the Company and Its Subsidiaries of Significant Strategic, Economic, Equity or Financial Significance”

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 In Italy accredited private healthcare organisations have to be authorised by regional laws (healthcare is a shared competence between the State and the Regions) which also regulate 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 2024 Directors’ Report, pages 5 and 6.

⁶ It should be noted that within the scope of its mission, as stated in the Code of Ethics, “GHC seeks to bring together health facilities demonstrating excellence, strengthening them and making them more efficient, and to become Italy’s leading healthcare group.” Source: Code of Ethics, p. 4.

⁷ 4 May and 16 November respectively. Source: H1 2024 Directors’ Report, p. 9.

⁸ This Report will give a more precise account of the various guidelines as they become relevant. Source: Code of Ethics, pages 3 and 4.

⁹ The reference also includes environmental and taxation issues. Source: Code of Ethics, p. 3.

ensures the Parent Company's control over the significant transactions of its direct or indirect subsidiaries.¹⁰

2. CONTRACTS, FINANCING AND PUBLIC AID

GHC regularly collaborates with the Italian State and the Regions where its facilities are located, and is remunerated according to clearly defined tariff schedules.¹¹ This practice does not harm competition and complies with the overarching European regulations.

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

3. MARKET DISTORTIONS, FAVOURITISM AND CORRUPTION

Given its type of business, GHC's financial results also **depend on** its relationships with the public administration (P.A.). In line with this, the Code of Ethics deals with **relations with the P.A.** in order to prevent unfair or anti-competitive behaviour. A specific provision is aimed at ensuring the effectiveness of the Authority's checks with specific reference to the **services provided by the Italian National Health Service.**¹²

Issues relating to the prevention, management and removal of risks associated with **corruption**, cronyism and conflicts of interest are mainly monitored and identified in the Organisation and Management Model pursuant to Legislative Decree no. 231 of 2001¹³ and in the Code of Ethics itself.¹⁴

In January 2023, these instruments were complemented by a Group **Anti-Corruption Policy.**¹⁵ The Policy expressly refers to **international parameters**¹⁶ and is based on the principle of "zero tolerance" towards any type of corruption.¹⁷

Tax obligations¹⁸ fall to the individual companies, while the Parent Company plays a coordinating and supporting role. In this respect, GHC's approach is explicitly inspired by the **OECD Guidelines for Multinational Enterprises.**¹⁹

4. INTERNAL VOLUNTARY RULES ON OWNERSHIP

GHC has been **listed on Euronext STAR Milan** since 2021 and **Euronext Milan** since 2018. It is a member of the FTSE Italia Small Cap index.

At 30 June 2024, GHC's share capital amounted to EUR **31,570,000**, divided into **90,200,000** ordinary shares with no nominal value.²⁰

¹⁰ Adopted in 2022. Source: Corporate Governance and Ownership Structure Report – 2023, p. 35.

¹¹ Source: Company source.

¹² Source: Code of Ethics, p. 13.

¹³ The Company has revised the structure of the Supervisory Bodies of the Group companies pursuant to Legislative Decree no. 231 of 2001, moving (in most cases) from predominantly one-man to collective bodies that include, as per best practice, an external criminal lawyer specialised in the 231 Model according to Italian Legislative Decree no. 231 of 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.

¹⁴ In particular, in the above-mentioned provision on Relations with the PA. Source: Code of Ethics, p. 13.

¹⁵ It should be noted that this Policy "*has been enacted by the administrative bodies of subsidiaries and distributed to all Group employees.*" Source: Consolidated Non-Financial Statement for the Year 2023, p. 84.

¹⁶ 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 Conventions, 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).

¹⁷ Source: Anti-Corruption Policy, p. 3 (only available in Italian).

¹⁸ 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 2023, p. 60.

¹⁹ Source: Code of Ethics, p. 3.

²⁰ Of which 88,527,000 shares with simple voting right and 1,673,000 shares that have accrued additional voting rights (two votes for each Share). Source: Press Release, 19 April 2024.

The main shareholder is Maria Laura Garofalo who directly and indirectly held **65.02%** of the voting shares on that date. **Fondazione Enasarco** is the second major shareholder, with a share of **5.27%**. The remaining capital is floating.²¹

Increased voting rights can be used. In 2021, the controlling shareholder waived this privilege.²²

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

Employee Financial Participation (**EFP**) in the Company's share capital is provided for certain categories of employees.²³

In July 2024, the Company issued a **bond** named *Garofalo Health Care 6.332% 2024-2031*.²⁴ There are no bond issues with ESG characteristics, nor are they planned. There are no 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**.²⁵

Both the Code of Ethics and the Anti-Corruption Policy²⁶ deal with issues related to gifts, prohibiting their acceptance in principle.²⁷

6. PROTECTION OF MINORITY SHAREHOLDERS AND APPOINTMENT OF DIRECTORS

The issue of protecting minority shareholders appears to be dealt with according to the rules and principles of the regulated market.²⁸

The By-Laws contain a safeguard, i.e., the adoption and regulation of the so-called **"list voting"** for the election of the members of the body with strategic and management functions (the Board of Directors)²⁹ and of the body with control functions (the Board of Statutory Auditors).³⁰

²¹ Source: H1 2024 Directors' Report, p. 7.

²² 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.

²³ The reference is to 2021-2023 and 2024-2026 Performance Share Plans 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." It should also be noted that GHC's By-Laws "do not contain any special provisions relating to the exercise of employee voting rights." Source: Corporate Governance and Ownership Structure Report – 2023, p. 15.

²⁴ "The transaction, signed up to €275M, consists of: (i) Medium/long-term line of €180M, mainly for the refinancing of existing bank lines, of which €130M bank loan (unsecured, floating rate, amortizing and duration of 6 years) and €50M non-convertible bond privately placed with leading institutional investors, i.e. 'Private Placement' (unsecured, fixed rate, bullet and duration of 7 years); (ii) Capex line of up to €70M, available to the Group to support the M&A strategy and for organic expansion and development investments (unsecured, floating rate, amortizing and duration of 7 years); and (iii) Revolving bank line of up to €25M, aimed at supporting any working capital needs (unsecured, duration of 7 years). (...) Confirming the increasing importance of ESG issues for the Group, which already has a long-term Investment Grade EE+ ('Very Strong') ESG rating assigned by Standard Ethics, it should also be noted that the bank loan provides for the introduction of a 'SDG-Linked' margin adjustment mechanism that may allow the Group a further reduction in the interest rate on the achievement of ESG targets, the latter to be defined within 12 months. (...)". Source: Press Release, 08 July 2024.

²⁵ 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, must be avoided" (point 2.2). Source: Code of Ethics, pages 7 and 8.

²⁶ Source: Anti-Corruption Policy, p. 9 (only available in Italian).

²⁷ 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.

²⁸ However, the step taken in 2021 towards protecting minority shareholders by waiving the majority vote by the controlling shareholder is worth highlighting.

²⁹ Source: Corporate Governance and Ownership Structure Report – 2023, p. 23.

³⁰ Source: Corporate Governance and Ownership Structure Report – 2023, pages 78 and subsequent. It should be noted that the "The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 29 April 2024 and will remain in office until the date of approval of the financial statements as of 31 December 2026." Its members are: Sonia Peron (Chairman), Alessandro Musai (Standing

The procedure for appointing members of these bodies must take into account **diversity** requirements, as laid down in a special Group **Policy**, updated in 2022.³¹

7. INTERNAL VOLUNTARY RULES FOR DIRECTORS

GHC adopts a “**traditional**” **administration** and control **system**.

The **Board of Directors** has **11** members³² and is granted the broadest powers to ensure the Company’s ordinary and extraordinary management.³³

Gender parity has been achieved.³⁴ There are **5** Directors out of a total of 11 who meet the **independence** requirements.³⁵

There is no employee representative on the Board.

The Board of Directors has duly established the **Nomination and Remuneration Committee**³⁶ and the **Audit Risk and Sustainability Committee**.³⁷ Their functions include providing advice, carrying out investigations and submitting recommendations.

Directors are some of the recipients of the **Code of Ethics**, the main instrument containing voluntary ethical and behavioural rules (Internal Voluntary Rules or IVR), updated in 2023. The Group Code of Ethics is **explicitly and formally** inspired by the main **international guidelines**.³⁸

All the functions of the Company, including senior management, are subject to supervision. Set up as an **ad hoc** body, the **Supervisory Board** also receives and monitors reports on alleged violations.³⁹

8. DIRECTORS, CONFLICT OF INTERESTS AND RELATED COMMITTEES

There are no Directors who are members of local or national government bodies, jurisdiction bodies, licence-granting bodies or bodies exercising control over the market. There are no cases of **interlocking directorship** within the Group.

There is evidence of **family ties** among board members.⁴⁰

The Company annually reports and publishes the **remuneration** paid its senior management and the members of the various management and control bodies. For relevant employees, the Group’s remuneration policy includes short- and long-term **incentive mechanisms** linked to the achievement of **ESG objectives**.⁴¹

Auditor), Francesca di Donato (Standing Auditor), Andrea Bonelli (Alternate Statutory Auditor), Marco Salvatore (Alternate Statutory Auditor). Source: Corporate website.

³¹ 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 Diversity of the Administrative and Control Bodies, pages 3 and subsequent (only available in Italian).

³² Appointed by the Shareholders’ Meeting of 29 April 2024 and in office until the approval of the Financial Statements for the year ending 31 December 2026, 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, Luca Matrigiani, Federico Ferro-Luzzi, Giancarla Branda, Franca Brusco e Alberto Oliveti. Source: Corporate website.

³³ Except those powers that the Italian legislation exclusively vests in Shareholders’ Meetings.

³⁴ There are 6 male Directors out of 11. The number of female Directors is 5 including the CEO. Source: Corporate website.

³⁵ The requirement of independence is interpreted according to both the Consolidated Act on Financial Intermediation (TUF) and the Corporate Governance Code. The Directors meeting this requirement are Giancarla Branda, Franca Brusco, Federico Ferro-Luzzi, Luca Matrigiani and Alberto Oliveti. Source: Corporate website.

³⁶ Its members are: Federico Ferro-Luzzi (Chairman), Franca Brusco, Alberto Oliveti. Source: Corporate website.

³⁷ Its members are: Franca Brusco (Chairman), Giancarla Branda and Federico Ferro-Luzzi. Source: Corporate website.

³⁸ Source: Code of Ethics, p. 3.

³⁹ Source: Corporate Governance and Ownership Structure Report – 2023, pages 73 and 74.

⁴⁰ See previous Reports for details.

⁴¹ The weighting and short- and long-term ESG objectives included in the remuneration policy of relevant staff are detailed in Remuneration Policy and Report – 2023, pages 9, 11, 25 and subsequent.

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 **GRI** (Global Reporting Initiative) **Standards** and on the basis of the “in accordance” option.⁴²

A section of the Non-Financial Statement contains information on environmentally sustainable activities in application of **Regulation (EU) 2020/852** (“**European Taxonomy**”).⁴³

The Code of Ethics contains a formal reference to the **comply or explain** principle.⁴⁴

The Company also communicates externally through its institutional website, which is accessible and regularly updated.⁴⁵

The internal control system is organised into the typical first, second and third level controls.⁴⁶

The **Enterprise Risk Management Procedure**⁴⁷ aims at identifying critical issues and mitigating **risks**, including **ESG** risks.⁴⁸

Following the first **comprehensive mapping** in 2022, specific **Action Plans** were adopted by all Group structures.⁴⁹

10. PARTICIPATION AND
VOTE IN GENERAL
MEETINGS

The issue is regulated by the By-Laws, as updated in 2024.⁵⁰

11. EMPLOYMENT AND
HUMAN RESOURCES
SELECTION

As at 31 December 2023, the Group had **2,767** employees. This **compares** with 1,907 in the previous year. The **considerable increase** is mainly due to the aforementioned acquisitions.⁵¹

The Code of Ethics lays down respect for the principles of **equal opportunities, merit and non-discrimination** at all stages of the relationship with human resources.⁵²

⁴² Source: Consolidated Non-Financial Statement for the Year 2023, p. 10.

⁴³ It is entitled “Information required by the European Regulation on the Taxonomy of Environmentally Sound Activities”. Source: Consolidated Non-Financial Statement for the Year 2023, pages 96 and subsequent.

⁴⁴ 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.

⁴⁵ The revamping of the website, specifically in terms of transparency, which was mentioned in the previous Report, is worth highlighting.

⁴⁶ Source: Corporate Governance and Ownership Structure Report – 2023, pages 55-57; Consolidated Non-Financial Statement for the Year 2023, pages 43-44.

⁴⁷ 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); Consolidated Non-Financial Statement for the Year 2023, p. 45.

⁴⁸ 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.

⁴⁹ Source: Company source.

⁵⁰ Source: By-Laws, whose Articles 15, 19, 30 and 36 were updated in 2024.

⁵¹ The reference is to the acquisitions of Sanatorio Triestino and the facilities of the Aurelia Hospital Group. The total workforce carried forward to the end of 2023 is given by: “2,767 employees and 2,705 freelance professionals (e.g. doctors, consultants, psychologists, health technicians).” It should be noted that 94% of employees are on permanent contracts; 74% of employees are female. Source: Consolidated Non-Financial Statement for the Year 2023, pages 77-79.

⁵² Source: Code of Ethics, p. 12.

These principles are implemented by the **Diversity & Inclusion Policy** applicable at Group level. The Policy, expressly inspired by the major **international guidelines and standards**,⁵³ also provides for a special reporting channel.⁵⁴

Staff training is provided on a regular basis.⁵⁵

12. HEALTH AND SAFETY AT WORK AND SOCIAL DIALOGUE

These issues, which are strictly regulated by the legislation, 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

As noted in previous Reports, entry barriers to the market and the Italian legislation in this field are very strict and reduce the impact of possible corporate changes. Therefore, despite the central nature of this topic in the EU and OECD, the absence of specific provisions and/or initiatives does not have a negative impact.

14. ENVIRONMENT

GHC's **Code of Ethics** repeatedly addresses issues of respect for and protection of the **environment**. The topic, dealt with explicitly with reference to the **OECD Guidelines for Multinational Enterprises**,⁵⁷ is included in the Group's mission⁵⁸ and is part of sections of Company's programmes addressed to its staff.⁵⁹

The Company reports its emissions⁶⁰ and energy consumption.⁶¹

Since 2022, the Group has had an **Energy Procurement Strategy** aimed at the **total coverage of its needs from certified renewable sources**, an objective that is part of GHC's specific **sustainability commitments**.⁶²

In 2023, also within the framework of its sustainability targets, the Group defined and implemented an **energy efficiency investment plan**.⁶³

⁵³ 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).

⁵⁴ Source: Diversity & Inclusion Policy, p. 6 (only available in Italian).

⁵⁵ During the year just ended, "A total of 30,168 hours of training were delivered in 2023, of which 25,956 were provided to employees and 4,212 hours to non-employees." Among the topics covered, the training provided in relation to the new Anti-Corruption Policy was highlighted, pointing out that "defining and implementing a training plan on regulatory/compliance issues (such as anti-corruption and privacy) was a sustainability goal for 2023, and, as such, this goal may be regarded as achieved." Source: Consolidated Non-Financial Statement for the Year 2023, pages 75 and 82.

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: Code of Ethics, p. 4.

⁵⁹ In fact, "GHC recognises the importance of respecting the environment and requires the Addressees to assess the environmental impact of their decisions in order to minimise any negative effects. The Group plans its activities and its investments around the best possible balance between environmental and financial concerns." Source: Code of Ethics, p. 7.

⁶⁰ Furthermore, "the Group has not reported the Scope 3 emissions for 2023, which will be included in the Group activities to adapt to the new mandatory regulatory requirements provided for by the CSRD in 2024 (for the 2024 NFS, which will be published in 2025). Source: Consolidated Non-Financial Statement for the Year 2023, p. 88.

⁶¹ Source: Consolidated Non-Financial Statement for the Year 2023, pages 85 and subsequent.

⁶² In fact, the Non-Financial Statement reads "the Power Purchase Agreement ('PPA'), terminated in November 2023 between GHC and Iren Mercato S.p.A. (...), provides for the supply of electrical energy from a 100%-renewable source in the 2024-2028 period to satisfy GHC Group energy consumption. The agreement provides that the majority of GHC's energy requirements will be covered by the Iren Group 18.4MW photovoltaic plant located in Palo del Colle (BA) based on a set price below the average values for 2021 (the year preceding the energy shock). The transaction will allow GHC to significantly reduce the raw material supply price, at the same time, mitigating its exposure to the volatility of the energy markets in the medium term, and allow GHC to put in place a 100% renewable supply certified by Guarantees of Origin." Source: Consolidated Non-Financial Statement for the Year 2023, p. 89.

⁶³ In particular, investments "mainly related to improving the efficiency of lighting and windows systems, and replacing some boilers and air-conditioning units. Overall, the energy efficiency investments made by the Group in 2023, totalling approximately Euro 0.8 million, were in line with the related investment budget planned at the beginning of the year." Source: Consolidated Non-Financial Statement for the Year 2023, p. 90.

The issue of **waste management**, of particular relevance given the Group's activities, is the subject of internal procedures,⁶⁴ aimed at complying with strict regulatory standards.

15. CONSUMERS AND QUALITY

In the case of GHC, both issues intertwine with the fundamental right to health for each individual. In line with this, the **centrality of the patient** is a key concept in the strategies⁶⁵ and values affirmed in the Company's Code of Ethics.⁶⁶

In the context of the patient relationship, particular emphasis is placed on issues related to **information duties** and **consent to treatment**,⁶⁷ the subject of stringent regulatory standards.⁶⁸

The issue of service **quality** should also be seen in the light of the processes and checks associated with the accreditation of the Group's facilities with the Italian National Health System. Quality is pursued through innovation and strengthening and expanding facilities⁶⁹ on the basis of the principles enshrined in the Code of Ethics.⁷⁰ In addition, some of the Group's facilities hold ISO 9001 quality certification.⁷¹

As outlined in the previous Report, in 2023 an in-depth **analysis of customer satisfaction and the complaints management processes** was conducted. Based on the findings, improvement actions were identified and shared with management.⁷²

16. SCIENCE AND TECHNOLOGY

GHC's approach to technological innovation is related, in particular, to advances in service quality and is of central importance.⁷³

The promotion of innovation, scientific research, training and education, among the Group's values,⁷⁴ is also pursued through a **Scientific Committee**.⁷⁵

In 2023 and according to its sustainability planning, the Company also launched several initiatives in the areas of IT security and **digitisation**.⁷⁶ Further developments in these areas are expected given the **sustainability goals** GHC has set for the current financial year.⁷⁷

Currently, there are no specific commitments on Artificial Intelligence (A.I.).

⁶⁴ 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 2023, pages 91-92.

⁶⁵ Source: Consolidated Non-Financial Statement for the Year 2023, pages 62 and subsequent.

⁶⁶ Already the preamble describes "the 'patient-centered' model, i.e. based on the centrality of the patient considered in terms of all their physical, psychological and social needs." This model is included in GHC's mission. 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). Source: Code of Ethics, pages 3, 4 and 6.

⁶⁷ See Article 3.2, Code of Ethics. Source: Code of Ethics, p. 12.

⁶⁸ In Italy, the main regulatory instrument is Law no. 219 of 2017 "Norme in materia di consenso informato e di disposizioni anticipate di trattamento" (Rules on Informed Consent and Advance Treatment Arrangements).

⁶⁹ Source: Consolidated Non-Financial Statement for the Year 2023, pages 63-67. See also the "Science and Technology" section of this Report on the relationship between investments in innovation and standards of quality of care.

⁷⁰ See point 1.4 "Excellence and improving services and facilities". Source: Code of Ethics, p. 6.

⁷¹ Source: Consolidated Non-Financial Statement for the Year 2023, p. 67.

⁷² In the context of two of the Group's defined sustainability targets for the financial year 2023. Source: Consolidated Non-Financial Statement for the Year 2023, p. 69.

⁷³ According to the Non-Financial Statement, "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 56 million to support the quality of care and services, as illustrated below." Source: Consolidated Non-Financial Statement for the Year 2023, p. 62.

⁷⁴ This is laid out in point 1.5 of the Code of Ethics. Source: Code of Ethics, p. 6.

⁷⁵ The Committee, with advisory functions, has been in place since 2018 and is composed of professionals from the scientific world. Source: Consolidated Non-Financial Statement for the Year 2023, p. 67.

⁷⁶ Source: Consolidated Non-Financial Statement for the Year 2023, pages 71-72.

⁷⁷ In particular, an assessment of IT governance and cybersecurity processes and migration from the Group Data Centre are planned for the 2024 financial year in order to reduce disruptions. Source: Consolidated Non-Financial Statement for the Year 2023, p. 38.

17. LOCAL COMMUNITIES A specific provision of the Code of Ethics governs GHC’s participation and contribution to activities or initiatives of a cultural or charitable nature or in favour of local communities.⁷⁸
- The By-Laws provide for the possibility of deducting a maximum of 1% annually from net profits, to be allocated to a fund independently managed by the Board of Directors for scientific and/or charitable purposes.⁷⁹
18. BUSINESS PARTNERS Relations with suppliers tend to be managed independently by the individual Group structures,⁸⁰ within the framework of the general discipline laid down in the **Code of Ethics**. This Code establishes several obligations for the staff involved, aimed at ensuring fairness, transparency, impartiality in the processes of acquiring goods and services, as well as their quality.⁸¹
- Timing of payments** to suppliers is reported and published.⁸²
- All suppliers must comply with the Code of Ethics.⁸³
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 rights⁸⁴ and workers’ rights.⁸⁵
20. EUROPEAN AND INTERNATIONAL STRATEGIES GHC is formally committed to several Sustainable Development Goals (**SDGs**), which are set out in the Code of Ethics.⁸⁶
- The Non-Financial Statement also includes the Group’s annual **sustainability commitments**⁸⁷ as well as the activities carried out in relation to the achievement of the previous year’s commitments.⁸⁸
21. CONCLUSIONS (SUMMARY) Garofalo Health Care (GHC) 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.
- New acquisitions, with a significant expansion in size, have characterised the Group’s recent development. It has therefore increased the number of facilities that have to follow its sustainability policies that are supported by an adequate system of

⁷⁸ This is point 3.6. Source: Code of Ethics, p. 14.

⁷⁹ According to art. 40 of the By-Laws. With regard to 2023, we would like to point out, for example, the funding of a research project presented within the aforementioned Scientific Committee and entitled “*Study of the short and long-term effects of a residential treatment based on cognitive behavioural therapy in a cohort of adolescent patients with anorexia nervosa*”, which was “*presented by Prof. Riccardo Dalle Grave as principal investigator and to be carried out at the Villa Garda facility.*” Source: Consolidated Non-Financial Statement for the Year 2023, p. 67.

⁸⁰ Exceptions are “*significant supplies*”, which are managed by the Parent Company through “*framework contracts*”. Source: Consolidated Non-Financial Statement for the Year 2023, p. 90.

⁸¹ Source: Code of Ethics, p. 13.

⁸² The average time taken to pay suppliers is 131 days (a slight increase since 2022 when the number of days amounted to 101). 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. The increase is due to the change in the Group structure. Source: 2023 Directors’ Report, p. 38.

⁸³ They are among the Recipients. Source: Code of Ethics, p. 4.

⁸⁴ 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.

⁸⁵ 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.

⁸⁶ Special focus is given to “*Goals No. 3 (‘ensure health and well-being for all and all ages’), No. 5 (‘achieve gender equality and empower all women and girls’), No. 8 (‘stimulate sustained, inclusive and sustainable economic growth, full employment and decent work for all’), No. 9 (‘building resilient infrastructure and promoting innovation and equitable, responsible and sustainable industrialization’) and No. 10 (‘reducing inequality within and among nations’) and No. 16 (‘promoting peaceful and inclusive societies for sustainable development, ensuring access to justice for all and building effective, accountable and inclusive institutions at all levels’).*” Source: Code of Ethics, pages 4 and 5.

⁸⁷ As of 2018, the year of listing.

⁸⁸ Please refer to the Non-Financial Statement 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 2023, pages 36-39.

guidance, control and ESG Risk Management. Coinciding with the strengthening of activities, GHG has taken measures in the area of energy efficiency and procurement from renewable sources. It has also made progress in the area of digitalisation. The medium- and long-term ESG targets, selected according to the main voluntary UN, OECD and EU guidelines, are to be considered suitable. The non-financial reporting system appears to be well established and in line with good practices in the sector. The Company demonstrates a solid system of corporate governance and protection of minority shareholders. The management of sustainability strategies pursues constant alignment with international guidelines. Further gradual measures to be introduced in its sustainability policies are expected.

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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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