

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

**Issuer:** Garofalo Health Care S.p.A.  
**Listing:** Milan Stock Exchange  
**ISIN:** IT0005345233  
**Market Capitalisation:** 349.07 Bln EUR  
**Sector:** Health Care  
**Industry:** Health Care and Services  
**Type of rating:** Corporate Standard Ethics Rating [SER]  
**Date:** 12 september 2022  
**Expiry Date:** 21 october 2023  
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**Previous SER:** EE- *Positive Outlook*  
**Type of document:** Rating Report

Level of Compliance



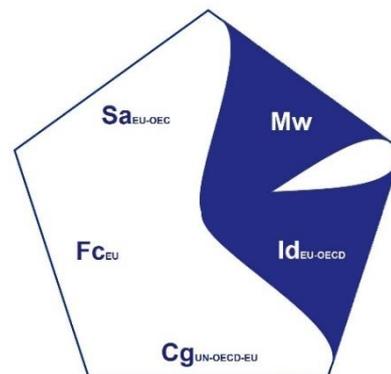
Summary

Garofalo Health Care S.p.A. operates in Italy, in the accredited private healthcare sector. A listed company since 2018, it has been part of the Euronext Star Milan since 2021.

The Company remains focused on innovation, and over the years, has strengthened its ESG (Environmental, Social, Governance) model, which has taken the form of good non-financial reporting and an adequate governance of Sustainability. The latter, among others, includes a Risk Management system that includes non-financial issues, various ESG policies and also, from 2021, a long-term incentive plan linked to sustainability ratings as well as energy and environmental performance. Steps have also been taken to better protect the interests of minority shareholders, such as the waiver of the majority vote by the controlling shareholder.

This course of action, coupled with strategies that are increasingly aligned with voluntary guidelines established by the UN, OECD and EU, is the basis for upgrading the rating from EE- (with a "Positive" Outlook) 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**<sup>1</sup> 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;

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<sup>1</sup> 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.

- 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 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.

#### S.E. 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).

**Id<sub>EU-OECD</sub> = 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<sub>UN-OECD-EU</sub> = 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).

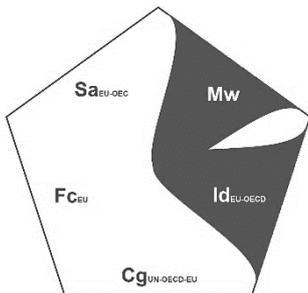
**k = Sustainability at Risk (SaR).** Statistical projections.

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

**ISSUED RATING**

Standard Ethics Rating [SER]: **EE**  
Long Term Expected SER [2y to 3y]: **STABLE**

**ALGORITHM – INPUT VALUES (SUMMARY)**



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

Assigned and input values are as follows:

- F<sub>cEU</sub>** = 1,9
- S<sub>aEU-OECD</sub>** = 1,8
- M<sub>w</sub>** = 0,2
- I<sub>dEU-OECD</sub>** = 1,3
- C<sub>gUN-OECD-EU</sub>** = 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 S.P.A.

### 1. MARKET AND DOMINANT POSITIONS

**Garofalo Health Care S.p.A.** (hereinafter, the “Company” or the “Group”, or “GHC”) is active in the field of private accredited healthcare.<sup>2</sup> The Group, which developed out of the professional activity and entrepreneurial spirit of the brothers Raffaele, Antonio and Mario Garofalo in the second half of the 1950s in Rome, began as a private accredited group offering treatment primarily for acute patients in five healthcare facilities. In 2000, Garofalo Health Care S.p.A. was established under the leadership of Raffaele Garofalo and his daughter Maria Laura Garofalo. This new Company launched a process of geographical and sectorial diversification as part of its 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.

It belongs to the category of entities providing ‘public services of general interest’ to the Italian State, according to the definition in the European Commission’s 2003 Green Paper.<sup>3</sup>

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 submit to budget supervision.<sup>4</sup>

As of 31 March 2022, GHC owned **28** healthcare facilities in different regions providing a variety of specialties, as well as **4** facilities belonging to Il Fiocco S.c.a.r.l. (of which GHC owns 40% through its subsidiary Fi.d.es Medica S.r.l.). GHC is present in 8 regions of Northern and Central Italy.<sup>5</sup>

The Company has adopted a “Buy & Build” strategy based on continuous acquisitions and integration of new facilities.

GHC does not hold any important shareholdings in other industrial groups competing in the same market.<sup>6</sup> The Company does not have a dominant position. It does not enjoy any privileged position. The Group’s significant shareholdings are adequately communicated, accounted for and reported on its website.

The issue of **fair competition** is dealt with by its Code of Ethics, which is formally inspired in this area by the **OECD Guidelines for Multinational Enterprises**.<sup>7</sup>

In 2022, the Company has drawn up its Guidelines on transactions performed by the Company and its subsidiaries that have a significant strategic, economic, equity or financial significance.<sup>8</sup>

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

<sup>3</sup> In Italy access to the market by a new service-provider depends on new authorisations and concessions being granted. The State and the Regions have concurrent powers to issue new authorisations. The regulations governing the healthcare sector are fully in harmony with the European Union Regulations on security, safety, healthcare and competition. They ensure that services are up to standard.

<sup>4</sup> In Italy the activities of private healthcare companies, nursing homes or private hospitals are governed by regional legislations (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, Italian legislation now provides for an accreditation system whereby Regions (usually assess compliance with specific requirements that are necessary to provide hospitalisation and treatment and issue the relevant authorisations. These requirements are of the same standard as those for State-owned facilities (public hospitals and scientific research institutions providing hospitalisation and treatment). As far as healthcare is concerned, in compliance with Article 117, para 3, of the Constitution, the State has the legislative power to establish the fundamental principles, while Regions are vested with concurrent legislative powers, and may regulate matters in full observance of the principles established by the State. Source: Prospectus, p. 241.

<sup>5</sup> Source: Interim Financial Report at March 31, 2021, p. 5.

<sup>6</sup> The CEO, Maria Laura Garofalo, as well as being a direct GHC shareholder, is also the owner of Società Larama ‘98 S.p.A., that is also a GHC shareholder.

<sup>7</sup> This is also a reference to the environment and taxation. Source: Code of Ethics, p.3.

<sup>8</sup> Source: Company source.

## 2. CONTRACTS, FINANCING AND PUBLIC AID

GHC has **not** benefited from public financing, easy terms or 'State aid' that could have distorted fair competition or the market.

It collaborates actively with the national institutions and with those Regions where its facilities are located; the services it provides are remunerated according to clearly defined and fully disclosed tariff schedules.<sup>9</sup>

This practice does not harm competition and complies with the overarching European regulations.

## 3. MARKET DISTORTIONS, FAVOURITISM AND CORRUPTION

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 Ethics <sup>10</sup>, the Organisational Model as defined by Legislative Decree no. 231/01 (Model 231), both updated in 2021<sup>11</sup>; and by internal procedures.

A Group-wide **Anti-Corruption Policy** is expected to be approved by the end of 2022.<sup>12</sup>

## 4. INTERNAL VOLUNTARY RULES ON OWNERSHIP

GHC has been **listed on Euronext STAR Milan** since 2021.<sup>13</sup> It is a member of the FTSE Italia Small Cap index.

At 31 December 2021, GHC's share capital amounted to EUR **31,570,000**, divided into **90,200,000** ordinary shares with no par value.<sup>14</sup>

GHC's main shareholder is **LARAMA '98 S.p.A.**<sup>15</sup> which holds **51.01%** of its share capital. **Maria Laura Garofalo** directly holds **12.07%** of the share capital, followed by **PII 4 S.a.r.l.**<sup>16</sup> with **9.16%** of shares. The remaining share capital is floating.<sup>17</sup> No significant GHC shareholder is an off-shore company.

GHC's By-laws provide for **increased voting rights**. The controlling shareholder has waived this privilege up to the present.<sup>18</sup>

GHC has not adopted any form of **EFP** (Employee Financial Participation) policy for the financial participation of employees in the Company's capital.<sup>19</sup>

<sup>9</sup> Source: Company source.

<sup>10</sup> 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, given 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.

<sup>11</sup> The Company announces that it 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 area, 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 Board and those of its subsidiaries. Source: Company source.

<sup>12</sup> Source: Company source.

<sup>13</sup> Source: GHC Press Release, 18 March 2021.

<sup>14</sup> Corporate Governance and Ownership Report - 2021, p. 12.

<sup>15</sup> Maria Laura Garofalo is a shareholder of this company.

<sup>16</sup> Special Purpose Vehicle of the fund Peninsula Investments II S.C.A.

<sup>17</sup> Source: H1 2021 Directors' Report, p. 23.

<sup>18</sup> 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: GHC Press Release, 01 March 2021. For general considerations on increased voting, please refer to the corporate documents and the appropriate section of the corporate website. Source: Corporate Governance and Ownership Report - 2021, pp. 13 and 14.

<sup>19</sup> Source: Corporate Governance and Ownership Report - 2021, pp. 14 and 15. See, however, the 2021-2023 Performance Shares Plan discussed later in this Report.

The Company has not issued ESG bonds nor are there plans to issues 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 INTERESTS

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

Issues related to **conflicts of interest**, including those arising from **family relationships**, are regulated by the Code of Ethics, updated in November 2021.<sup>20</sup> The subject of gifts is dealt with by prohibiting - in principle<sup>21</sup> – their acceptance.

#### 6. PROTECTION OF MINORITY SHAREHOLDERS AND APPOINTMENT OF DIRECTORS

There are no specific policies or other voluntary measures on the protection of minority shareholders.

The subject is dealt with according to the regulations and principles required by the regulated market.

#### 7. INTERNAL VOLUNTARY RULES FOR DIRECTORS

GHC has adopted a 'traditional' **management and control system**, 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.<sup>22</sup>

The **Board of Directors** is granted broad-ranging powers to ensure the Company's ordinary and extraordinary management.<sup>23</sup> The Board has **11** members, of whom **6** are women.<sup>24</sup> **Gender equality** has been achieved. Independent members do **not** make up the majority of the Board of Directors.<sup>25</sup> The Board's composition takes into account the **pluralism of skills**, but not of **nationalities**.

The Board of Directors has duly established an **Appointments and Remuneration Committee**, whose function is to make recommendations and advise, and a **Control, Risks and Sustainability Committee**,<sup>26</sup> whose functions include collecting information, making recommendations and giving advice.

There is no employee representative in the Board.

There are **no cases of interlocking directorships** within the Group.

Directors have to comply with **voluntarily accepted rules** that are included in GHC's **Code of Ethics**. In 2021, the Code of Ethics was updated with **explicit and formal references** to the main **international guidelines**.<sup>27</sup>

<sup>20</sup> 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, pp. 7 and 8.

<sup>21</sup> 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, pp. 8 and 9.

<sup>22</sup> Source: Corporate Governance and Ownership Structure Report - 2021, p. 7.

<sup>23</sup> except those powers that the Italian legislation exclusively vests in Shareholders' Meetings.

<sup>24</sup> Appointed by the Shareholders' Meeting of 30 April, its composition is as follows: "Alessandro Maria Rinaldi (President), Maria Laura Garofalo (Chief Executive Officer), Claudia Garofalo, Giuseppe Giannasio, Alessandra Rinaldi Garofalo, Guido Dalla Rosa Prati (Director), Javier de la Rica, Federico Ferro Luzzi, Nicoletta Mincato, Giancarla Branda, Franca Brusco". Source: Corporate website.

<sup>25</sup> 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. They are: Federico Ferro Luzzi (Independent Director), Nicoletta Mincato (Director), Giancarla Branda (Director), Franca Brusco (Director). Source: Corporate website.

<sup>26</sup> The following Independent and Non-Executive Directors are the members of the Appointments and Remuneration Committee: Federico Ferro-Luzzi (Chairperson), Giancarla Branda, Franca Brusco. Source: Corporate Governance and Ownership Structure Report - 2021, p. 50.

<sup>27</sup> Sources: Code of Ethics, p.3; Consolidated Non-Financial Statement for the Year 2021, p. 33.

The **ad hoc Supervisory Body** is responsible for receiving and monitoring reports of alleged violations. **All the functions of the Company**, including top management, are subject to supervision.

#### 8. DIRECTORS, CONFLICT OF INTERESTS AND RELATED COMMITTEES

As stated in previous Reports, there are **no** Directors who are members of national and local government bodies, jurisdiction bodies or licence-granting bodies or bodies exercising control over the markets. There are no cases of cross-directorship.

There are **family ties** between members of the Board of Directors.<sup>28</sup>

The independence requirements of Directors are laid down in the TUF (the Italian Consolidated Act on Financial Intermediation) and in the market regulations.

In 2021 GHC adopted a **Diversity Policy** of its management and control bodies.<sup>29</sup> No specific procedures (beyond those required by law) have been adopted to establish selection criteria for Board members.

The **remuneration** policy for administrative and control bodies and top management is regularly reported on an annual basis.<sup>30</sup> There are staff **incentive mechanisms** in long-term remuneration policies linked to the achievement of **ESG objectives**.<sup>31</sup>

#### 9. DISCLOSURE, TRANSPARENCY AND INTERESTED PARTIES

GHC has adopted an **integrated non-financial reporting** in accordance with the **GRI Standards** of the Global Reporting Initiative (GRI) (GRI-Referenced approach).<sup>32</sup>

The 2021 Non-Financial Statement contains a special section on the disclosure of environmentally sustainable activities according to the so-called '**taxonomic principles**'<sup>33</sup>, in application of **Regulation (EU) 2020/852 ('European Taxonomy')**.

Reporting is adequate and complies with the best practices in the sector.

The corporate website also provides good information on ESG issues and contains exhaustive documentation on them.<sup>34</sup>

The **comply or explain** principle is formally mentioned in the Code of Ethics.<sup>35</sup>

In compliance with Italian law, the Internal Dealing procedure has been adopted and is correctly disclosed.<sup>36</sup>

With regard to internal controls and risk management, in May 2022 GHC adopted a new **Enterprise Risk Management Procedure** which applies to the entire Group.<sup>37</sup>

<sup>28</sup> See previous Reports for details.

<sup>29</sup> Source: Diversity Policy of the Management and Control Bodies, pp. 3 and subsequent (only available in Italian).

<sup>30</sup> See 2022 Remuneration Policy and Report published in the corporate website.

<sup>31</sup> This is a reference to the **2021-2023 Performance Share Plan** i.e., "a long-term incentive plan involving the free assignment of GHC ordinary shares (...) and is reserved for the Chief Executive Officer, the General Manager and key figures of the Company and/or the Group as identified by the Board of Directors where applicable." Source: Consolidated Non-Financial Statement for the Year 2021, p. 34. The Company reports that a short-term incentive mechanism also linked to ESG objectives is currently being defined. Source: Company source.

<sup>32</sup> Its Non-Financial Statement is drafted according to a specific procedure (PA DACFO 11 – Procedure for Non-Financial Statements). Certified by Deloitte & Touche S.p.A. in March 2022. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 13 and 15.

<sup>33</sup> It is called "Disclosure required by the European Regulation on the taxonomy of environmentally sustainable activities". Source: Consolidated Non-Financial Statement for the Year 2021, pp. 84 and subsequent.

<sup>34</sup> The Company's website ([www.garofalohealthcare.com](http://www.garofalohealthcare.com)) is well designed and up to date; information is quickly available thanks to a variety of sections and sub-sections.

<sup>35</sup> As stated in point 3.5 (Investor and Market Relations), GHC is committed to "gradually defining and implementing a well-organised and homogeneous system of rules on its organisation 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.

<sup>36</sup> Sources: Corporate website and Corporate Governance and Ownership Report - 2021, pp. 49 and subsequent.

<sup>37</sup> The Procedure aims at contributing 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 that are compatible with the strategic objectives being pursued. The identification and mapping of risks - currently underway for all the companies - follows a bottom-top approach. This approach involves both individual Risk Owners identified in the subsidiaries and the main functions of the Parent Company; it also establishes links between them. Sources:

The system<sup>38</sup> as a whole aims at identifying critical issues and mitigating **risks**, including **ESG risks**.<sup>39</sup>

#### 10. PARTICIPATION AND VOTE IN GENERAL MEETINGS

There are no special provisions, beyond those laid down in the Company By-laws, to facilitate attendance to Shareholders' Meetings.<sup>40</sup>

#### 11. EMPLOYMENT AND HUMAN RESOURCES SELECTION

At 31 December 2021, the number of employees in the Group amounted to **1,862**, up from **1,432** in 2020.<sup>41</sup>

The Code of Ethics commits the Company to ensuring compliance with the principles of equal opportunities, merit and non-discrimination in selecting and managing human resources as well as in relation to salaries.<sup>42</sup>

During 2021, GHC adopted a **Diversity & Inclusion Policy** at Group level expressly inspired by the relevant **international standards and guidelines**.<sup>43</sup> An ad hoc reporting channel is also provided for to safeguard the commitments and rules set out in the Policy.<sup>44</sup>

Training is provided on a regular basis.<sup>45</sup>

Initiatives are planned to increase the degree of staff involvement with regard to ESG issues and Group objectives.<sup>46</sup> The aforementioned **long-term incentive plan** can also be included in this.

#### 12. HEALTH, SAFETY AT WORK AND SOCIAL DIALOGUE

The issue is dealt with in the **Code of Ethics**, through which the Company is committed, in addition to compliance with regulations, to adopting **preventive** actions, involving employees in risk management processes, and streamlining corporate structures.<sup>47</sup>

These commitments are mainly pursued through compliance with the applicable national legislation<sup>48</sup> which, however, is rather stringent and has little room for voluntary implementation.

GHC is a party to the National Collective Labour Agreement which envisages a bilateral body on Health, Safety and the Environment. In compliance with the national provision, GHC has appointed Prevention and Protection Service Officers (RSPP). Furthermore, all the Groups' facilities are authorised by the National Health Service.

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PA RM 01 - Enterprise Risk Management Procedure - Garofalo Health Care, pp. 3 and subsequent (only available in Italian); Company source.

<sup>38</sup> The internal control and risk management system is based on typical first, second and third level controls. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 49 and subsequent.

<sup>39</sup> Such as potential environmental impacts, risks related to labour disputes or violations of human rights, the Organisational and Management Model and the Code of Ethics. Source: Company source.

<sup>40</sup> For example, remote attendance, intervention and voting, as provided for in Article 19 of the By-Laws.

<sup>41</sup> There are also "2,137 freelance professionals (e.g. doctors, consultants, psychologists, health technicians), up 29.8% from 2020". It should be noted that 90% of employees (as against 88% in the previous year) are employed on permanent contracts. As in 2020, 78% of employees are female. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 63 and subsequent.

<sup>42</sup> Source: Code of Ethics, p. 12.

<sup>43</sup> Sources referred to in the Policy include: the principles of the UN Global Compact, with particular reference to those pertaining to the sphere of Human Rights and Labour; the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and its sequels; the eight Core Conventions of the International Labour Organization; 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).

<sup>44</sup> Source: Diversity & Inclusion Policy, p. 6 (only available in Italian).

<sup>45</sup> In 2021 "a total of 25,299 hours of training were provided, of which 21,761 to employees, and 3,538 to non-employees, an overall increase of approximately 28%, compared to 19,747 hours in 2020". Source: Consolidated Non-Financial Statement for the Year 2021, p. 67.

<sup>46</sup> Source: Company source.

<sup>47</sup> See point 2.7 on "Respect for the environment and safety protection". Source: Code of Ethics, p.11.

<sup>48</sup> Source: Consolidated Non-Financial Statement for the Year 2021, p 37.

### 13. ADAPTATION TO CHANGES

This issue, which is central within the EU and the OECD, has not been addressed by the Company. No extraordinary initiatives on this issue have been taken. Please note that entry barriers to the market and Italian legislation in this area are very strict thus reducing the impact of any change at corporate level.

### 14. ENVIRONMENT

**Environmental protection** is one of the principles established by the Code of Ethics<sup>49</sup> and is addressed in detail in the Consolidated Non-Financial Statement.<sup>50</sup> GHC's action in this area is formally inspired by **OECD Guidelines for Multinational Enterprises**.<sup>51</sup>

The Company regularly reports on its energy consumption<sup>52</sup> and CO<sub>2</sub><sup>53</sup> emissions. During 2021, GHC started a multi-year project to analyse the **energy efficiency** of its facilities.<sup>54</sup>

Further initiatives for energy supply from **renewable sources** are planned.<sup>55</sup>

### 15. CONSUMERS AND QUALITY

Given the nature of GHC's business, this issue is of central importance and is consistently addressed by the Code of Ethics<sup>56</sup> and the Non-Financial Statement.<sup>57</sup>

Several Group's facilities have obtained ISO 9001 Quality Management Certification.<sup>58</sup> The quality of services is also guaranteed by the accreditation of the Group's facilities with the Italian National Health System.

GHC uses **satisfaction questionnaires** to monitor the satisfaction of both patients and healthcare personnel.<sup>59</sup>

The Group's facilities are all described in detail in a 'Charter of Services', available online, illustrating the facility itself, its activities and details of services provided.

All well-grounded complaints relating to breaches of privacy and/or loss of customers' personal data are reported.<sup>60</sup>

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<sup>49</sup> Article 1.9 of the Code of Ethics states that: "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". See also point 2.7 on Respect for the environment and safety protection. Source: Code of Ethics, pp. 7 and 11.

<sup>50</sup> The management of environmental impacts and environmental responsibility throughout the supply chain is addressed in GHC's Materiality Matrix, as well as in its Enterprise Risk Management which outlines specific risk areas. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 36 and 50.

<sup>51</sup> Source: Code of Ethics, p.3.

<sup>52</sup> Source: Consolidated Non-Financial Statement for the Year 2021, pp. 72-74.

<sup>53</sup> Source: Consolidated Non-Financial Statement for the Year 2021, pp. 74-75.

<sup>54</sup> The project involved an initial "cluster of eight facilities" and "made it possible on the one hand, to map out the utilities and energy consumption of the individual facilities included in the analysis, and, on the other hand, to develop a strategy of possible action to improve energy performance from 2022 onwards". For the current year, the plan is to extend the analysis to additional facilities. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 35 and 76-78.

<sup>55</sup> Source: Company source.

<sup>56</sup> The Code of Ethics repeatedly reaffirms the fundamental character of health as a personal right. Its introduction already outlines "patient-centered" model (...) based on the centrality of the patient considered in terms of all their physical, psychological and social needs". This principle is incorporated into GHC's Mission. The Group's 'values' include some commitments on Respect and care for patients (point 1.2); the quest for Excellence and improvement of services and facilities (point 1.4); and Confidentiality (point 1.8). Source: Code of Ethics, pp. 3, 6 and 7.

<sup>57</sup> In this context, in the last two years GHC has invested "over Euro 30 million to support the quality of care and services". A special section of the Non-Financial Statement also reports the main data and achievements in terms of quality for each Group facility. Source: Consolidated Non-Financial Statement for the Year 2021, pp. 56-60.

<sup>58</sup> Source: Consolidated Non-Financial Statement for the Year 2021, p. 59.

<sup>59</sup> All Group facilities (with the exception of the Villa Von Siebenthal because of the special nature of its activities) interact with their patients/customers through customer satisfaction questionnaires, carried out mainly on a voluntary basis. Some facilities (such as Villa Berica) use these questionnaires for their internal analysis and monitoring activities. Source: Company source.

<sup>60</sup> Confidentiality aspects, well dealt with at the regulatory level, are particularly sensitive "when the data in question, as is the case of the GHC Group belongs to a 'special category' (health data). For this reason, in 2021, the Parent Company's IT department paid particular attention to IT security, adopting two-factor authentication for Office 365 systems and patching all vulnerable equipment". Source: Consolidated Non-Financial Statement for the Year 2021, p. 61.

16. SCIENCE AND TECHNOLOGY	<p>As mentioned in the previous Report, GHC has a <b>Scientific Committee</b> – with advisory functions - composed of professionals from the scientific world.<sup>61</sup></p> <p>The promotion of <b>innovation</b>, scientific research, training and education is one of the Group's values set out in the Code of Ethics.<sup>62</sup></p>
17. LOCAL COMMUNITIES	<p>The issue is dealt with by the By-laws.<sup>63</sup></p> <p>During the financial year 2021, GHC provided support to the public health system in connection with the Sars-Cov-2 health emergency.<sup>64</sup></p>
18. BUSINESS PARTNERS	<p>Relations between GHC and its suppliers are first regulated in the <b>Code of Ethics</b> which binds the suppliers themselves, who are among the <b>addresses</b>.<sup>65</sup> The Code also sets obligations for Group staff to ensure fairness, transparency and impartiality when procuring goods and services.<sup>66</sup></p> <p>The procedures to be applied in procurement management and supplier selection are described in the Non-Financial Statement.<sup>67</sup> Payment times are accounted for.<sup>68</sup></p>
19. HUMAN RIGHTS	<p>The Code of Ethics expressly refers to the <b>UN Universal Declaration of Human Rights</b> (1948) as well as the recommendations of the <b>UN Global Compact</b> and various other international conventions on fundamental human<sup>69</sup> and labour<sup>70</sup> rights as guiding principles.</p> <p>The topic of human rights is also addressed by the Consolidated Non-Financial Statement for the year 2021, with particular reference to employees.<sup>71</sup></p>
20. EUROPEAN AND INTERNATIONAL STRATEGIES	<p>The Company pursues several Sustainable Development Goals (<b>SDGs</b>), which are considered in the Materiality Matrix.<sup>72</sup></p>

<sup>61</sup> It should be noted that “In 2018, GHC’s Board of Directors set up a Scientific Committee, on which leading scientific experts with consultative functions sit. This 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 2021, p. 60.

<sup>62</sup> See point 1.5 of the Code of Ethics. Source: Code of Ethics, p. 6.

<sup>63</sup> Article 40 of the Company’s By-laws states that GHC, if instructed to do so by the Board of Directors, may deduct from the annual profits an amount not greater than 1% of its net profits and allocate it to a fund which the Board of Directors, with full autonomy, can use for scientific or charitable purposes.

<sup>64</sup> In particular, by providing beds or other spaces in various facilities. Source: Consolidated Non-Financial Statement for the Year 2021, p. 60.

<sup>65</sup> See paragraph V. Source: Code of Ethics, p. 4.

<sup>66</sup> See point 3.4. Source: Code of Ethics, p.13

<sup>67</sup> When selecting suppliers, supply requirements are assessed with particular reference to technical and quality aspects, including compliance with delivery times and economic/financial conditions. The assessment of goods suppliers is based specifically, where applicable, on the verification of: the supplier’s specific role and position as a leader in the sector; the existence of a catalogue outlining products of interest; value for money; delivery times. Source: Consolidated Non-Financial Statement for the Year 2021, p. 79.

<sup>68</sup> Days purchases outstanding amount to 97 and are defined as the ratio of the Trade payables stated in the Group’s Annual Consolidated Financial Statements to the sum of Raw materials and consumables, Service costs and Other operating costs, as also stated in the Group’s Annual Consolidated Financial Statements, multiplied by the number of days in the reporting year. Source: 2021 Directors’ Report, p. 35.

<sup>69</sup> They are the “United Nations 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.

<sup>70</sup> Such as the “Declaration on Fundamental Principles and Rights at Work and the eight Core Conventions of the International Labour Organization or “ILO”. Code of Ethics, p.3.

<sup>71</sup> Please refer to the relevant section of this Report.

<sup>72</sup> See chapter 10.1 Materiality Matrix and Sustainable Development Goals (SDG’s). Source: Consolidated Non-Financial Statement for the Year 2021, pp. 41-42.

In October 2020, on the basis of the commitments undertaken in the 2019 Consolidated Non-Financial Statement, the Board approved its ESG Strategic Roadmap and set **sustainability** objectives to be pursued until 2024.<sup>73</sup>

## 21. CONCLUSIONS (SUMMARY)

Garofalo Health Care S.p.A. operates in Italy, in the accredited private healthcare sector. A listed company since 2018, it has been part of the Euronext Star Milan since 2021.

The Company remains focused on innovation, and over the years, has strengthened its ESG (Environmental, Social, Governance) model, which has taken the form of good non-financial reporting and an adequate governance of Sustainability. The latter, among others, includes a Risk Management system that includes non-financial issues, various ESG policies and also, from 2021, a long-term incentive plan linked to sustainability ratings as well as energy and environmental performance. Steps have also been taken to better protect the interests of minority shareholders, such as the waiver of the majority vote by the controlling shareholder.

This course of action, coupled with strategies that are increasingly aligned with voluntary guidelines established by the UN, OECD and EU, is the basis for upgrading the rating from EE- (with a “Positive” Outlook) to EE.

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<sup>73</sup> As highlighted in the previous Report, the ESG Strategic Roadmap is based on three main guidelines: development and extension of Stakeholder Engagement activity; development and analysis of GHC “material topics” and their integration into the ERM system; alignment with the market’s best practices.

## SOURCES

*Where there are no dates, the most recent versions prevail.*

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

The main sources are: Code of Ethics, Corporate Governance and Ownership Structure Report, Financial Report, any type of ESG and non-financial reports; Procedures; Internal Regulations; Company Policies, Press Releases.

In addition to the above-mentioned documentation, information collected during interviews and correspondence with the Company's internal functions was also used. In this case, the source is defined as 'Company source'.

## Other Sources

Documents supplied by the Stock Exchange have also been used.

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