Second Party Opinion

Sustainability-Linked Financing Framework

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SUMMARY

EthiFinance General Opinion

Contextual information:

Contrary to market practices, the issuer of the bonds (CUF SGPS) does not correspond to the reporting scope chosen in the framework, as the chosen KPIs are measured at the level of CUF SA. Note that CUF SGPS is 100% owned by CUF SA, and includes all CUF's operational companies (hospitals and clinics), logistics and sterilisation businesses and CUF's corporate center. The only excluded activities are CUF's occupational health, real estate and the hospital parking lots businesses.

The Issuer wishes to avoid confusion between CUF SA and CUF SGPS, and to capitalise on the CUF brand, which is well known in Portugal by measuring the KPIs at the level of CUF. As CUF SGPS is a significant subsidiary of the Group and in line with the Principles Guidance Handbook published by ICMA[1], the KPIs can be related to the Group as long as they are relevant, core and material to the Issuer.

EthiFinance considers that CUF SGPS's Sustainability-linked Financing Framework ("the Framework") is aligned with the ICMA's *Sustainability-linked Bond Principles* (2023).

LIMITED MODERATE **ADVANCED** EXEMPLARY

1. ESG maturity of CUF SA

EthiFinance has rated the ESG performance of CUF SA as "Advanced", with an overall score of **61/100.**

The company's ESG risk management system appears mature, especially in terms of governance and social risks. The environmental risks identification and management, especially climate-related risks, are expected to take a more prominent place in the next years with the introduction of an analysis according to the TCFD framework.

2. Compliance with the ICMA Principles

[Not Aligned | Partially Aligned | ICMA Aligned | Leader]

A. Selection of Key Performance Indicators (KPIs)

ICMA ALIGNED

EthiFinance considers that the KPI1 is aligned with the ICMA Principles:

The first selected KPI is relevant and strictly in line with CUF's overall strategy and sectoral practices. Details are provided on the scope covered and calculation methodologies. Yet the framework would benefit from a more extensive definition of the inclusive services trainings.

EthiFinance considers that the KPI2 is partially aligned with the ICMA Principles:

EthiFinance raises concerns about the materiality of KPI 2, as CUF's scope 1 emissions account only for around 4% of its total emissions.

Nonetheless, EthiFinance views positively the fact that the Issuer has chosen to set the margin step up trigger to "at least one KPI" not being met. This structure is seen as a slight mitigant to the weakness of relevance of the KPI2. EthiFinance thus considers the selection of KPIs to be overall aligned with the ICMA Principles.

[1] The-Principles-Guidance-Handbook-November-2023-291123.pdf (icmagroup.org)

B. Calibration of Sustainability Performance Targets (SPTs)

ICMA ALIGNED

EthiFinance considers that CUF SGPS has communicated SPTs with baselines and one single observation date per KPI.

No action plan has been communicated for the SPT2, making it difficult to assess the level of ambition behind the trajectories.

Overall, EthiFinance considers that the SPTs, specifically the SPT1, are aligned with the ICMA Principles. Yet, EthiFinance points out the lack of interim observation dates prior to 2028 as a weakness.

C. Financing Characteristics

ICMA ALIGNED

EthiFinance considers that the commitments to transparency regarding the financial characteristics of the debt instruments are in line with the Principles. The Issuer has defined a recalculation policy for the baseline but no fall-back mechanism.

D. Reporting

ICMA ALIGNED

EthiFinance considers that the Issuer's reporting commitments comply with the ICMA Principles. The performance of both KPIs will be reported annually in the publicly available Integrated Report of the Group.

E. Verification

ICMA ALIGNED

EthiFinance considers that the commitments made in terms of external verification are consistent with the ICMA Principles.

ESG maturity of CUF SA

GENERAL OPINION

EthiFinance has rated the ESG performance of CUF SA as "Advanced", with an overall score of **61/100.**

The company's ESG risk management system appears mature, especially in terms of governance and social risks. The environmental risks identification and management, especially climate-related risks, are expected to take a more prominent place in the next years with the introduction of an analysis according to the TCFD framework.

Limited

Moderate

Advanced

Exemplary

A. ESG maturity

Limited	Moderate	**Advanced**	Exemplary
[0 ; 25[	[25 ;50[	[50 ;75[	[75 ;100]

EthiFinance has rated the ESG performance of CUF SA as "Advanced", with an overall score of 61/100[2].

The company's ESG maturity is notably based on its approach to CSR governance, its skills development policy, its management of waste, its responsible purchasing policy, and its cybersecurity initiatives.

Extra-Financial Score

Governance	64
Social	71
Environment	63
External Stakeholders	84
CUF SA OVERALL SCORE	**61**

CSR governance and strategy

The company monitors various ESG KPIs, but there is an overall lack of formalised and detailed CSR policies. Nonetheless, CUF SA published a list of general CSR commitments, including:

- Promoting development and well-being of employees
- Reducing the company's carbon footprint
- Promoting business ethics throughout the organisation

The CSR governance is ensured at operational level by a dedicated team, and a specific Innovation and Sustainability Committee at board level. Additionally, in 2023 the company became the first healthcare provider in Portugal to sign the Global Compact.

B. Strategic Coherence

In 2021, CUF SA introduced its business Strategy 2021-2025, deployed in all Group structures. This strategy is built on three pillars, including one focused on Social issues: Talent, Technology and the expansion of the CUF Network and Brand. Three strategic axes were also defined to implement this 2021-2025 Strategy:

- Differentiation in the care continuum
- Focus on patient care with consistency and efficiency
- Articulation of the growth units with the launch of new businesses and focus on digitalisation

In line with this strategy, CUF SA has for the past three years, invested in the skill development of its employees with an increase in their employee training ratio of 7,5% from 2021 to 2023 and an average number of training hours per employee that has doubled in the same time frame.

[2] CUF SA has been rated according to EthiFinance ESG Ratings on their 2023 performance

The KPI 1 aligns with this approach.

CUF SA has also started to implement some measures to tackle environmental issues, such as waste management (with annual objectives set for each hospitals and clinics), energy efficiency, water management and sustainable mobility. Regarding the later topic, the company tends to:

- Increase of electrical and hybrid vehicles at the company's fleet
- Increase of parking space for bicycles

The KPI 2 aligns with these objectifs.

Finally, the following SDGs are relevant to the CUF SA's core activities:

3 GOOD HEALTH AND WELL-BEING

2,9 million consultations in 2023.
84.7 thousand chemotherapy and radiotherapy sessions.
24 Hospitals and clinics.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

EUR 6 Million Investment in R&D.
24 Hospitals and Clinics.

Examples of how CUF SA operations practices answer the following SDGs:

5 GENDER EQUALITY

66% of women in leadership positions.

10 REDUCED INEQUALITIES

Employment rate of disabled workers at CUF SA is at 2%.

7 AFFORDABLE AND CLEAN ENERGY

Objective of 100% renewable energy.
20% electric or hybrid fleet.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Targets set internally about reducing and recycling waste for each hospitals and clinics.

C. ESG Risk Management

In 2022, CUF SA has carried out a materiality analysis using the double materiality approach (financial and impact materiality) to identify its most relevant extra-financial issues. This evaluation has led to the identification of 15 priority extra-financial issues for the group. "Clinical excellence and patient safety" and "Patient privacy and confidentiality" were the most material issues identified by the group's stakeholders, which is consistent with the Strategy 2021-2025. CUF SA has a robust risk management process based on several international guidelines such as the ISO 31000 standard or IIA model insuring an identification and monitoring of the company's most material risks.

In 2023, CUF SA risks particularly focused on the following ESG issues: "clinical risks" related to patient safety, and "technological risks" in regards with cybersecurity threats and safety of company's and client's data. These topics are consistent with the most relevant issues identified by the materiality analysis. In 2023, the company also carried out an evaluation on its climate-related risks and opportunities according to the TCFD (task force on climate-related disclosures), and aims to conduct a deeper analysis by 2024.

Additionally, CUF hospitals and clinics are certified by the standard ISO 9001 (health care services quality), on a scope representing more than 90% of its sites. ISO 9001 certification is an important standard in quality management systems (QMS), widely recognized and respected internationally. It serves as a framework that helps businesses ensure they can consistently provide products and services that meet customer and regulatory requirements.

CUF SA's ESG risk management commitments are expressed in formalised documents. These include for example a code of conduct including topics such as corruption prevention and gifts' policies. The company has also implemented since mid-2022 a whistle blowing channel, available to external stakeholders who wish to report potential unethical and/or illegal behaviours anonymously.

D. Controversies

According to EthiFinance's methodology for identifying and assessing controversies (see methodology appendix, page 17), one controversy was rated as “significant”.

CUF SA was condemned to a EUR 74 980 000 fine in a price-fixing case. The company appealed the Court's decision. (Significant - ongoing).

Context: In 2019, several reports came out revealing that nine private health groups, including CUF, were suspected of collusion with their competitors in the context of agreements with ADSE (health subsystem for civil servants). In 2022, CUF was condemned and fined the highest among its co-conspirators (approximately EUr 75 000 000). The Portuguese health provider appealed the Court's decision and maintains its innocence.

CUF’s response: “The Court declared the evidence obtained by the Competition Authority null, thus declaring the entire process also null. At this moment, it is awaited for the decision to become final, and if that happens, the process will be concluded, with CUF's conviction having no effect.” Additionally on May 16th, CUF received confirmation from the Court that the Competition Authority did not present an appeal.

2. Compliance with the ICMA Principles

A. Selection of Key Performance Indicators (KPIs)

GENERAL OPINION

EthiFinance considers that the KPI1 is aligned with the ICMA Principles:
The first selected KPI is relevant and strictly in line with CUF's overall strategy and sectoral practices. Details are provided on the scope covered and calculation methodologies. Yet the framework would benefit from a more extensive definition of the inclusive services trainings.

EthiFinance considers that the KPI2 is partially aligned with the ICMA Principles:
EthiFinance raises concerns about the materiality of KPI 2, as CUF's scope 1 emissions account only for around 4% of its total emissions.

Nonetheless, EthiFinance views positively the fact that the Issuer has chosen to set the margin step up trigger to "at least one KPI" not being met. This structure is seen as a slight mitigant to the weakness of relevance of the KPI2. EthiFinance thus considers the selection of KPIs to be overall aligned with the ICMA Principles.

Not aligned

Part. aligned

ICMA Aligned

Leader

KPI 1: Percentage of employees (administrative and auxiliary staff) trained in inclusive services

Definition of KPIs Accuracy	The first selected KPI corresponds to the percentage of administrative and auxiliary staff trained in inclusive services. The calculation method is clearly defined and integrates both the turnover rate and the yearly increase of administrative and auxiliary staff. The perimeter, i.e.. the employees concerned by the trainings, is clearly defined. Indeed, the KPI only concerns administrative and auxiliary staff, representing 51% of CUF's own workforce in 2023, and 26% if taking into account healthcare service providers, which represent more than half of the workforce. The trainings on inclusive services focus on addressing different types of disabilities (e.g. deaf people, neurodivergent people, people with motor disabilities etc.). CUF SA worked with an external partner to create a tailored training programme of 7 hours. The topics covered by the training are as follows: literacy on inclusion, identification of types of disability, empathetic strategies for action and communication, etc. The training programme also includes an online refresher course every three years for already trained employees. The organisation of a biannual forum on this topic, in partnership with external organisations, is also a way for CUF to continuously promote this topic to its employees. **Area of improvement:** - The definition of "inclusive services trainings" does not appear clearly in the framework. The framework would be more precise and transparent if the approach were more explicit and if concrete elements of content were made available.
Definition of KPIs Relevance	Persons with disabilities often have increased needs for health care: general health care services, as well as health care services related to their disability. According to the World

	Health Organization[3], both globally and in the European Region, persons with disabilities face more barriers to access healthcare services than persons without disabilities. One of the main barriers is the lack of knowledge, skills, and competencies of health and care professionals relating to the care and specific needs of persons with disabilities. In this context, implementing inclusive services trainings for the administrative and auxiliary staff is relevant. Indeed, they have a key role to play in ensuring an appropriate care pathway for people with disabilities (e.g. developing efficient strategies to facilitate physical access to facilities; developing communication skills; etc.). The need for such trainings has been confirmed by a diagnosis carried out by CUF's Corporate Citizenship department on accessibility conditions for people with disabilities in the CUF units. **Area of improvement:** - EthiFinance notes that doctors and nurses are not involved in these trainings. Even though EthiFinance does not question the importance of training auxiliaries, it would have been relevant to extend this KPI to the other professions in the group that are in daily contact with patients, namely nurses and doctors (see the World Health Organization European *Framework for action to achieve attainable standard of health for persons with disabilities 2022-30*[4]).

KPI 2 : Percentage of electric and hybrid cars in CUF's fleet

Definition of KPIs Accuracy	The KPI 2 corresponds to the percentage of electric and hybrid cars in CUF's fleet. The calculation method is clearly defined and integrates the new vehicles entering the company fleet. From EthiFinance's understanding, CUF's fleet is composed of 405 vehicles and is managed as follow: - Some vehicles are allocated to employees with high-level management positions. - Service vehicles for employees with functions implying regular trips for the CUF hospitals and clinics. - A pool of vehicles are parked in the CUF units and are available for every employee that doesn't have a company car.
Definition of KPIs Relevance	This indicator is consistent with a national approach for the electrification of vehicles. Indeed, since 2023, the Portuguese government provides a value added tax exemption to companies with vehicle fleets composed of electric, hybrid and CNG vehicles. Nonetheless, EthiFinance considers that this KPI is not particularly relevant for the following reasons: - Although the vehicle fleets represent 21% of CUF's scope 1, it is marginal when looking at the entire carbon footprint. A commitment towards reducing GES emissions items such as the purchase of goods, or the energy consumption of buildings would have been more relevant.

[3] Global report on health equity for persons with disabilities (who.int)

[4] The WHO European Framework for action to achieve the highest attainable standard of health for persons with disabilities 2022–2030

	- If we analyse this KPI by theme, i.e. employee commuting, the vehicle fleet represents only 405 vehicles (vs. 7069 employees and 8183 healthcare service providers). - CUF SA has a leasing contract and is not the owner of the fleet. The company is thus not constrained by the life and depreciation of the vehicle. - Finally, the employees eligible for a company car have a margin of choice on the type of vehicle which still includes access to combustion engine cars.

B. Calibration of Sustainable Performance Targets (SPTs)

GENERAL OPINION

EthiFinance considers that CUF SGPS has communicated SPTs with baselines and one single observation date per KPI.
No action plan has been communicated for the SPT2, making it difficult to assess the level of ambition behind the trajectories.
Overall, EthiFinance considers that the SPTs, specifically the SPT1, are aligned with the ICMA Principles. Yet EthiFinance points out the lack of interim observation dates prior to 2028 as a weakness.

Not aligned
Part. aligned
ICMA Aligned
Leader

SPT 1: Increasing the % of trained administrative and auxiliary staff

Definition of Sustainable Performance Targets Accuracy	The objectives for 2028 are communicated and precise and the baseline is identified (2023). A strong axe of improvement would have been to define interim targets prior 2028 as per ICMA's recommendations. **Area of improvement:** No annual interim target is defined.
Definition of Sustainable Performance Targets Level of ambition	The trajectory is characterized by a clear progressive dynamic. The aim is to train 75% of the administrative and auxiliary staff by 2028, taking into account staff evolutions in the next five years. As of today, only 1% of the mentioned staff have been trained. CUF SA communicated to EthiFinance a clear training plan, and the content of the trainings which are deemed to be aligned with the level of ambition set out in the framework.

SPT 2 : Increasing the % of electric and hybrid vehicles in CUF's fleet

Definition of Sustainable Performance Targets Accuracy	The objectives for 2028 are communicated and precise, and include a clearly identified baseline (2023), following ICMA's recommendations. **Area of improvement:** No annual interim target is defined.

● **Definition of Sustainable Performance Targets** Level of ambition	The trajectory is characterized by a clear progressive dynamic. The aim is to double the percentage of electric and hybrid vehicles in CUF's fleet by 2028 (from 20% to 40%). Although CUF has a leasing agreement, meaning that they do not carry the weight of the vehicles' depreciation, the transition towards electric and hybrid vehicles implies targeted investments towards increasing the number of chargers in CUF's hospitals and units. **Area of improvement:** - No action plan has been communicated to EthiFinance, making it difficult to assess the level of ambition of this target.

C. Financing characteristics

GENERAL OPINION

EthiFinance considers that the commitments to transparency regarding the financial characteristics of the debt instruments are in line with the ICMA Principles. The Issuer has defined a recalculation policy for the baseline but no fall-back mechanism.

Not aligned

Part. aligned

ICMA Aligned

Leader

● **Loan / bond characteristics**	The proceeds of the debt instruments issued under the Framework will be used for the general corporate purposes of CUF Group. The financial characteristics of the instrument will be impacted only at the single observation date in 2028 by a margin step up if at least one of the KPIs does not meet the target predefined in the Sustainability Performance Target section of the Framework. The margin step-up to be applied will be 25bps (corresponding to €1,25 per bond of €500 nominal value). EthiFinance views positively that the Issuer has chosen to set the margin step up trigger to "at least one KPI" not being met. This structure is seen as a slight mitigant to the weakness of relevance of the KPI2. That is to say that if KPI 1 (which EthiFinance considers as aligned with the first principles of the ICMA SLB Principles) is not met, the Issuer will be applied the full 25pbs margin step up. EthiFinance points out that the impact/significance of the margin step up needs to be analysed in parallel with the maturity of the bond to be issued. If the maturity date of the bond is close after the observation date, the margin step-up in absolute value would represent a non-material additional cost to the Issuer if one of the KPI was to be missed.
● **Fall-back mechanisms / Recalculation policy**	Although the Issuer has not defined fall-back mechanisms in case the KPI/SPT(s) cannot be calculated, observed, reported or verified in a timely and satisfactory manner, the Issuer has clearly committed to consider any of the above cases as a non-verification of the SPT, therefore triggering the pre-defined margin-step. The Issuer has not defined either any SPTs and/or reassessment of KPIs policy.

	The Issuer has however defined a recalculation policy for the baseline data points of both KPIs. Possible changes to the methodology for calculating the base line, structural changes in the perimeter of calculation (following acquisition, merge, divestiture), error in the data collection could trigger a recalculation of the baseline. The Issuer does not specify how it will communicate the recalculation of the baseline nor does it commit to refer to an external review to justify the need for recalculation. The latter is considered by EthiFinance as a weakness in the transparency. However, the baseline for both KPIs is reported in the Integrated Report for CUF Group, which is audited. A recalculation of the baseline would therefore require the Group to justify the recalculation within the Integrated report.

D. Reporting

GLOBAL OPINION

EthiFinance considers that the Issuer's reporting commitments comply with the ICMA Principles. The performance of both KPIs will be reported annually in the publicly available Integrated Report of the Group.

Not aligned

Part. aligned

ICMA Aligned

Leader

KPIs & SPTs	The Company undertakes to disclose the performance of both KPIs on an annual basis within its Integrated report and the performance of the KPIs will be audited annually (limited insurance). **Area of improvement:** - The reporting could also contain additional relevant information when feasible and possible. Examples of this include explanations of the contribution of the main factors behind the evolution of the Issuer's performance for each KPI, or illustration of the positive sustainability impacts of the performance improvement.
Collection of information	The Issuer has not defined in the Framework the data collection processes for each KPI measurement.
Diffusion and communication	The Integrated report of CUF Group is easily available on their website. The Issuer will also disclose a verification assurance report related to the Sustainability KPI(s) outlining the performance against the Sustainability Performance Target(s).

E. Verification

GENERAL OPINION

EthiFinance considers that the commitments made in terms of external verification are consistent with the ICMA Principles.

Not aligned

Part. Aligned

ICMA Aligned

Leader

External audit	The Issuer will have the performance of both KPI audited (with limited insurance) annually by its external auditor and the Issuer will include the reporting of the performance of the KPI within its Integrated report. The Framework has been reviewed with an SPO. The Issuer has not taken a commitment to have its SPO updated in case the Framework is reviewed.
Communication	The Audit report of the Integrated report is made available publicly on the Group's website.

3. Methodology

The document was developed according to a methodology developed by EthiFinance. The Second Party Opinion is an independent and external analysis of debt instruments aimed at financing projects linked to sustainable development. This type of exercise is carried out within the framework of earmarked and/or indexed debt operations (e.g., Green Loan/Bond; Social Bond/Loan; Sustainability Bond/Loan; Sustainability-linked Bond/Loan).

EthiFinance provides the Lender with a simplified reading grid allowing the evaluation of the “sustainability” of a debt instrument and investment projects via an analysis based on 2 pillars: 1) the level of ESG maturity of the Company; 2) alignment with the LMA and/or ICMA Principles.

1. Rating scale

The assessment of the quality of the debt transaction is based on an internal EthiFinance standard, which is broken down according to the following pillars:

- ESG maturity of the Company – which is based on the analysis of the information available on CUF SGPS, on the Framework and their website.
- Compliance with the LMA/ICMA Principles – broken down into four levels
  - Non-Aligned
  - Partially aligned
  - LMA Aligned
  - Leader

2. Controversy screen

In the event of identification of serious controversies, EthiFinance's opinion on the ESG maturity of the Company will be revised downwards.

Scale of controversies - EthiFinance

- Potential controversies are identified and evaluated according to their frequency rate and their level of seriousness, giving rise to a 5-point scoring.
- EthiFinance relies on different information channels such as the company's website, management report, keyword searches on the internet, press releases and articles, association and NGO sites, etc.
- As part of the Second Party Opinion exercise, only serious controversies, i.e. those with a score > 3/5 points, are retained and communicated.

EthiFinance

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