HEALTHCARE ACTIVOS

SOCIAL FINANCING FRAMEWORK

July 2023

Contents

1. Introduction

1.1. Overview of Healthcare Activos' activities

Healthcare Activos ("Company") is a leading European investment management firm. Founded in 2016, Healthcare Activos is an investment platform specialised in the provision of critical social infrastructure in the healthcare and long-term care sector, including hospitals, clinics, rehabilitation centres and nursing homes. Following the internationalisation process started in 2020 with the expansion towards the Portuguese market and in 2022 with the entrance in the Belgium market, the Company has grown to become a leader in the development of healthcare infrastructures in Europe.

As of Q1 2023, the Company benefits from a portfolio comprising 62 assets with a valuation of c.€850m.

Healthcare Activos business model is driven by a patient centric approach which aims to position itself at the centre of the healthcare services universe covering every step of the healthcare lifecycle of each person. The Company deeply believes that privileging quality in the health care sector is not only benefiting the patient but is ultimately the driver of long-term economic development and social cohesion.

Therefore, Healthcare Activos mission is to build critical social and healthcare infrastructures, fundamental for the long-term sustainability of society, which provides the most adequate care for people with physical or mental needs through the best model of care, and such infrastructure shall be managed by leading operators in Europe.

This philosophy drives the Company's vision to be the leading long-term platform in Europe for social and healthcare infrastructure based on its unique business model with an operator mindset that provides the highest quality of care and guarantees long-term economic and social returns.

The business model of Healthcare Activos is based on four fundamental pillars:

> patient centric approach and operator mindset;
> conservative and secure investment profile;
> incorporate sustainability matters to create value for all stakeholders; and
> long-term vision.

1.2. The Healthcare 'Virtuous Circle'

As outlined above, few sectors have such positive impact to society as healthcare. The Company was born with the goal of having long lasting positive impact in people and communities. The specialization in the healthcare sector was purposeful and driven by the ambition of helping to improve the lives of individuals in each day of their existence. Thriving to serve each patient individually and society as a whole is the base of Healthcare Activos' Strategy:

> through collaborating with top tier operators, the Company guarantees the best service will be provided to residents, patients and families (placing the user in the centre of our activities around whom all the services should pivot and adjust as necessary);

> Healthcare Activo's infrastructure complements the public sector. Its infrastructure benefits the entire system in efficiency, allowing operators to focus on the quality of care;

> Each opportunity is analysed with an operator mindset. This capability is materialized in the investment fundamentals that enhance long-term sustainability and value to all stakeholders.

Achieving the best for the users coincides with the best results for society. Through investments in social critical infrastructure, Healthcare Activos creates economic and social value and generates stable employment to professionals in local communities.

1.3. Healthcare Activos' Sustainability Strategy

Healthcare Activos' long experience as a "one stop shop" for operators has forged the Company's *raison d'être* to first and foremost care for people by building a solid, socially and environmentally responsible company.

ESG (specially the "S") focus is a quintessential part of the Company's DNA and strategy to create long-term responsible social value that will ultimately result in value creation for all its stakeholders as well as to forge long-term partnerships with operators and suppliers who share the Company's values. Healthcare Activos is committed to develop the healthcare sector across Europe and wants to lead the change in raising awareness for the importance of the social pillar, improving quality of life in our communities as summarized below:

> **Environment**: to play a relevant and active role as a change driver towards more environmentally sustainable infrastructures;

> **Social**: to develop, manage and modernize critical healthcare infrastructure that is fundamental to the well-being of society at large and strategic for the

economic sustainability of Europe, supporting healthcare operators that care for the most fragile individuals in our communities and save lives; and

> **Governance**: to have the best team of professionals, committed and aligned with the Company's values, as well as guaranteeing compliance beyond legal requirements.

An ESG Action Plan was drawn up in 2021 to drive the Company's sustainability strategy and accountability. This action plan sets out Healthcare Activos long-term objectives on ESG spectrum and shows its commitment to conduct environmental and social responsible investments. A dedicated ESG Committee, created in 2020, made up of a multidisciplinary team led by the Head of Sustainability, with representatives from all areas of the company and with the permanent presence of senior management meets on a quarterly basis to closely monitor the evolution and fulfilment of the environmental, social and governance objectives set, trends, evaluations and sustainability reports.
The strategy follows three main ESG pillars:

1.3.1. ESG objectives

The ESG Action Plan assesses each of following core pillars as summarized hereunder[1]:

> **Environment**

Aware of its role as a driver of change towards more environmentally sustainable healthcare infrastructure, Healthcare Activos implements measures that contribute to the reduction of the impact on ecosystems. The Company extends these values to all its stakeholders in order to ensure that the assets in its portfolio meet the highest environmental standards and do not compromise future generations. The Company's environmental commitment is reflected through energy efficiency, water saving and waste control policies so that its buildings contribute to creating more sustainable cities. Healthcare Activos aims to strike a balance between its environmental commitment to reduce its carbon footprint and quality of life at its facilities for residents, patients and staff. In line with these underlying objectives, several targets have been set including the following:

- 100% of new developments certified under BREEAM;
- 100% of new assets under development include renewable energy systems;
- 100% of buildings have a system for separating and treating waste;
- 100% of assets with Environmental Due Diligence performed;
- 80% of the assets have energy efficient taps and fittings;
    - 30% of the operating assets have an Energy Performance Certificate of A to B;
    - 76% of assets with energy consumption and energy efficiency monitoring; and

[1] For further details on the sustainability strategy, please refer to the Sustainability Report on Healthcare Activos' website: *https://healthcareactivos.com/en/*

- Calculate the portfolio’s carbon footprint and contribute to the reduction of greenhouse gas emissions

> **Social**

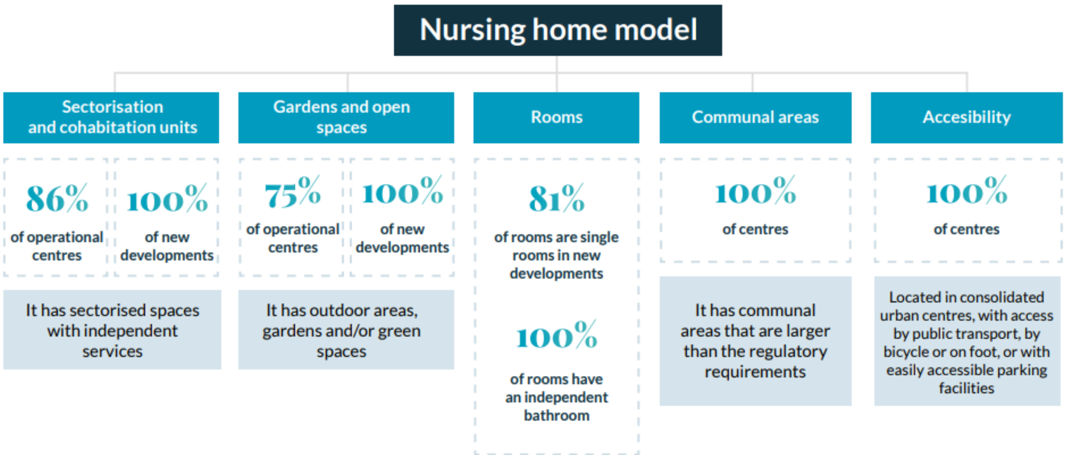
Guided by the overarching principle that “people are our best investment”, Healthcare Activos positions the patient as the axis around which the services provided must pivot. The Company’s ultimate goal is to generate a long-lasting improvement in people’s care and health, by offering a quality response to society's growing needs through the creation of fundamental socio-health infrastructure. In addition, the Company also takes into account all relevant stakeholders both internal (operators, employees, shareholders, investors and financial institutions) and external (families, staff of the centers, suppliers and community).

➢ **Users, families and staff of centres**

Healthcare Activos is convinced that achieving the best for the user, ultimately brings best results to the community and investors:

- To guarantee the utmost quality care and well-being as illustrated in the chart below, it is essential to design residential centres that facilitate the achievement of this objective;
- Family and social relationships which have a strong positive influence on the emotional well-being of people. Our model is designed with the idea of encouraging the access and integration into community life and create spaces for them to meet; and
- Staff members’ work with the goal of maximising their time towards providing direct care attention while encouraging stable and non-relocatable employment.

The Company benefits from a continuous collaboration, and close dialogue, with first class operators in order to design environments that guarantee the best quality of care. The following graph illustrates Healthcare Activos’ superior attention in designing cutting-edge assets with a focus on sectorised spaces, outdoor/green areas, individual rooms with private bathrooms, communal areas and accessibility.



➢ **Operators**

As to ensure the quality of service in its facilities and the sustainability of the overall business model, strong relationship with operators is fundamental for Healthcare Activos. Meeting their needs, demands and concerns is therefore a priority for the Company. Specific strategies for optimal processing of databases, incident resolution and collaboration to prevent money laundering have been established with the goal of guarantying their satisfaction.

In the aftermath of the COVID-19 pandemic and factoring in the considerable impact of the latter on the healthcare sector, an Operations and Sustainability Committee has been created with the aim to coordinate the relationships with each operator, while providing a personalised response to the needs of each one of them.

Quality of service and sustainability have a central position in the partnership with operators and it is Healthcare Activos' objective to further strengthen these requirements going forward:

- Environmental certification: +90% of operators certified in 2022;
- 95% certified quality management system in 2022; and
  Commitment to implement: green clauses in lease agreements, consumption monitoring systems, satisfaction surveys and mutual commitments programmes

➢ **Suppliers**

The Sustainability Strategy is extended to the Company's entire value chain, notably by integrating suppliers in the ESG Action Plan. For the upcoming years, the following axes are expected to develop:

- Dissemination of the Sustainability Strategy and the actions derived from it;
- Reinforcing suppliers' commitment to our Code of Ethics;

- Monitoring suppliers' sustainability performance. At the end of 2022:
  - 88% of relevant suppliers have an ISO 9001 certified quality system and ISO 14001 certified environmental management system;
  - 50% of construction suppliers have an ISO 50001 certified energy management system; and
- Definition and monitoring of health and safety indicators during the development of new constructions (100% of construction suppliers certified ISO 45001 - occupational health and safety management system in 2021).

➢ **Local community**

Healthcare Activos' social commitment to provide essential socio-healthcare infrastructure is complemented by the will to engage with the public sector, especially public administrations, and other key actors in the healthcare sector, to collaborate and establish best practices, enriching the debate and reflection on the new models of care.

The Company has partnered with Francisco de Vitoria University and Escuela de Empresa which foster the recruitment of skilled workforce. The collaboration with Intress-CEE Foundation, a state-wide organisation enables Healthcare Activos to contract auxiliary cleaning services thus contributing to the promotion of employment of people with disabilities and at risk of social exclusion.

Furthermore, Healthcare Activos participates in various forums, publications and interviews in which the Company shares, and disseminates its vision of the healthcare sector, its experience and business model.

Finally, the Company is also playing a key role in regional development, through the implementation of infrastructures that generate employment, promote the creation of new and redeveloping neighbourhoods and build sustainable long-term relationships with local businesses, fostering the local economy.

> **Governance**

Healthcare Activos is governed by transparency, honesty and professionalism criteria, promoting high ethical standards and compliance. The corporate governance system relies on internal procedures and tools (including but not limited to Code of Ethics, Code of conduct, Procedure for Monitoring and Follow-up of Sanctions and Fines, Data

Protection and Confidentiality System, Sustainability Reporting Procedures, Money Laundering Prevention System).

The Code of Ethics for instance set out the principles, commitments and practices to ensure professional, ethical and responsible behaviour of the Company and all employees and extending it to partners and suppliers. Among the practices reflected, the following stand out:

- Prohibition on giving or receiving gifts;
- Prohibition of obtaining undue tax advantages;
- Prohibition to act on behalf of the Company in case of conflict of interest;
- Prohibition of unfair market practices;
- Prohibition of insider trading.

Last but not least, as a testimony to the Company's strong commitment to the ESG Action Plan and to align interest with the team, ESG objectives have been defined as part of the remuneration policy for 85% of the employees in 2022, individually tailored according to the area of expertise.

1.3.2. External sustainability engagement

In 2021, Healthcare Activos became a signatory to the Principles for Responsible Investment (PRI), an initiative of the UN Global Compact and UNEP (United Nations Environment Programme) providing a baseline for investment decisions based on ESG factors. With this adhesion, Healthcare Activos reiterates its commitment to integrate ESG criteria in all investment and asset management policies. The Company is also committed to assess its performance in this area on an annual basis.

With the continuous view to create sustainable value, Healthcare Activos also applies the United Nations Sustainable Development Goals (SDGs) as a cornerstone framework in the development of its general business and, in particular, of its ESG actions. The Company has identified the strategic SDGs that are the most relevant for its business to guide its efforts and ambitions.

With the goal to continuously support recognised initiatives promoting sustainability including in the infrastructure realm, Healthcare Activos will submit its sustainability performance in 2022 to evaluation by the Global Real Estate Sustainability Benchmark (GRESB), which assesses the ESG performance of assets worldwide.

GRESB

1.4. Private hospitals and elderly care in Spain[2]

The Spanish healthcare system is thoroughly decentralized, with the central government regulating only the basic conditions under which long-term care is provided. Each of the 17 regions carry the full responsibilities on long term care policies.

The national system guarantees State benefits (government guarantees to access specific healthcare services) for people over 65 years old and people with disabilities (tele-assistance, home assistance and day centers /residential care), but there is still a high degree of regional autonomy with respect to the implementation and delivery of services. As a result, the configuration of public-private partnerships varies significantly from region to region.

Nearly 25%[3] of the beds in Spain are publicly owned whilst 75% are privately owned (including non-profit organizations).

All senior population is eligible to private nursing homes and depending on the region, the elder can benefit from a subsidy to help pay the cost. This subsidy is analysed by the regional government on a case by case basis and the amount, if any, is set based on the income level of the citizen.

[2] Spain represents around 75 % of Healthcare Activos' portfolio in terms of value as of December 2022.
[3] PwC

1.5. Rationale for issuing Social Financing instruments

Healthcare Activos' activity is a vital complement to the public supply of healthcare services. Through the investment in critical social infrastructures, the Company contributes to the development of a long-term sustainable care for the most vulnerable people in our society. Additionally, the Company is addressing the important needs of ageing European societies in particular, ensuring that elderly people, one of the most fragile citizens in our communities, are taken care of and considered with dignity in quality healthcare infrastructure.

The primary objective of this Social Loan Framework ("Framework") is to align Healthcare Activos' funding strategy with its sustainability goals. In line with these efforts, the Company believes it is of the utmost importance to commit to both transparency and accountability.

The Social Financing Framework has therefore been designed in accordance with the 2023 Social Loan Principles published by the LMA, APLMA and LSTA as well as the 2023 Social Bond Principles as administered by the ICMA ("Principles").

Under this Framework, the Company will be able to issue Social Financing Instruments including, but not limited to, loans and bonds in different formats and currencies.

The following five core components form the basis of Healthcare Activos' Social Financing Framework:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds;
4. Reporting; and
5. External review.

2. Social Financing Framework

2.1. Use of Proceeds

Healthcare Activos will use an amount equivalent to the net proceeds of any Social Financing Instrument issued under this Framework to (re)finance[4] in part or in full existing, ongoing or new nursing homes facilities, hospitals, clinics and rehabilitation centers ("Eligible Social Asset Categories") as described in the table below. The net proceeds can be allocated to several types of expenditures including acquisitions cost, constructions and or developments of new facilities as well as refurbishment of existing ones ("Eligible Social Expenditures").

Social Loan/Bond Category	Eligible Social Asset Categories[5]	Target population	Social objectives	UN SDGs contribution
Access to essential services – Heath and healthcare	Nursing homes	Dependent elderly people	• Increase supply of quality health/healthcare and elderly care infrastructure (e.g. improving the quality of life for residents, buildings' accessibility) • Supporting the wellbeing of people as they age	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES
	Hospitals and clinics	Everyone in need of medical care, including the most vulnerable groups		
	Rehabilitation centers	People with specific medical conditions, mental disabilities or addictions		

[4] Healthcare Activos commits to disclose to the lenders/investors the share of refinancing as well as the corresponding lookback period (e.g. year of investment) before the issuance of any Social Financing Instrument.

[5] Located in Spain and other European countries

2.2. Process for Project Evaluation and Selection

To oversee the governance of the Social Financing Framework, the ESG committee already in place for the Company's sustainability pledges, will also take the responsibility of the following tasks:

> Assessment and validation of the list of Eligible Social Expenditures constituting the Social Financing Portfolio ("Portfolio") in line with applicable environmental and social laws as well as Healthcare Activos's internal ESG Action Plan and the eligibility criteria set forth in the Use of Proceeds section. From an operational standpoint, the below features are applied in the entire portfolio (for both, existing and development assets):
  - Target catchment area: consolidated urban area of more than 80,000 inhabitants;
  - Target coverage ratio (in line with World Health Organisation guidelines): 15% of citizens aged 80+ and 5% of 65+;
    - The analysis of both catchment area and coverage ratio is crucial for the virtuous cycle of healthcare provision. Indeed, taking into account these indicators are critical in ensure that the Company is investing in areas where there is a clear need for critical healthcare infrastructure which in turn contribute to the sustainability of both Healthcare Activos and operators' business models.
  - Target building site: 4,000 to 7,000 square meters; and
  - Target room type: new investments target to have at least 75% of beds in single rooms[6].

> Identification, assessment and management of ESG risks related to the Portfolio[7];

> Monitor the Portfolio of Eligible Social Expenditures during the lifetime of the Social Financing Instruments issued, including replacement options should an expenditure no longer align with the established eligibility criteria (e.g. divestment, cancellation, ESG controversy) on best effort basis and as soon as reasonably feasible;

> Validate the allocation and impact report; and

> Oversee any potential update of the Framework with the goal of continuously aligning it with best market practices.

The ESG Committee is composed of below members and will meet on annual basis or more frequently as required:

> Executive chairman

> Chief Executive Officer

> Head of Sustainability

[6] For several reasons including family related, some nursing home residents prefer double rooms.

[7] Environmental due diligence (DD) by independent third party is performed across assets pre-acquisition and technical annual DD include environmental parameters.

- Chief Operating Officer
- Investment Directors
- Project and Maintenance Directors

Additionally, Healthcare Activos has in place an investment strategy focused on demographics. The Company has strict investment fundamentals that include the verification of the catchment area (size, demographic growth, aging trends) and coverage ratio (number of beds available per inhabitants). It also performs an analysis to competition price dynamics of operators.

The Company performs annual internal audit visits to its portfolio to analyse the adequacy of medical care provided on existing facilities, promoting best practices and the quality of care provided to ensure the well-being of patients and staff.

Regarding stakeholders, Healthcare Activos promotes a responsible procurement of key suppliers in terms of employment and integration, human and labour rights commitment, prevention of environmental risks and compliance with regulatory requirements.

Healthcare Activos has also in place a Code of Ethics that aims to prevent and fight against money laundering, corruption, terrorism, tax evasion and fraud.

2.3. Management of Proceeds

The net proceeds from any Social Financing Instrument issued under this Framework will be credited to the Company's treasury account and the Treasury and Finance team will be in charge of tracking the actual amount earmarked to the Social Financing Portfolio on nominal equivalence basis (portfolio approach)[8].The Company will ensure that an appropriate and formal internal process is established thus assuring the link of an amount equal to the net proceeds to the Eligible Social Expenditures.

Healthcare Activos will strive to ensure that the total amount of Eligible Social Expenditures in the Portfolio always exceed the total amount of outstanding Social Financing Instruments. In the unlikely case of insufficient Eligible Social Expenditures, Healthcare Activos will hold the proceeds in the Company's treasury and may invest such unallocated proceeds in cash or cash equivalent in alignment with its internal liquidity policy[9].

If an Eligible Social Expenditure no longer fulfills the eligibility criteria, it will be removed from the Portfolio and replaced with new eligible ones as soon as feasible.

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[8] In case of a Social Bond issue, the Company will strive to allocate the proceeds within 24 months following the issue date.

[9] Excluding greenhouse gas-intensive activities, high environmental impact activities or controversial activities.

2.4. Reporting

The Company commits to annually publish until full maturity a two-fold reporting as presented hereunder.

2.4.1. Allocation report

The Allocation report provide the following information:

- > the total amount of Social Financing raised;
- > the total amount of proceeds allocated to each eligible category[10];
- > the share of refinancing vs new financing
- > the breakdown of projects financed by type of eligible expenditure and geography;
- > examples of selected projects including qualitative description;
- > the total amount of proceeds pending allocation if any; and
- > selected case studies of eligible expenditures including their impact characteristics.

2.4.2. Impact report

The impact report will provide information of the social impact and other positive externalities of the projects financed as illustrated by the indicators presented in the table below:

Social Loan/Bond Category	Eligible Social Asset Categories	Output/impact indicators
Access to essential services – Heath and healthcare	Nursing homes Hospitals and clinics Rehabilitation centers	• Number of beds and rooms (all) • Breakdown by geographic (all, at country level) • Target catchment area (nursing homes and hospitals) • Breakdown by medical specialization (when applicable) • Share of sectorized assets (nursing homes) • Share of assets with outdoor areas, gardens and/or green spaces (nursing homes) • Share of single rooms in new developments (nursing homes) • Number of beneficiaries (all)

Both the allocation and the impact reporting will be publicly available on Healthcare Activos website or in the Company's annual Sustainability Report for public transactions (e.g. Social Bonds) and only to lenders in case of Social Loans.

[10] As long as it is does not compromise confidentiality agreements.

3. External review

3.1. Second-Party Opinion (SPO)

Healthcare Activos has mandated Moody's IS to provide a third-party opinion on the Framework's alignment with the aforementioned Principles. The SPO report will be available on Healthcare Activos website: https://healthcareactivos.com/en/social-impact/.

3.2. External verification

Annually until the maturity of any Social Financing Instrument issued under this Framework, an external auditor will provide an independent verification on the allocation of the proceeds to the Eligible Social Expenditures (allocation report) per eligible category in line with the criteria defined in the Framework and the impact report. The auditor's report will also be published on Healthcare Activos website: https://healthcareactivos.com/en/social-impact/.

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