

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-linked Financing Framework

Terveystalo Oyj
10 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainability-linked Financing Instruments
Relevant standard(s)	<ul style="list-style-type: none">▪ Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2020)▪ Sustainability-Linked Loan Principles, as administered by the LMA, APLMA, and LSTA (as of February 2023)
Scope of verification	<ul style="list-style-type: none">▪ Terveystalo's Sustainability-linked Financing Framework (April 18th 2023)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as Terveystalo's Sustainability-linked Financing Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

Terveystalo Oyj (“Terveystalo” or “the Issuer” or “the company”) commissioned ISS ESG to assist with its Sustainability-linked Financing Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Terveystalo’s Sustainability-linked Financing Framework (as of April 18th, 2023) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA) and the Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), and the Loan Syndications & Trading Association (LSTA).
2. The sustainability credibility of the Key Performance Indicators (KPI) selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected is/are core, relevant and material to the Issuer’s business model and industry, and whether the associated targets are ambitious.
3. Linking the transaction(s) to Terveystalo’s overall ESG profile – drawing on Terveystalo’s sustainability objectives.

TERVEYSTALO BUSINESS OVERVIEW

Terveystalo Oyj provides occupational healthcare services in Finland. The company offers general practice and specialist medical care, diagnostic, outpatient surgery, dental, and other adjacent services; and outsourcing services, staffing services, child welfare services, oral health, laboratory, imaging, wellbeing, day surgery, healthcare outsourcing, healthcare staffing, and primary and specialty care services. It also provides a suite of digital healthcare services; and clinical research services. The company serves private individuals, companies and communities, insurance companies, and public sector customers. It operates 360 clinics, which include 18 hospital units and 38 dental clinics; and 73 Rela hierojat massage therapy units. The company was founded in 2001 and is based in Helsinki, Finland.

It is classified in the Health Care Facilities & Services industry, as per ISS ESG’s sector classification.

SPO ASSESSMENT SUMMARY

EVALUATION SUMMARY ¹		
Alignment with the SLBP and SLLP	The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLP) administered by the LMA, APLMA, and LSTA.	
KPI Selection	KPI 1. Proportion of relevant occupational healthcare patients referred to short-term psychotherapy treatment	KPI 2. Average Net Promoter Score (NPS)
Relevant	Relevant	Relevant
Core	Core	Core
Material	Material	Material
Assessment	Aligned²	Best Practice
SPT Calibration	SPT 2. Increase the proportion to 25% by 2026	SPT 2. Maintain an average Net Promoter Score (NPS) of 83 or above
Against borrower's past performance	Ambitious, based on limited evidence	Ambitious
Against borrower's industry peer group	Ambitious, based on limited evidence	Ambitious
Against international targets	Limited information	Limited information
Level of ambition	Good³	Good⁴
Linking the transaction(s) to Terveystalo's overall ESG profile	<p>Consistent with the Issuer's sustainability strategy</p> <p>The KPIs selected by the issuer are related to quality care for patients. Addressing the health benefits of the product portfolio has been defined as one of the key priorities of the issuer in terms of sustainability strategy and it is found to be a material sustainability topic for the issuer. Overall, the issuance contributes to the issuer's sustainability strategy thanks to the KPIs' clear links to the key sustainability priorities of the issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	

¹ The evaluation is based on the engagement conducted between May 2022 – May 2023, on the Issuer's Sustainability-linked Financing Framework (as of April 18th, 2023).

² In order to be considered as 'Best practice', KPIs must be fully benchmarkable.

³ The SPT is ambitious against two of the three dimensions.

⁴ Ibid.

SPO ASSESSMENT

PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA, APLMA, AND LSTA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes our assessment of the alignment of the Terveystalo 's Sustainability-Linked Framework (as of April 18th, 2023) with the Sustainability-Linked Bond Principles (SLBP) and the Sustainability-Linked Loan Principles (SLLP).

SLB/SLL PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
3. Bond/Loan Characteristics	✓	The description of the Sustainability-Linked Bond / Loan Characteristics provided by the Issuer is aligned with the SLBP and SLLP. The Issuer gives a detailed description of the potential variation of the financial characteristics of the securities (increase/decrease of the coupon, donation), as well as changes in security characteristics, fall back mechanisms and exceptional events.
4. Reporting	✓	We consider the Reporting description provided by Terveystalo as aligned with the SLBP and SLLP. This will be made publicly available annually and include valuable information, as described above.
5. External verification	✓	The Verification description provided by the Issuer is aligned with the SLBP and SLLP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified with a limited assurance annually until the target is reached.

PART 2: KPI SELECTION & SPT CALIBRATION

1. Selection of KPI 1

KPI 1 is defined as the proportion of relevant occupational healthcare patients referred to short-term psychotherapy treatment

Opinion	<i>We find that the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. It has however not yet been externally verified and has a limited benchmarkability. It covers the company's occupational health division, or 51% of patients, of which 8.9% were diagnosed with anxiety and/or depression.</i>		
Assessment⁵	Not Aligned	Aligned	Best Practice
KPI 1 Characteristics and Features	KPI definition:	The KPI is defined as the percentage of patients who have received a consultation referral to short-term psychotherapy within the population of occupational healthcare patients that were diagnosed with depression or anxiety. Referrals are counted as one referral per patient per calendar year, irrespective of how many psychotherapy visits a patient has per year. In the context of this KPI, short-term psychotherapy includes 10-20 sessions and is goal-oriented treatment for mild to moderate common mental health disorders. It is carried out by psychotherapists who are experienced in occupational health care, and the effectiveness of the treatment is monitored on a customer- and company-specific basis using CORE-OM and PHQ indicators.	
	Scope and perimeter:	Patients diagnosed with anxiety and/or depression (8.9%) within occupational healthcare (51% of Terveystalo clients in 2022).	
	Quantifiable/Externally verifiable:	The KPI selected is quantifiable and externally verifiable. The number of patients within occupational health with a depression or anxiety diagnosis will be measured by the company, as well as the amount of those patients that receive a referral to short-term psychotherapy.	
	Externally verified:	The historical data has not yet been verified by an external party. Going forward, Terveystalo expects to conduct limited assurance verifications. The company also states that it is ready to retroactively do so for historic figures but will not be able to before launching the transaction.	
	Benchmarkable:	While providing referrals to short-term psychotherapy is not a unique metric, the KPI is measured as the share of such referrals over the total amount of patients with a depression or anxiety diagnosis within Terveystalo's	

⁵ The KPI selection assessment is classified on a 3-level scale: 'Not Aligned', 'Aligned' or 'Best Practice'. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

		occupational health business. As the KPI reflects a metric that is currently unique to the issuer, the benchmarkability of this KPI with peers will be limited.
KPI 1		
Analysis	The KPI is considered:	

Relevant to Terveystalo’s business model as it is directly involved in the diagnosis and prescription of treatments, while also carrying out said treatments. In fact, health benefits of the product portfolio and its quality management are key issues for Health Care Facilities & Services according to key ESG standards.⁶ Furthermore, the World Health Organization’s Regional Office for Europe warns that depression is still “vastly under-recognized and under-treated”, with 75% of those suffering from major depression currently not receiving adequate treatment.⁷ The cost for society, mainly due to productivity losses caused by absenteeism, is estimated to exceed US\$1 trillion each year. Over the past 15 years however, knowledge on the topic has increased substantially, as it has been shown that interventions can not only decrease the prevalence of depression, but also prevent the occurrence of new cases or recurrent episodes. As such, by improving the adequacy and effectiveness of these steps, the company can ensure the health benefits and quality management of its product portfolio.

Core to the issuer’s business since its key processes as a healthcare provider will be mobilized. Namely, healthcare professionals such as general practitioners will need supplementary training in order to perform better diagnosis and prescriptions, while psychotherapists will need to be hired and trained in order to carry out these treatments.

Moderately Material⁸ to Terveystalo’s business model and sustainability profile on the basis of additionality.

- Even though occupational healthcare providers deal with a variety of ailments, mental health issues are one of the most widespread. They notably come after illnesses like the flu/common cold, which are the most common but cannot be systemically addressed. Yet as aforementioned, there is a general consensus around the fact that psychotherapeutic treatments – which differ in length, focus, and approach – are currently under prescribed.
- While their effectiveness relative to each other has not been established, there is a growing body of scientific literature which shows them to be effective compared to the current status quo – namely sick leave and/or medication.⁹ As such, by contributing to the increase in the general availability of mental health treatment in Finland, the company can have a significant impact on a key ESG issue for its sector, but also the geographic market it operates in.

⁶ Key ESG Standards include SASB and TCFD, among others.

⁷ Key ESG Standards include SASB and TCFD, among others.

⁸ ISS ESG bases this analysis on the Issuer’s own emissions reporting and makes no comment on the quality or consistency of the Issuer’s Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer’s sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer’s reporting.

⁹ Lindfors et al., 2015, The effectiveness of short- and long-term psychotherapy on personality functioning during a 5-year follow-up, <https://pubmed.ncbi.nlm.nih.gov/25462393/>
Knet et al., 2016, The outcome of short- and long-term psychotherapy 10 years after start of treatment, <https://pubmed.ncbi.nlm.nih.gov/26755201/>

2. Calibration of SPT 1

SPT 1 is defined as increasing the proportion of occupational healthcare patients diagnosed with anxiety or depression who are referred to short-term psychotherapy treatment to 25% by 2026

Opinion	<i>The SPT calibrated by Terveystalo is ambitious against the company's past performance, with limitations due to the KPI's unverified nature. It is also ambitious against peers, with limitations due to a lack of benchmarkability with the company's peer group. In broad unquantified terms, the SPT does contribute to an internationally recognized necessity to promote mental health (SDG 3.4), but the lack of specific international standards means that there is limited information to assess ambition against international standards. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i>			
Level of Ambition¹⁰	No Evidence	Limited	Good	Robust
SPT 1 Characteristics and Features	SPT definition:	Increase the proportion of occupational healthcare patients diagnosed with anxiety or depression who are referred to short-term psychotherapy treatment to 25% by 2026		
	Baseline performance and year:	<ul style="list-style-type: none"> ▪ 4.40% in 2020 ▪ 6.20% in 2021 ▪ 8.50% in 2022 (baseline) 		
	Target performance and observation date:	<ul style="list-style-type: none"> ▪ 11% in 2023 ▪ 15% in 2024 ▪ 20% in 2025 ▪ 25% in 2026 		
	Trigger event:	The trigger events are to be specified in the bond documentation, observed annually on December 31, from 2023-2026.		
	Strategy and action plan to reach the target:	<p>Terveystalo has identified several measures to reach the SPT, which include but are not limited to:</p> <ul style="list-style-type: none"> ▪ A treatment protocol for anxiety and depression has been formulated, and a protocol for short-term psychotherapy will follow. Along with the protocols, also measurements and indicators for their performance will be made and turned into action. ▪ Occupational health care teams will be regularly trained for recognition and treatment (referring to short-term psychotherapy) of common mild mental health disorders and following the current treatment guidelines. ▪ Medical leaders will follow the performance of this KPI constantly. A focus unit for mental health care 		

¹⁰ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

		<p>provision will also follow the effectiveness and usage of psychotherapy.</p> <ul style="list-style-type: none"> ▪ Sales and marketing will promote the inclusion of this service into occupational health plans and the effectiveness of provided treatment will be constantly reported to patients to promote the usage of this service. ▪ The People and Careers unit will enhance recruiting professionals to produce services and the company's units will welcome these professionals and help them to integrate into the company.
	Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:	<ul style="list-style-type: none"> ▪ Availability of psychotherapists and the company's ability to train and recruit them. ▪ Training general practitioners to better refer patients to psychotherapy. ▪ By actively trying to get more client companies to include mental health in their occupational health care coverage, Terveystalo may – if very successful – aggravate the aforementioned challenges of finding and training a sufficient number of psychotherapists. ▪ Short-term psychotherapy treatment may be excluded from contracts if the financial situation of client companies deteriorates, leading to less referrals to appropriate care, but similar levels of diagnosis
	Recalculations or pro-forma adjustments of baselines	The loan agreement will include a recalculation policy.
SPT 1		
Analysis	The level of ambition of the SPT is assessed as follows:	

(i) Against past performance:

Terveystalo sets the SPT to increase the share of referrals for short-term psychotherapy treatment to 25% by 2026. In absolute terms this equates to an arithmetic increase of 16.5 percentage points from 2022 – during which the company reached a share of 8.5%. Over the span of 4 years, this means that the company needs an average increase of 4.13 percentage points to reach its target.

Conversely, from 2019 to 2022, the average yearly increase was of 1.80 percentage points. This is less than any of the increases required to reach the company's target and annual trajectory. This implies that the company's future performance will need to surpass its historical one from a quantitative perspective.

As such, we consider SPT 1 as ambitious against the company's past performance, with limitations due to the KPI's unverified nature.

(ii) Against peers:

Terveystalo is the first company to publicly track a KPI on mental health treatment. In terms of increasing the availability of therapy, similar initiatives are undergoing in other companies and in public health care.¹¹ However, in terms of the metric chosen, the KPI is unique to the company. Nonetheless, and even though the KPI is not quantitatively benchmarkable against peers due to its bespoke nature, the company addresses a commonly acknowledged and systemic issue within the healthcare sector. It is notably the first to publicly make efforts in terms of defining & tracking a KPI on access to mental health treatment and setting targets associated with such a KPI.

Therefore, we conclude that the SPT is ambitious against peers, with limitations due to a lack of benchmarkability with the company's peer group.

(iii) Against international targets:

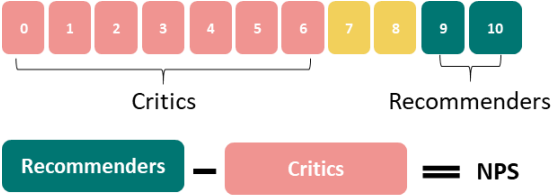
As mentioned in the above assessment, Terveystalo has selected a KPI which is unique. In broad unquantified terms though, the KPI contributes to SDG 3 and its sub-target 3.4: "By 2030, reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being". More notably the KPI is linked indicator 3.4.2, which tracks suicide mortality rate.

Nonetheless, there is limited information for us to assess the level of ambition of this target against international targets.

¹¹ Terapia etulinjaan, 2022, Therapies for the front line <https://terapiatetulinjaan.fi/>

1. Selection of KPI 2

KPI 2 is defined as the issuer’s Average Net Promotor Score (NPS)

<p>Opinion</p>	<p><i>We find that the KPI selected is core, relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers Terveystalo’s clinic network in Finland, hence 70% of the company’s total operations.</i></p>		
<p>Assessment¹²</p>	<p>Not Aligned</p>	<p>Aligned</p>	<p>Best Practice</p>
<p>KPI 2</p> <p>Characteristics and Features</p>	<p>The NPS figure indicates the proportion of the company’s patients who would recommend Terveystalo services to others. It measures an individual patient’s experience of the service received shortly after the service experience. The patient is asked to rate how likely (on a scale of 0 to 10) the patient would recommend Terveystalo’s service. The recommendation index is calculated by subtracting the share of those who responded on a scale of 0-6 (i.e., the share of critics) from those who responded on a scale of 9-10 (i.e., those who recommended). The KPI itself will be calculated as an average of the annual NPS scores from (and including) the year of issuance, until the full calendar year ahead of the testing date.</p>  <p>KPI definition:</p> <p>NPS is a sensitive metric – it responds quickly to patient satisfaction or dissatisfaction. The customer experience may be affected by e.g., availability of appointments, adherence to schedule, length of sick leave granted, etc. The NPS reading may therefore rise and fall sharply and must be earned every day, in every encounter.</p> <p>NPS measurement is conducted via SMS. An external partner sends text messages at random based on the running data provided to them and at the same time acts as an objective body in the validation of the results. The same patient can receive an NPS query via SMS up to once a month. The transmission frequency is about 4 hours after the visit or the day after the visit if the visit is in the evening. The current external partner is Dun & Bradstreet (DnB), but this can change from time to time.</p> <p>Any newly acquired clinic can be added to the KPI calculation as soon as possible but at the latest in the second full calendar year following an acquisition, giving</p>		

¹² The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

		Terveystalo the opportunity to fully integrate the acquired clinic to the Group, before including its key metrics for KPI calculations. The NPS query will be implemented in all new clinics located in Finland.
	Scope and perimeter:	This KPI is used as a quality metric and customer experience management tool in the company's clinic network, i.e., clinics in Finland. This excludes public services, activities in Sweden and other segments. The KPI hence covers approximately 70% of the company's operations.
	Quantifiable/Externally verifiable:	The KPI selected is quantifiable and externally verifiable. The NPS is widely a disclosed and standardized in the market.
	Externally verified:	External survey providers have verified the historical data from 2017 - 2022 on this KPI.
	Benchmarkable:	By choosing a commonly used patient satisfaction metric, the KPI is easily comparable with the data reported by other. Benchmarking of the SPT in relation with this KPI has been analyzed in the following section.
KPI 2		
Analysis	The KPI is considered:	

Relevant to Terveystalo's business Quality and patient safety is considered as a key ESG issue faced by the Health Care Facilities & Services industry according to key ESG standards¹³ for reporting and ISS ESG assessment. A strong indicator for this issue is the quality management system in place, which goes hand-in-hand with the disclosure of quality performance data. The Net Promotor Score (NPS) is designed to help companies measure and manage customer satisfaction and loyalty. In health care, gathering feedback from patients through this metric can highlight strengths and points for improvement to ensure quality care.

Core to the issuer's business as the company will launch a new initiative to measure NPS at an individual professional level. This should enable professional development of their staff as well as innovations (such as the digitization of services) through direct feedback from their patients, thereby directly impacting the core of Terveystalo's operations. Specifically, the company has started a pilot in the summer of 2022 on this new NPS measurement method, which will form the basis of a new management and reporting model for their staff. In fact, the company has already expanded the measurement to all physician appointments in both digital and physical channels, and by the end of 2023 the measurement will be expanded to all patient facing healthcare professionals. It is worth noting that the issuer targets to have an average NPS of 83, which will require significant effort from the company, as also explained below, since the NPS is a sensitive metric that can change with every patient encounter.

¹³ Key ESG Standards include SASB and TCFD, among others.

Moderately Material to Terveystalo's business model and sustainability profile:

- The company crafted a materiality matrix in collaboration with key stakeholders, which was benchmarked against industry leaders. The quality and impact of care was concluded to be the number 1 most critical issue for Terveystalo.
- Moreover, measuring NPS is a standard method to measure satisfaction among the target population, which in healthcare means: patients. It should be noted that the company aims for a very high NPS score. The score can range between -100 and 100, for which the formula is based on the ratio of promoters (those who respond with a score of 9 or 10) and detractors (who respond between 0 and 6). The healthcare NPS benchmarks can differ, for example, a recent article explains that a score above 50 can be considered "excellent" for the healthcare industry,¹⁴ while Terveystalo aims to maintain an average score of 83 or above.
- Lastly, the KPI covers a large majority of operations, i.e., 70% of the company's total operations, which are the clinics located in Finland.

¹⁴ Lauren Parr, Forbes, 'How to use your Net Promoter Score (NPS) effectively in health care', 16 August 2021, <https://www.forbes.com/sites/forbescommunicationscouncil/2021/08/16/how-to-use-your-net-promoter-score-nps-effectively-in-health-care/>

2. Calibration of SPT 2

SPT 2 is defined as achieving an average Net Promoter Score (NPS) of 83 or above

Opinion	<p>We find that the SPT calibrated by Terveystalo's is ambitious against historical performance because of qualitative factors, since the issuer has already attained a high NPS score (which is confirmed through industry benchmarking). Indeed, it will require more effort than in the past to implement comprehensive measures to ensure that the quality standards remain constant at this high level. Such efforts will include, amongst others, more profound analysis of the customer feedback data and a new project to measure NPS on an individual professional level. The SPT is ambitious against its reported industry peer group, because Terveystalo sets a NPS that is higher than the target set by the only other peer who has an NPS-target. In the absence of international targets on NPS for healthcare providers, there is limited information for us to assess the level of ambition against such targets. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</p>
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Level of Ambition ¹⁵	No Evidence	Limited	Good	Robust
SPT 2	SPT definition: Maintain an average Net Promoter Score (NPS) at 83 or above.			
Characteristics and Features	Historical performance: <ul style="list-style-type: none"> ▪ 66.9 in 2017 ▪ 70.9 in 2018 ▪ 72.5 in 2019 ▪ 82.8 in 2020 ▪ 83.0 in 2021 ▪ 82.7 in 2022 			
	Target performance and observation date: Achieve an average annual NPS of 83 or above, calculated as an average number from (and including) the year of issuance, until the full calendar year ahead of the testing date.			
	Trigger event: The trigger events are to be specified in the bond documentation, observed annually on December 31, from 2022-2026			
	Strategy and action plan to reach the target: Terveystalo has defined several points of action to achieve SPT, which include but are not limited to: <ul style="list-style-type: none"> ▪ In addition to monitoring the realization of clinic-specific targets, open customer feedback is analyzed to identify factors that drive NPS output up or down. ▪ Each clinic has a Quality Management Team, who will monitor the impact of corrective actions on NPS feedback and results and aims to identify and further strengthen the strong areas and leverage them to increase NPS. 			

¹⁵ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

		<ul style="list-style-type: none"> As a new initiative, Terveystalo has launched NPS measurement on an individual professional level. After successful pilot programs in 2022, the company expects to expand this to all patient facing healthcare professionals by the end of 2023. Additionally, Terveystalo aims to automate nonvalue-adding parts of the care chain, so that the professional can focus on the most value adding tasks, as well as interaction with the patient.
	Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:	<ul style="list-style-type: none"> It takes time for new employees to get customized to company's ways of working and high-quality customer service Newly acquired companies with lower NPS scores can reduce NPS score Continuous operational improvements need to be done to meet patients increasingly higher customer service
	Recalculations or pro-forma adjustments of baselines	The loan agreement will include a recalculation policy.
SPT 2		
Analysis	The level of ambition of the SPT is assessed as follows:	

(i) Against past performance:

Terveystalo sets the SPT to maintain an average NPS of 83 or above annually until 2026. The company has reported historical data from 2017-2022, a period during which the company's NPS went from 66.9 to 82.7, equating to an average increase of 3.16 points annually. Therefore, by targeting the same level that was already achieved in 2021 (an NPS of 83), the SPT sets out a growth path that is quantitatively less steep than it has been in the past.

Still, the following qualitative arguments can be considered. While striving for a high NPS is important, achieving an NPS of 100 is not an attainable goal. Secondly, the issuer explains that the historical increase in NPS is due to a multitude of simple improvements in the company. Now that it has attained a high NPS score (which is confirmed through industry benchmarking), Terveystalo explains that qualitative factors determine the level of ambition for this SPT. Indeed, it will require more effort than in the past to implement comprehensive measures to ensure that the quality standards remain constant at this high level. Such efforts will include, amongst others, more profound analysis of the customer feedback data and a new project to measure NPS on an individual professional level.

In this context and compared to the baseline year, the SPT set by Terveystalo can be seen as qualitatively ambitious against the company's past performance.

(ii) Against peers:

We conducted a benchmarking of the SPT set by Terveystalo against a list of 13 peers reported by the issuer, which include different types of healthcare providers in Finland and Sweden.

Out of the peer group of 13 companies, 6 report their NPS. Current scores of the issuer's peers range from 48 to 83. The other 7 companies do not report an NPS.

For the purpose of this assessment on the level of ambition of the SPT, it is important to compare target setting instead of current performance. Out of the total peer group, only one other company sets a target for their NPS. Specifically, that company aims for a NPS of 80.

As Terveystalo is the only company in the peer group who discloses as well as sets a target for its NPS, we conclude that the SPT set by the issuer is ambitious compared to its reported peer group.

(iii) Against international targets:

As mentioned in the above assessment, Terveystalo has selected a KPI which is unique. In broad unquantified terms though, the KPI contributes to SDG 3 and its sub-target 3.4: "By 2030, reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being". More notably the KPI is linked indicator 3.4.2, which tracks suicide mortality rate.

Nonetheless, there is limited information to assess the level of ambition of this target against international targets.

PART 3: LINKING THE TRANSACTION(S) TO TERVEYSTALO'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABILITY-LINKED FRAMEWORK WITH TERVEYSTALO'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Terveystalo's has set up responsibility themes which divide its approach to sustainability into five categories. They are as follows:

- Good health and well-being.
- Ethical business.
- Responsible work.
- Sustainable economic growth.
- Responsible consumption and climate action.

Quality and impact of care has been defined as central to its strategy. All members of personnel are responsible for ensuring that customers receive appropriate, high-quality, and safe care. The company aims to stand out by providing a positive experience in all customer encounters, regardless of the channel. As such, it aims to develop its work by listening to our customers and utilizing new technology.

The company is committed to the quality and continuous development of its operations. As such, they measure, monitor, and manage their quality actively. Developing service quality and operational efficiency further allows to ensure the ideal working conditions for professionals and the optimal impact on customers' service experience.

Consistency with KPIs

KPI 1: Terveystalo has embedded quality and impact of care in its sustainability strategy. All members of its personnel are responsible for ensuring that customers receive appropriate, high-quality, and safe care. The company is also committed to the continuous development of its operations and aims to do so by listening to its customers and utilizing new technology. Notably, quality is actively measured and monitored. By developing its service quality and operational efficiency, the company also ensures good working conditions for its professionals and optimizes the impact of its customers' service experience, which is centered around the concept of human contact and empathy. The KPI selected by the issuer is therefore consistent with the overall company's sustainability strategy.

KPI 2: Terveystalo identified customer satisfaction as a key metric to measure their impact on the well-being of their patients. This links to one of the three sustainability targets of the company: "Human being at the center", as well as to the company's responsibility themes: good health and well-being. The KPI selected by the issuer is therefore consistent with the overall company's sustainability strategy.

B. TERVEYSTALO'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer and its sector

At issuer level

Leveraging ISS ESG's Corporate Rating methodology, we assessed the current sustainability performance of the issuer to be medium. Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part I.B of the report.

At industry level

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE SECTOR
Quality and patient safety
Employee relations and work environment
Energy and waste management
Health benefits of the product portfolio
Data protection and information security


ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part 3.A of this report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹⁶	DIRECTION OF IMPACT	UN SDGS
Digital diagnostic and/or treatment services, occupational health services, operation of hospitals	100%	CONTRIBUTION	

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Health Care Facilities & Services sector are as follows: Failure to respect the right to just and favorable conditions of work, Failure to respect consumer health and safety and Failure to respect the right to health.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

¹⁶ Percentages presented in this table are not cumulative.

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ANNEX 1: ISS ESG Corporate Rating

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 2: Methodology

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA and Sustainability-Linked Loan Principles, as administered by LMA, APLMA, and LSTA

The Sustainability-Linked Framework of Terveystalo, as well as the concept and processes for issuance have been reviewed against the Sustainability-Linked Bond Principles administered by the ICMA / Sustainability-Linked Loan Principles by the LMA, APLMA, and LSTA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond / Loan market by clarifying the approach for issuance.

The alignment of the concept of the Terveystalo 's issuance has been reviewed against the mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and against the encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles / Sustainability-Linked Loan Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer's business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and using a proprietary methodology, the KPI selection assessment is classified on a 3-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirement from the SLBP selection of KPIs section is not satisfied.	The KPI is aligned if all the core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all the core requirements from the SLLP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability.

The ambition of the SPT has been analyzed against the Issuer's own past performance (according to Issuer's reported data), against the Issuer's industry peers (for example per ISS ESG Peer Universe

data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and using a proprietary methodology, the SPT selection assessment is classified on a 4-level scale:

No Evidence	Limited	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	If the SPT is ambitious against only one of the three dimensions.	If the SPT is ambitious against two of the three dimensions.	If the SPT is ambitious against all the dimensions.

ANNEX 3: Quality management processes

SCOPE

Terveystalo commissioned ICS to compile a Sustainability-linked SPO. The Second Party Opinion process includes verifying whether the Sustainability-linked Framework aligns with the ICMA Sustainability-Linked Bond Principles / LMA, APLMA, and LSTA Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Sustainability-linked Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA, APLMA, and LSTA Sustainability-Linked Loan Principles

ISSUER'S RESPONSIBILITY

Terveystalo's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainability-linked instruments to be issued by Terveystalo has been conducted based on a proprietary methodology and in line with the ICMA Sustainability-Linked Bond Principles / LMA, APLMA, and LSTA Sustainability Loan Principles.

The engagement with Terveystalo took place between May 2022 and May 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About the SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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