



# Our Sustainability Report 2024

Targeting Tomorrow

Target Healthcare REIT plc



# Welcome to our 2024 Sustainability Report

## About this Sustainability Report

### This report:

- Describes the Company’s responsible investment approach, which incorporates its Environmental, Social & Governance (ESG) Charter; and
- Presents key responsible investment objectives and performance, describes our targets for the future, and tracks progress towards these.

To the extent possible, the description of progress against the ESG commitments of the Company on page 7, together with the ESG performance data throughout, are presented as at, or for the year to, 31 December 2023.

The ESG data section, and corresponding appendices, are written in accordance with the latest European Public Real Estate Association’s (EPRA) Sustainability Best Practices Recommendations (sBPR), which in turn are aligned principally with the Global Reporting Initiative (GRI) Standards.

This ESG report has been prepared on behalf of the Company by Target Fund Managers Limited. Any reference to ‘we’, ‘us’, ‘the Company’ and ‘our’ throughout the report refers to Target Healthcare REIT plc (‘Target’). Target Fund Managers Limited is referred to throughout as ‘the Manager’.

All data as at 31 December 2023 unless otherwise stated.



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Our Annual Report is available to view online at <https://www.targethealthcarereit.co.uk/investors/>

# Responsible investment and 'ESG' – what it means to us

Since launching in 2013, we have been unwavering in our approach – responsible investment, with a clear purpose, to improve the UK's care home real estate whilst generating sustainable long-term total returns.



Assets

98

Beds

6,460\*

Tenants

32

\* A further 329 beds will be added to the portfolio on completion of the five development sites.

Dear stakeholder,

I am pleased to present our second annual Sustainability Report. This document explains our approach to responsible investment and how this aligns with our ESG Charter. The report discloses key areas of progress towards our ESG commitments, as well as transparent and comparable real estate data, in more detail than, and to supplement, our regular financial reporting.

Since joining the Board in January 2023 and becoming Chair of the ESG Committee in June 2023, I have seen first-hand a clear investment approach which prioritises social impact and the environmental benefits of modern real estate. Two key metrics show this:

- Energy Performance Certificate (EPC) ratings. At 99% A and B as of today's date (31/12/23: 98%), our portfolio has sector-leading environmental credentials and is well-protected from expensive remedial transition capital expenditure.
- Wet-rooms for 99% residents, providing privacy and dignity in personal care.

These metrics are significantly ahead of commercial real estate generally, and our listed peers in care homes, demonstrating the quality and longevity of our approach. Quality and sustainability have always been at the heart of what we do and why we do it.

Our ESG Charter, 'Targeting Tomorrow', is articulated in this document and we report on our progress towards the commitments made. The most significant during 2023 have been:

- Increasing the collection of energy usage data from our tenants to 94% coverage, from 47% in 2022.

- Utilising this data to accurately assess our current position with respect to net zero, and provide meaningful guidance to:
  - Our Net Zero pathway; and
  - Allow targeted immediate investment commitments in excess of £1 million in carbon reduction initiatives across the portfolio.
- Increasing our proportion of leases with 'green provisions' to 44% from 11% in 2022.

We have engaged with technical experts who are helping us create an ambitious and realistic Net Zero Pathway, inclusive of tangible milestones we can hold ourselves accountable to. The output to date shows we start from an excellent baseline position with respect to the CRREM and SBTi joint 1.5°C decarbonisation pathway. Our current activity is focused on understanding and assessing the relative effectiveness of the interventions we can pursue in the coming years. We intend to publish more details of our plan during the second half of 2024.

You will hear from the Manager in this report as well, with an insightful Q&A and case study on how our tenants, as care providers, enjoy using our real estate.

The Manager details some of its own ESG achievements, including its status as a Carbon Neutral company, on page 21.

I trust you find this report helpful and informative. We would be delighted to receive any feedback you may have.

Regards,

**Michael Brodtman**  
ESG Committee Chair  
15 July 2024

## Highlights

We are proud that ESG has been integral to our approach since day one. We are recognised as the first social impact investment trust, and proud of our many achievements to date.



### Environmental



#### ➤ EPC ratings<sup>1</sup>

**98%** A-B ratings  
**100%** A-C ratings  
 Important measure of energy efficiency and legislative rating.



#### ➤ BREEAM In-Use certificates

2022 commitment met to ensure minimum 10% portfolio certified on an ongoing basis.



#### ➤ Energy consumption data

94% coverage obtained for 2023.

### Social



#### ➤ Wet-rooms

**99%**  
 Defining proxy for real estate quality and social impact.  
 National Comparative: 32%\*  
\* Source: Carterwood



#### ➤ Space per resident

**47m<sup>2</sup>**  
 We assess this against peers and compare favourably.



#### ➤ New homes/beds built with our direct support<sup>2</sup>

**17/1,144**  
 A further measure of our social impact in supporting the sector's transition to modern real estate.

### Governance & Transparency



#### ➤ ESG Committee

Met at least quarterly.  
 Approved £1 million budget for energy efficiency initiatives.



#### ➤ GRESB

Score of 60 achieved in inaugural published assessment, in line with peer group.



#### ➤ Board diversity

Board composition remains at 40% female, in-line with the 'Women in Leadership' 2025 target set by the FTSE Women Leaders Review.

### ESG Commitments



#### ➤ Responsible Investment Page 6-10

As an investor we understand that our actions have influence. We use our platform to lead by example through embedding appropriate ESG considerations into our decision-making.



#### ➤ Responsible Partnerships Page 11-15

We engage with all our stakeholders to drive the creation of economic, social and environmental value around our buildings and in wider society.



#### ➤ Responsible Business Page 16-19

We will treat all stakeholders with respect and deal fairly in a manner consistent with how we would expect to be treated ourselves.

<sup>1</sup> Non-English homes follow a different rating system and have been converted to English equivalent ratings.

<sup>2</sup> Since the launch of Target Healthcare REIT in March 2013. Direct support refers to contractual financial commitment to forward fund or forward commit to a development.

# Targeting Tomorrow

Our ESG strategy  
and priorities

➤ Targeting Tomorrow is our ESG Charter to ensure the social impact objective which we launched with, remains embedded for years to come. We take a responsible approach to every aspect of our business, including environmental sustainability and governance standards.

Targeting Tomorrow gives us the platform to work with shareholders, tenants and other stakeholders more effectively than ever to supply care home real estate that delivers tangible benefits.



Targeting Tomorrow continued

# Collaborative approach

Our commitment to a responsible approach means the views of all our stakeholders matter to us, from the direct relationships we have with shareholders and tenants, to the ultimate users of our real estate in residents, care professionals and local communities.

We asked stakeholders what their priorities are, and we defined our approach based on feedback. Key feedback was:

- We are considered to be leaders in social impact and responsible investment, however measurement and reporting thereof is encouraged.
- We should ensure ESG factors are embedded into our acquisition process and report on that with quantification if possible.
- We should continue to be authentic and transparent in our business relationships.

The Company is continuing to ensure that these priorities are addressed, with the Manager having introduced its ESG house standard to its acquisition process in the prior year and the data collection, measurement and reporting of ESG matters continuing to be enhanced.

## Care home real estate that leads the way

The purpose of our business is to improve the standard of care home real estate, using our influence as a leading investor in the sector to encourage improvements in quality. Consequently, our own investment approach will not compromise quality.

Our approach isn't changing, we will continue to focus on 'doing the right thing' led by providing fit-for-purpose real estate for the long term to care providers who share our care ethos and can demonstrate operational capabilities. We support the United Nations' (UN) Sustainable Development Goals (SDGs), which our strategy is aligned with. We report in more detail on those SDGs where we can achieve a tangible impact.

ESG as a concept is evolving, and will continue to do so. Reliable and comparable measurement standards remain elusive in some areas, particularly for social impact, which is our core purpose. Our ESG framework has been developed as a guide to help us deliver and articulate our actions and progress in a fair, balanced and understandable manner.

The three principles which we apply are:



### ➤ Responsible Investment

As an investor we understand that our actions have influence. We use our platform to lead by example through embedding appropriate ESG considerations into our decision-making.



### ➤ Responsible Partnerships

We engage with all our stakeholders to drive the creation of economic, social and environmental value around our buildings and in wider society.



### ➤ Responsible Business

We will treat all stakeholders with respect and deal fairly in a manner consistent with how we would expect to be treated ourselves.





# Responsible Investment

- 
- As an investor, we understand that our actions have influence. We use our platform to lead by example through embedding appropriate ESG considerations into our decision-making.

## Responsible Investment

Social impact is fundamental to our investment approach, and we also value modern real estate which has sector-leading environmental ratings. The bulk of emissions are 'Scope 3' downstream as they relate to energy used by our tenants and their residents.

Early stage  
 Partially met  
 Met

Commitment	E, S, G	Status	Progress and insight
<b>Responsible Investment</b>			
Continue to provide better care home real estate which results in positive social impact for residents, their carers and local communities.	S		<ul style="list-style-type: none"> <li>– 99% wet-rooms (up from 98%).</li> <li>– Data shows portfolio real estate standards significantly ahead of listed peers (see page 10).</li> <li>– Positive social impact (see pages 10, 13, 15).</li> </ul>
Support the sector's transition from poor real estate standards via long-term financial/investment support for new developments.	S		<ul style="list-style-type: none"> <li>– £204 million investment in newly-built care homes since launch, providing 17 homes offering 1,144 beds to residents.</li> <li>– We are providers of long-term stable investment capital to the sector with total assets of c.£911 million.</li> </ul>
Obtain reliable certification and insightful data on the energy efficiency of our real estate.	E		<ul style="list-style-type: none"> <li>– EPC certification for 100% of portfolio.</li> <li>– BREEAM In-Use certification in place for 11% of our portfolio, ahead of our 10% target coverage.</li> </ul>
Increase data coverage of energy consumption by our tenants, aiding transparency and our ability to positively influence energy efficiency.	E		<ul style="list-style-type: none"> <li>– 'Scope 3' energy usage data collection substantially increased to 94% from 47% of portfolio.</li> <li>– 'Green lease' data provision covenants now at 44% of portfolio and continue to be added to new leases and at change events.</li> </ul>
Ensure ESG factors embedded into acquisition process and portfolio management.	E		<ul style="list-style-type: none"> <li>– The Manager's 'house standard', which guides how ESG factors are considered for each investment opportunity with minimum acceptable thresholds, has been followed.</li> </ul>
Net zero commitment.	E		<ul style="list-style-type: none"> <li>– Being created with guidance from external experts.</li> <li>– Strong baseline position confirmed.</li> <li>– Intention to publish during second half of 2024.</li> </ul>

### Alignment with UN SDGs

The SDGs that are most relevant to our responsible investment, and where we believe we can make a tangible, positive impact, are:



## Responsible Investment continued

Energy efficiency is a specific consideration in our investment analysis for acquisitions, developments and portfolio management decisions.



### ► EPC

Our portfolio's EPC certification is 98%-compliant with anticipated legislative standards which will require commercial real estate to be rated EPC B at minimum\* by 2030.

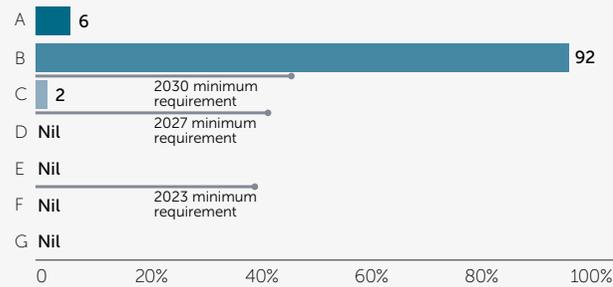
2027 compliance\*

**100%**

2030 compliance\*

**98%**

of the portfolio is EPC rated B or above (A = 6%; B = 92%; and C = 2%)



This is significantly ahead of our listed peers and commercial real estate generally, limiting the requirement for expensive and disruptive remedial transition capital expenditure.

Strong EPC ratings are a natural consequence of well-designed, modern real estate which we believe should be the staple of the care home sector.

\* Anticipated future legal requirements based on MEES.

### ► Building research establishment environmental assessment method (BREEAM):

The world's leading science-based suite of validation and certification systems for the sustainable built environment. The BREEAM In-Use standards provide a framework to enable property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their assets, leading to benchmarking, assurance and validation of operational asset data. BREEAM In-Use certification is valid for three years. Our certification is summarised as follows:

	Excellent	Very Good	Good	Below good
Number of ratings	1	8	1	–

We have committed to ensure a minimum of 10% of the portfolio is certified on an ongoing basis and will do so through choosing assets which are a representative sample of the portfolio as a whole based on geography, build type, design characteristics, developer and operator.

Our investment criteria and focus on modern, purpose-built assets results in a portfolio which is homogeneous and therefore a limited sample provides assurance from certification, and valuable feedback from the process, that can be applied across the portfolio. Additionally, given the cost of obtaining certification this approach provides the required insight while maintaining value-for-money.



### Green leases

As part of our engaged landlord approach, we are embedding covenants within our industry-leading standard lease to mandate the collection of energy usage data from our tenants alongside other financial, operational and regulatory reporting from our tenants.

2024	2023
44%	11%

### Data collection and tenant engagement

2024	2023
94%	47%

Substantial progress has been made in collecting Scope 3 energy usage data from our tenants, with near-full provision.

This provides meaningful data for us to analyse and use productively towards energy-efficiency initiatives and reporting.

Having a majority of single-let assets and a large number of tenants makes this a challenging endeavour, although one which we believe is crucial to progress and meeting our commitments.

## Responsible Investment continued

# In our role as a responsible landlord, we are committed to helping our tenants identify and implement ways to increase their energy efficiency.

It is a complex area, however we are working on a straightforward hierarchy of initiatives to maximise our impact over both the short and longer term, for example:

Hierarchy	Example
Demand reduction	Assist our tenants in understanding their energy usage levels and patterns compared to peers.
Energy efficiency	Support with best practice efficiency measures such as LED lighting and appropriate insulation (see opposite).
On-site renewable generation	Advocating and funding commitment for solar PV installation (see opposite).
Electrification of heat	12 assets already with ground or air source heat pumps.

### ➤ Photovoltaic (PV) solar panels

Solar PV panels produce electricity from sunlight, are low maintenance, and can be an efficient means of reliable and cost-effective energy production. However, the design of some real estate and, in particular, roof orientation may limit the usage of this technology for some assets.

We are working with our tenants to install PV panels, either through direct funding with a commercial rate of return, or through support via the necessary landlord consents. A typical scheme can reduce an asset's carbon footprint by c.20%.

We are currently anticipating installation at seven assets and are in discussions regarding an additional 23 assets. Early-stage conversations are ongoing with a further 20 assets.



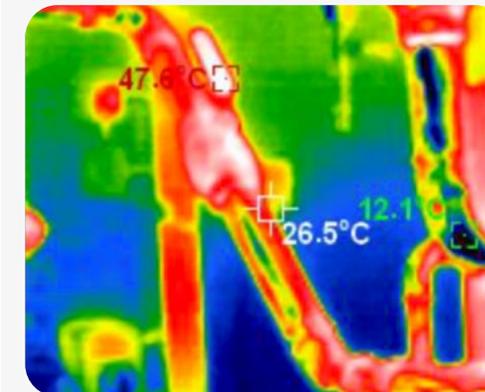
### ➤ Thermal jacket insulation

Data analysis and collaboration with experts has identified insulation of critical parts of the heat distribution system as a potential efficiency 'quick win' across the portfolio. Early assessment shows it to be an efficient method with little to no disruption to operations, typically reducing carbon footprint by c.3%.

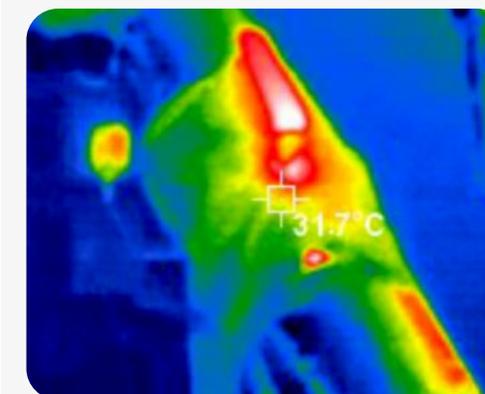
We have trialled the initiative in a home in Yorkshire, with data being gathered to prove its efficacy and inspire a more widespread rollout. The images below show the before/after effect with respect to retention of generated heat in a plant room.

#### Thermal wrap heat scan images

##### ➤ Before



##### ➤ After



## Responsible Investment continued

Through our responsible investment into high-quality real estate and partnering with trusted sector specialist operators, we can go some way to measuring the social impact of the portfolio by comparison with our peers in the listed care home real estate sector.

Our portfolio has substantially full wet-room provision for residents, significantly ahead of the sector average and our listed peers. It remains disappointing that many en suites in care homes are nothing more than a WC and wash hand basin, with shared bathrooms still commonplace.

Carehome.co.uk, a 'Tripadvisor'-style care home review website provides real-time feedback from residents and their families to the home and is a key tool for those making the buying decision for a resident entering a care home. Our portfolio measures well at 9.5 compared to our peers at 9.3.

It is crucial to remember that while care facilities are being provided, these buildings are the residents' homes and we believe that providing ample public and private spaces for residents is paramount to the social impact a care home can have. Our homes have on average 17.5% more space per resident than our peers while our rent is in line with our peers on a m<sup>2</sup> basis, promoting the sustainable partnerships with our tenants.



M<sup>2</sup> per resident

47



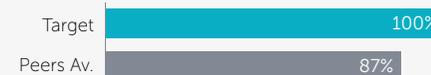
EPC A or B rated

98%



% en suite WC

100%



Average Carehome.co.uk rating

9.5



Average rent per m<sup>2</sup>

£190



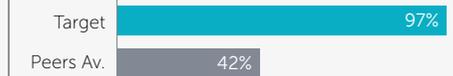
% en suite wet-rooms

99%



Purpose built since 2000

97%



Regulatory ratings (Good+)

71%



Peers Average is comprised of publicly available information available from third parties or disclosed by Impact Healthcare REIT and Aedifica (in relation to their UK portfolio) as at 31 December 2023. Competitor M<sup>2</sup> sourced from EPCs. Company's M<sup>2</sup> sourced from BRCA.



# Responsible Partnerships

## Responsible Partnerships

We engage with all our stakeholders to drive the creation of economic, social and environmental value around our buildings and in wider society.

- Early stage
- Partially met
- Met

Commitment	E, S, G	Status	Progress and insight
<b>Responsible Partnerships</b>			
Engage with tenants to ensure real estate is meeting their operational and staff needs, allowing effective care for residents.	S		<ul style="list-style-type: none"> <li>– Formal tenant survey results consistent with our thesis that our real estate makes a real difference.</li> <li>– 9/10 agreed our real estate is a great working environment and helps deliver dignified care for residents.</li> <li>– 9/10 agreed working with Target was a positive experience.</li> </ul> <p>See more details on page 13.</p>
Use energy data obtained from tenants to positively influence behaviours where possible.	E		<ul style="list-style-type: none"> <li>– Data analysis on energy usage across the portfolio has (i) identified outliers and (ii) identified appropriate initiatives to pursue (see page 9).</li> </ul>
Be a responsible landlord to our tenants and their communities through significant challenges, such as pandemics.	S		<ul style="list-style-type: none"> <li>– Continuity of care prioritised and achieved, to ensure positive social impact for residents and communities.</li> </ul>

### ➤ Alignment with UN SDGs

The SDG that is most relevant to our responsible partnerships, and where we believe we can make a tangible, positive impact, is:



### What this means for Target

#### ➤ Tenant selection, engagement and collaboration

- As a responsible, proactive landlord we prioritise good, open relationships with our tenants.
- We make sure that we solicit, assess and respond to feedback on our portfolio and our behaviours to ensure carers and residents can be respected and cared for with dignity.
- We only select tenants who share our care ethos and we believe can deliver operationally.

#### ➤ Communities and society

- We fully appreciate the vital role that care homes play in every community, and take decisions in the best interest of maintaining continuity of care for residents.
- Advocate for and support the sector.

Responsible Partnerships continued

# Tenant survey

We visit every home at least twice a year, to review the building condition and meet with those working in our homes. Separately, we regularly speak to all our tenants to get an update and discuss matters impacting the sector. Once again, the Manager was delighted to host tenant events during 2023 to bring together tenants with other stakeholders across the care sector, and provide a platform for knowledge sharing and discussions on topical issues. These events highlighted current trends, dynamics and expected forecasts for the care sector; digital marketing and how experience from other sectors can be applied to care operators to better serve residents; and the general market conditions and political environment for care home operators.

On behalf of the Company, the Manager regularly undertakes a tenant survey, with the key results of the latest survey available at 31 December 2023 being set out opposite.

**9/10**

Agreed that working with Target was a positive experience.

**9/10**

Agreed that Target provides real estate that is a great working environment and helps deliver dignified care to residents.

**7/10**

Agreed that Target are working towards mitigating climate change and are active in helping further its tenants' understanding.

**10/10**

Agreed that Target participates in sector events and appropriately shares knowledge.

**9/10**

Agreed that Target's values and purpose are clearly evident in its interactions with its tenants.

**10/10**

Agreed that Target visit our care home(s) at least twice a year and dedicate sufficient time to each visit.

Responsible Partnerships continued

# Q&A with Healthcare Director, Karen Austin

on her role on the road visiting the Company's care homes



## Q What does your role involve?

My fellow Healthcare Directors and I visit all homes in the portfolio regularly, ensuring all are visited twice within a 12-month period as a minimum, and more frequently if required. The focus on the visits is on monitoring and assessing the environment, care and general operational performance of the care provider (our tenant). As a landlord, we have a responsibility to ensure our homes' quality is maintained at a high standard and that this is matched with care providers who share our ethos and desire for positive social impact. Of course, this helps us protect investment value and is a means of engaging with our tenants to help them, sharing observations, best practice, and experience.

## Q How do you share this best practice?

It can be with anyone involved with the care home, the Home Manager, or staff member real time during the visit (e.g. I may liaise with the on-site maintenance person if carpet/décor/gardens need attention) to careful consideration and escalation of any more concerning areas to the regional/senior/executive management team. The latter would usually follow an internal discussion.

## Q Tell me about a typical day?

I would be on the road, visiting a couple of homes. Whilst the majority of these are scheduled visits there will always be a few homes we are keeping a closer eye on and where a 'pop in' visit will be valuable.

On arriving at a home, I am already observing the exterior presentation; Is the signage visible? Is parking readily available? Are the gardens/ground tidy and well maintained? Does the home look presentable from the outside? The details make such a difference to any prospective new client who might be visiting a care home for the first time.

Inside, I will do a walk around to observe the home's ambience, residents, and staff welfare, the physical fabric of the building, and will collect data on some key operational metrics such as resident occupancy, waiting list, staffing and costs. My approach is very much to observe, ask questions, and listen. Naturally, I would be looking back at previous visit notes and following-up actions, the impact of any initiatives and/or previous feedback.

Back in the office with the team I'll compile and circulate reports to the wider team, field questions and join team discussions on the tenant/home/portfolio performance.

## Q What is your experience in the care sector before your current role?

I am a dual-qualified nurse, having attained registration as an Enrolled Nurse, Registered General Nurse, and Registered Mental Health Nurse, I have 38 years of nursing experience. I moved into the private sector and worked at Home Manager and Regional Operations level until my move to Target. I commenced my first Home Manager role in 2000.

## Q How does your role within a landlord compare to your previous experience?

I love seeing a range of tenants/operators and the variety of approaches whilst sharing best practice. I can clearly see that our modern real estate makes such a positive impact on the care of the residents and staff morale. Sometimes it's frustrating seeing something and not being able to directly 'fix it' myself, though the 'work-around' that helps me here is that we have such effective engagement/feedback with our tenants that I am able to speak openly and offer constructive feedback based on experience. We can influence positively within a collaborative relationship.

## Q Favourite part of the role?

I have a very privileged role – being able to spend time in our care homes, as part the care home family, whilst not being directly operationally responsible for the care. I am proud that we have such strong and consistent views on the importance of real estate in residential care, and its role in maintaining independence, and offering privacy and dignity.



Responsible Partnerships continued

# A window into one of our care homes

Great real estate is crucial, and so are the dedicated, caring and professional people who work in our homes. A modern home will typically have a team with a higher number of staff than registered beds, all working together across the various areas of operation, ultimately to support care and lifestyle for the home's residents.

## Reception

A warm welcome and usually a hub of activity at all times of day. The front of house team will meet and greet visitors, show people around and do their best to help resolve queries on all topics.

**"I enjoy my role, for many reasons. I like to catch-up with the people who live here and help them in any way I can."** (Administrator)<sup>1</sup>

## Manager & Deputy

Keep residents, staff and visitors safe, happy and well cared for with ultimate responsibility for all operational aspects of a home including: care delivery; health & safety; regulatory compliance; and commercial performance.

**"I enjoy coming to work as the team makes all the difference."** (Deputy Manager)<sup>1</sup>

## Home Managers, Nurses, Senior carers and Carers

Delivery of person-centred care. The skills and experience of this dedicated team make a care home into a home for residents. The care team ensure residents are cared for, active, safe, in touch with loved-ones, and continuing to live life.

**"I am able to help everyone living here; one of the bits I like about it most is that it is purpose-built."** (Senior Carer)<sup>1</sup>



Bedrooms – average

**69**

Staff – average

**80**

including Carers, Admin and Grounds staff

Meals/snacks served annually

**c.108,000**

based on five meals/snacks per day

Groups of visitors welcomed annually

**c.3,600+**

Occupancy – average

**86%**



## Head Chef

One of the Manager's Heads of Department. Ensures balanced meals with residents' preferences and needs. A strong catering team will be committed to caring.

**"The food is amazing, I am so glad to be here, everyone looks after me so well."** (Resident)<sup>1</sup>

**"If I get food working correctly, the people who live here engage and enjoy their time here. I want them to feel important."** (Head Chef)<sup>1</sup>

## Support

The housekeeping, laundry and maintenance teams may not be the most visible but are vital to a well-functioning home. These teams take on some of the most challenging tasks around the home for the benefit of all.

**"I like to help the people who live here...I feel like I am making a difference."** (Maintenance)<sup>1</sup>

<sup>1</sup> Quotes obtained during a visit to a portfolio home in Yorkshire during April 2024.



# Responsible Business

## Responsible Business

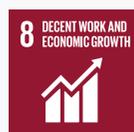
We will treat all stakeholders with respect and deal fairly in a manner consistent with how we would expect to be treated ourselves.

Early stage  
 Partially met  
 Met

Commitment	E, S, G	Status	Progress and insight
<b>Responsible Business</b>			
To establish an ESG Committee to provide appropriate focus and impetus to ESG matters.	G		– ESG Committee meets at least quarterly and has driven improvements in ESG reporting and approved established capex initiatives.
Ensure the benefits of Board diversity are achieved.	G		– The Board recognises the benefits of diversity and has consistently met the Hampton-Alexander guidance on gender diversity over recent years. Diversity, including ethnicity, was particularly considered in the Board’s recruitment processes.
Participate in benchmarking and sector appropriate programmes to provide comparable information to stakeholders.	G		– GRESB score of 60 in inaugural published assessment. Green star awarded, and score consistent with peer group average of 61.
Other reporting: Align financial and non-financial reporting with widely used frameworks.	G		– ESG disclosures have been enhanced in financial and non-financial reporting. – EPRA BPR and sBPR followed, with gold and silver awards obtained respectively for reporting quality.

### ➤ Alignment with UN SDGs

The SDG that is most relevant to our responsible business, and where we believe we can make a tangible, positive impact, is:



### What this means for Target

#### ➤ Governance and transparency

- We uphold the highest ethical standards and adhere to best practice in every aspect of our business.
- Our governance and behaviour treat transparency for all of our stakeholders as core.

#### ➤ People, culture and wellbeing

- We encourage employment practices across our key service providers that reflect our core values, with a focus on wellbeing, fairness and opportunity for all.

Responsible Business continued

# Governance & Transparency



This section, which serves as the Company's section 172 statement, explains how the Directors have had regard to the matters set out in section 172 (1) (a)-(f) of the Companies Act 2006 for the financial year ended 30 June 2023, taking into account the likely long-term consequences of decisions and the need to foster relationships with all stakeholders in accordance with the Association of Investment Companies' Code.

<p>a) <b>The likely consequences of any decision in the long term.</b></p>	<p>Our investment approach is long term, with an average lease length of 26.0 years. We believe this is the most responsible approach to provide stability and sustainability to tenants and key stakeholders. Therefore, most decisions require consideration of long-term consequences, from determining a sustainable rent level and the right tenant partner for each investment, to considering the impact of debt and key contracts with service providers on the recurring earnings that support dividends to shareholders.</p>
<p>b) <b>The interests of the Company's employees.</b></p>	<p>The Company is externally managed and therefore has no employees.</p>
<p>c) <b>The need to foster the Company's business relationships with suppliers, customers and others.</b></p>	<p>As a REIT with no employees, the Board works in close partnership with the Manager, which runs the Group's operations and portfolio within parameters set by the Board and subject to appropriate oversight. The Manager has deep relationships with tenants, the wider care home sector, and many of the Group's other suppliers. These are set out in more detail in the following table.</p>
<p>d) <b>The impact of the Company's operations on the community and the environment.</b></p>	<p>The Board is confident the Group's approach to investing in a sensitive sector is responsible with regard to social and environmental impact. This is set out in more detail in the community and the environment section of the table on the following page.</p>
<p>e) <b>The desirability of the Company maintaining a reputation for high standards of business conduct.</b></p>	<p>The Board requires high standards of itself, service providers and stakeholders. The Group's purpose and investment objectives dictate that these standards are met in order to retain credibility. The ethos and tone is set by the Board and the Manager.</p>
<p>f) <b>The need to act fairly as between members of the Company.</b></p>	<p>The Board encourages an active dialogue with shareholders to ensure effective communication, either directly or via its broker and/or Manager. The interests of all shareholders are considered when issuing new shares.</p>

**The interests of key stakeholders are considered and promoted as follows:**  
 The Board considers that it has made decisions during the year that will promote the success of the Group for the benefit of its members as a whole.

## Responsible Business continued



<p><b>Shareholders</b></p>	<p>Shareholders are key stakeholders and the Board proactively seeks the views of its shareholders and places great importance on communication with them.</p> <p>The Board reviews the detail of significant shareholders and recent movements at each Board Meeting and receives regular reports from the Investment Manager and Broker on the views of shareholders, and prospective shareholders, as well as updates on general market trends and expectations. The Chair and other Directors make themselves available to meet shareholders when required to discuss the Group's business and address shareholder queries. The Directors make themselves available at the AGM in person, with the Company also providing the ability for any questions to be raised with the Board by email in advance of the meeting.</p> <p>The Company and Investment Manager also provide regular updates to shareholders and the market through the Annual Report, Interim Report, regular Regulatory News Service announcements (including the quarterly Net Asset Value), quarterly investor reports and the Company's website. The Investment Manager holds results presentations on the day of publication of the Annual Report and Interim Report and will also meet with analysts and members of the financial press.</p>
<p><b>Tenants and underlying residents</b></p>	<p>The Investment Manager liaises closely with tenants to understand their needs, and those of their underlying residents, through visits to properties and regular communication with both care home personnel and senior management of the tenant operators. The effectiveness of this engagement is assessed through an annual survey.</p> <p>The Investment Manager also receives, and analyses, management information provided by each tenant at least quarterly and regularly monitors the CQC, or equivalent, rating for each home and any online reviews, such as carehome.co.uk. Any significant matters are discussed with the tenant and included within the Board reporting.</p>
<p><b>Debt providers</b></p>	<p>The Group has term loan and revolving credit facilities with the Royal Bank of Scotland plc, HSBC Bank plc and Phoenix Group (see Note 13 to the Consolidated Financial Statements in the Annual Report 2023 for more information). The Company maintains a positive working relationship with each of its lenders and provides regular updates, at least quarterly, on portfolio activity and compliance with its loan covenants in relation to each loan facility.</p>
<p><b>Investment Manager</b></p>	<p>The Investment Manager has responsibility for the day-to-day management of the Group pursuant to the Investment Management Agreement. The Board, and its committees, are in regular communication with the Investment Manager and receive formal presentations at every Board Meeting to aid its oversight of the Group's activities and the formulation of its ongoing strategy.</p> <p>The Board, through the Management Engagement Committee, formally reviews the performance of the Investment Manager, the terms of its appointment and the quality of the other services provided at least annually. Further details on this process and the conclusions reached in relation to the year ended 30 June 2023, are contained on page 41 of the Annual Report 2023.</p>
<p><b>Other service providers</b></p>	<p>The Board, through the Management Engagement Committee, formally reviews the performance of each of its significant service providers at least annually. The reviews will include the Company's legal advisers, brokers, tax advisers, auditors, depositary, valuers, company secretary, insurance broker, surveyors and registrar. The purpose of the review is to ensure that the quality of the service provided remains of the standard expected by the Board and that overall costs and other contractual arrangements remain in the interests of the Group and other significant stakeholders. The Investment Manager also reports regularly to the Board on these relationships.</p> <p>The other significant service providers, particularly the Group's legal advisers and brokers, are invited to attend Board Meetings and report directly to the Directors where appropriate.</p>
<p><b>Community and the environment</b></p>	<p>The Group's principal non-financial objective is to generate a positive social impact for the end-users of its real estate. Investment decisions are made based on the fundamental premise that the real estate is suitable for its residents, the staff who care for them, and their friends, families and local communities, both on original acquisition and for the long term.</p> <p>Environmental considerations are an integral part of the acquisition and portfolio management process, given the strategy of only acquiring modern buildings which benchmark well from an energy efficiency aspect. The Group's ESG strategy is currently prioritising the gathering of useful energy/consumption data on our portfolio which will be used to align the portfolio appropriately with benchmarks over the medium and longer term.</p>

# Supporting Data

## The Manager

Target Fund Managers is aligned with the ESG objectives of the Company. The Manager’s notable activities during 2023 and priorities into 2024 and beyond are summarised opposite:

	2023	2024
<b>Energy</b>	<ul style="list-style-type: none"> <li>– Carbon Neutral company certification obtained following emissions audit, with offsetting applied to 139.17 tCO<sub>2</sub>e for most recent annual reporting period.</li> <li>– 100% energy at premises from a renewable energy supplier.</li> </ul>	<ul style="list-style-type: none"> <li>– Business travel initiatives to be designed and implemented to promote green and staff wellbeing objectives.</li> <li>– To assess further measures to reasonably reduce energy usage.</li> </ul>
<b>People, culture, wellbeing</b>	<ul style="list-style-type: none"> <li>– Staff wellbeing and support prominent in people policies, inclusive of dedicated third parties, freely available.</li> <li>– Mental health training made available to all team members.</li> <li>– Flexible working, where appropriate, and use of technology inclusive of AV and teleconference.</li> <li>– Local suppliers and trades prioritised in supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>– Additional support identified and being rolled out as part of our health and wellbeing programme.</li> </ul>
<b>Responsible investment</b>	<ul style="list-style-type: none"> <li>– ‘House standard’ for responsible investment.</li> <li>– Regular monitoring visits to care homes.</li> </ul>	<ul style="list-style-type: none"> <li>– Enhancement of internal knowledge and resource to manage targeted roll-out of renewable energy supply infrastructure to priority assets.</li> </ul>



## Supporting data: Target Healthcare REIT plc

## EPRA Sustainability Performance Measures

## Environmental Sustainability Performance Measures

## Third Party Assurance

The Elec-Abs, Elec-LfL, Fuels-Abs, Fuels-LfL and GHG figures are sourced from the same data used by the Company for its annual GRESB submission. The GRESB data was reviewed by Envision Sustainability Limited ('Envision'), as ESG Advisers to the Company, in order to provide assurance on the validity and accuracy of the data presented, and verification of the GHG emissions reported, in accordance with ISO 14064-3. Based on a detailed review of sources of the data and information presented, Envision confirmed that the data presented for inclusion in the GRESB submission was accurate and a fair representation, prepared in accordance with ISO 14064-1.

EPRA Code	Performance Measure	Scope	Unit of measurement	2023 Absolute	2022 Absolute	Percentage Change
Elec-Abs	Total electricity consumption <sup>4</sup>	Total landlord-obtained electricity	Annual MWh	260	268	-2.9%
		Available tenant-obtained electricity <sup>1</sup>	Annual MWh <sup>1</sup>	16,495	16,705	-1.3%
		Percentage of electricity from renewable sources <sup>3</sup>	%	Not disclosed		
Elec-LfL	Like-for-like total electricity consumption <sup>4</sup>	Total landlord-obtained electricity	Annual MWh	260	268	-2.9%
		Available tenant-obtained electricity <sup>1</sup>	Annual MWh <sup>1</sup>	15,911	15,992	-0.5%
DH&C-Abs DH&C-LfL	Total district heating & cooling consumption and like-for-like total district heating & cooling consumption <sup>2</sup>	Total landlord-obtained electricity	Annual MWh	n/a	n/a	n/a
		Available tenant-obtained electricity	Annual MWh	n/a	n/a	n/a
Fuels-Abs	Total fuel consumption <sup>4</sup>	Total landlord-obtained gas	Annual MWh	903	896	+0.8%
		Available tenant-obtained gas <sup>1</sup>	Annual MWh <sup>1</sup>	38,498	37,766	+1.9%
Fuels-LfL	Like-for-like total fuel consumption <sup>4</sup>	Total landlord-obtained gas	Annual MWh	903	896	+0.8%
		Available tenant-obtained gas <sup>1</sup>	Annual MWh <sup>1</sup>	38,014	35,927	+5.8%
Energy-Int	Building energy intensity <sup>5</sup>	Total landlord-obtained fuels	Annual kWh per bed	10,028	10,037	-0.1%
		Available tenant-obtained fuels <sup>1</sup>	Annual kWh per bed <sup>1</sup>	9,198	9,021	+2.0%
		Total landlord-obtained fuels	Annual kWh per sqm	142.1	141.1	+0.8%
		Available tenant-obtained fuels <sup>1</sup>	Annual kWh per sqm <sup>1</sup>	136.9	139.1	-1.6%
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Total landlord-obtained fuels	Annual metric tonnes CO <sub>2</sub> e	0	0	0
		- Direct - Scope 1		0	0	0
		- Indirect - Scope 2		219	215	+1.7%
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Available tenant-obtained fuels	Annual metric tonnes CO <sub>2</sub> e <sup>1</sup>	10,458	10,124	+3.3%
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Total landlord-obtained fuels	Annual metric tonnes CO <sub>2</sub> e per bed	0	0	0
		- Direct - Scope 1		0	0	0
		- Indirect - Scope 2		1.89	1.86	+1.7%
		- Indirect - Scope 3				
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Available tenant-obtained fuels	Annual metric tonnes CO <sub>2</sub> e per bed <sup>1</sup>	1.75	1.68	+4.3%
		- Indirect - Scope 3 <sup>1</sup>				
		Total landlord-obtained fuels	Annual kilograms CO <sub>2</sub> e per sqm	0	0	0
		- Direct - Scope 1		0	0	0
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	- Indirect - Scope 2		34.5	33.9	+1.7%
		- Indirect - Scope 3				
		Available tenant-obtained fuels	Annual kilograms CO <sub>2</sub> e per sqm <sup>1</sup>	37.2	35.5	+4.6%
- Indirect - Scope 3 <sup>1</sup>						

1 The majority of the energy usage related to the Company's direct property portfolio is arranged by, and is the responsibility of, each tenant.

2 There are no district heating or cooling systems used by the properties within the Company's portfolio.

3 As the majority of electricity is procured by the tenants, the nature of the energy supply mix is unknown. The percentage of electricity from renewable sources from the landlord-obtained electricity is 42% and from nuclear sources is 1%.

4 All tenant-obtained and landlord-obtained data included in the Company's absolute portfolio is based almost entirely on meter readings and invoices and estimations represent less than 0.2% of total utility usage. Where information is not available for a property for the entirety of its operational period in both the current and prior year, the property has been excluded from Elec-Abs and Fuels-Abs. The resultant figures shown cover 94% of the Group's portfolio both by number of beds and by financial value of the assets within the organisational boundary at 31 December 2023 and the properties included are expected to be representative of the portfolio as a whole.

The like-for-like information is calculated based on the Company's absolute portfolio, adjusted to remove any properties which reached practical completion, or which were bought or sold during the most recent two full reporting years. No further adjustments were required for properties under development.

5 Normalisation. The Company considers the absolute and like-for-like gas usage to be the most effective measure for both landlord and tenant-obtained consumption. For a care home portfolio, it is considered that the most appropriate intensity metric is to measure this against the number of registered beds. However, recognising that portfolios with better social metrics may have a larger floor space per resident, the intensity per square foot is also provided.

## Supporting data: Target Healthcare REIT plc

### EPRA Sustainability Performance Measures Environmental Sustainability Performance Measures

EPRA Code	Performance Measure	Scope
Water-Abs Water-LfL	Total water consumption and like-for-like total water consumption	As the Company, as landlord and property owner, has no direct responsibility for water consumption and waste creation and disposal generated by the operations of the building and has limited scope through asset management initiative to influence the efficiency of the property portfolio in relation to these matters, they are deemed to be immaterial in measuring the environmental performance of the Company and are not reported.
Water-Int	Building water intensity	
Waste-Abs Waste-LfL	Total weight of waste by disposal route and like-for-like total weight of waste by disposal route	

### Narrative on Performance

The Company's portfolio continues to demonstrate a low level of absolute energy consumption, intensity and GHG emissions relative to both its peers and the science-based target to reach Net Zero Carbon by 2050, as may be expected given the portfolio's EPC and BREEAM ratings detailed elsewhere in this report. However, consumption across the portfolio increased year-on-year on both an absolute and like-for-like basis. The reasons for this are numerous, with just over half of the portfolio's homes reporting increased consumption and half reporting a decrease. However, the overall trend is believed to be driven primarily by the increase in the level of resident occupancy noted across the portfolio as a whole, with the fill-up of recently opened homes within the portfolio magnifying the general market trend as the sector continues to recover from the pandemic. Notwithstanding the initiatives to reduce energy consumption on the mature portfolio, as set out on page 9, this is a trend that may continue into the following year as the Group's recently built, and environmentally efficient, homes continue to mature towards full occupancy; a process usually expected to take around three years.

### Environmental Sustainability Performance Measures Certified Assets

An EPC rates how energy efficient a building is using grades from A to G (with 'A' the most efficient grade). All commercial properties leased to a tenant must have an EPC. All EPCs are valid for 10 years. The EPC rating system varies by country. The absolute EPC ratings applicable under each country's reporting systems are disclosed opposite. However, for direct comparison purposes, the EPC ratings for the Scottish properties have been converted to the equivalent rating that would apply under the methodology used in England and Wales and the English-equivalent ratings for the portfolio as a whole are disclosed on page 8.

In addition to EPC ratings, the Company has also obtained BREEAM In-Use assessments on a sample of its portfolio. BREEAM is the world's leading science-based suite of validation and certification systems for sustainable built environment. The BREEAM In-Use standards provide a framework to enable property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their assets, leading to benchmarking, assurance and validation of operational asset data. The BREEAM In-Use assessments obtained are disclosed on page 8.

Cert-Tot	Type and number of sustainably certified assets	Properties located in England & Wales and Northern Ireland under English rating system	EPC A	31 December 2023		31 December 2022	
				Number	Percentage	Number	Percentage
			EPC B	77	82.8%	77	79.4%
			EPC C	1	1.1%	6	6.2%
			EPC D or lower	–	–	–	–
		Properties located in Scotland under Scottish rating system*	EPC A	–	–	–	–
			EPC B	–	–	–	–
			EPC C	1	1.1%	1	1.0%
			EPC D	1	1.1%	1	1.0%
			EPC E	2	2.1%	2	2.1%
			EPC F	4	4.3%	4	4.1%
			EPC G or lower	–	–	–	–

\* The properties located in Scotland are reported here under the local rating system, but for consistency in reporting for the portfolio as a whole, have been converted to their English-equivalents and statistics on this basis for the portfolio as a whole are disclosed on page 8.

## Supporting data: Target Healthcare REIT plc

### Environmental Sustainability Performance Measures Investment Manager

The Investment Manager has produced its own Carbon (GHG) Emissions Report for the year to 31 October 2023. The relevant emissions, the majority of which relate to supporting the activities of the Company, are reported below. The Manager has met all Carbon Neutral Britain Certification standards in measuring, calculating and carbon offsetting organisational carbon emissions within the Scope 1, 2 and 3 GHG emissions boundary during the period of 1 November 2022 to 31 October 2023 and was therefore Certified Carbon Neutral for the period.

### Social Performance Measures

Target Healthcare REIT plc has no direct employees, with the Investment Management and Administrative functions undertaken by the Manager, Target Fund Managers Limited. Therefore, the following EPRA performance measures relating to employee-related matters are outside the organisational boundaries of this report and are not reported. Information on the Manager's notable activities in 2023 and priorities in 2024 are disclosed on page 21.

#### Diversity-Emp, Diversity-Pay, Emp-Training, Emp-Dev, Emp-Turnover, H&S-Emp

Due to the lease structures, with all properties fully-let to individual tenants and with no common areas under the control of the landlord, all health & safety assessments and ongoing community engagement are conducted by the Company's tenants and the Company has no direct oversight. The Company will, however, aim to have a positive impact on communities by, for example, treating continuity of care in our assets as a priority. The Company therefore does not report on the following EPRA performance measures.

#### H&S-Asset, H&S-Comp, Comty-Eng

EPRA Code	Performance Measure	Scope	Unit of measurement	Year to 31 October 2023	Year to 31 October 2022
<b>Elec-Abs</b>	Total electricity consumption	Total electricity consumption for Investment Manager	Annual kWh	87,615	54,000
<b>Energy-Int</b>	Electricity intensity for Investment Manager	Total electricity consumption per full time employee for Investment Manager	Annual kWh	2,826	2,514
<b>GHG-Indir-Abs</b>	Total indirect greenhouse gas (GHG) emissions	Scope 1: Company-owned vehicles	Annual metric tonnes CO <sub>2</sub> e	4.17	2.49
		Scope 2: Energy usage on site		18.14	10.44
		Scope 3: Other (including business travel, property visits, staff commuting and working-from-home energy usage)		116.86	94.42

## Supporting data: Target Healthcare REIT plc

### Governance Performance Measures

The Company is registered as a Public Limited Company in terms of the Companies Act 2006 (Registered number: 11990238) and is an investment company under section 833 of the Companies Act 2006. The Company's shares have been admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Company is a constituent of the FTSE 250 Index. As such, the Board of Target Healthcare REIT plc has adopted the Principles and Provisions of the AIC Code of Corporate Governance (the 'AIC Code'). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The full details of the Company's compliance with the AIC Code, and other corporate governance matters, are disclosed annually in the Group's Annual Report and Financial Statements.

The Company did not have any instances or occurrences of material controversies, misconduct, penalties, incidents or accidents to report to its stakeholders in relation to the year to 31 December 2023, or for the subsequent period up to the date of this report.

EPRA Code	Performance Measure	Unit	Indicator	31 December 2023	31 December 2022
Gov-Board	Composition of the highest governance body	Number	Board members	5	5
		%	Non-executive Board members	100%	100%
		%	Independent Board members	100%	100%
		%	Female Board members	40%	40%
		Years	Average tenure	2.0 years	1.0 years
Gov-Selec	Process for nominating and selecting the highest governance body	Narrative description	The recruitment process is detailed in the Directors' Report and Corporate Governance Statement of the Company's Annual Report 2023. The Board has established a separate Nomination Committee which considers and reviews the composition and balance of the Board, ensures that there are plans in place for an orderly succession and leads the process for appointments, including the selection and appointment of any external recruitment consultant. The performance of each of the independent non-executive Directors, and the Board as a whole, is assessed annually and each Director stands for election at each Annual General Meeting. The Board Performance Review is externally facilitated at least every three years.		
Gov-Col	Process for managing conflicts of interest	Narrative description	The process for identifying and managing conflicts of interest is detailed in the Corporate Governance Statement of the Company's Annual Report 2023. As well as the direct policies and processes of the Company, the Manager has in place a conflicts of interest and allocation policy which aims to ensure a fair allocation of investment opportunities and to mitigate potential conflicts of interest that may arise where the Manager provides investment management, investment advice or other services to other funds that may have similar investment policies to that of the Company. The Company has reviewed, and accepted, the Manager's policy which remained unchanged during the year.		

